

Summary of Earnings Report for the Fiscal Year Ended March 31, 2014

May 14, 2014

Name of listed company **A.D.Works., Ltd.**
Code **3250**

Listed stock exchange: Tokyo Stock Exchange
(URL <http://www.re-adworks.com>)

Representative: Hideo Tanaka, President CEO

Contact: Katsutoshi Hosoya, Managing Director CFO

TEL +81-(0) 3-4500-4200

Scheduled date of shareholders' meeting June 24, 2014

Scheduled date of dividend payment June 25, 2014

Scheduled date of filing Financial Reports: June 24, 2014

Result meeting Yes

1. Consolidated Results for the fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Millions of Yen, rounded down)

(1) Consolidated Business Results

(%: compare with the previous period)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2014	11,537	17.1	790	43.0	450	24.7	270	25.2
Year ended March 31, 2013	9,853	-3.0	552	32.9	361	24.4	216	54.5

(Notes) Comprehensive Income: March 31, 2014 270 million yen (up 25.0%), March 31, 2013 216 million yen (up 54.5%)

	Net Income per Share		Diluted Net Income per Share		Net Income on Equity		Ordinary Income on Total Assets		Operating Income Margin	
	Yen	%	Yen	%	¥ million	%	¥ million	%	%	%
Year ended March 31, 2014	1.93		1.92		6.5		3.9		6.9	
Year ended March 31, 2013	3.14		3.10		8.6		4.7		5.6	

(Notes) Investment gain or loss on equity method: March 31, 2014 - million yen, March 31, 2013 - million yen

On May 1, 2013, A.D.Works executed a 1:4 stock split of ordinary stock. On October 1, 2013 we also executed a 1:100 stock split of ordinary stock. The figures for net income per share and diluted net income per share were calculated assuming that these stock splits took place at the start of this consolidated fiscal year.

(2) Consolidated Financial Conditions

	Total Assets		Net Assets		Shareholders' equity ratio		Net Assets per Share	
	¥ million	%	¥ million	%	%	%	Yen	%
Year ended March 31, 2014	14,274		5,496		38.4		24.87	
Year ended March 31, 2013	9,117		2,896		31.5		27.60	

(Notes) Shareholders' Equity: March 31, 2014 5,487 million yen, March 31, 2013 2,872 million 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	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2014	-3,137		-69		4,537		3,551	
Year ended March 31, 2013	-1,357		-24		1,994		2,213	

2. Dividends Information

Record Date	Dividend per Share					Amount of Total Dividend million yen	Dividend ratio (consolidated) %	Dividend ratio per net asset %
	1Q	Interim	3Q	Year end	Total			
Year ended March 31, 2013	–	0	–	0.50	0.50	52	15.9	1.5
Year ended March 31, 2014	–	0	–	0.35	0.35	77	18.1	1.3
Year ending March 31, 2015	–	0	–	0.35	0.35		25.7	

On May 1, 2013, A.D.Works executed a 1:4 stock split of ordinary stock. On October 1, 2013 we also executed a 1:100 stock split of ordinary stock. The figure for dividend per share was calculated assuming that this stock split took place at the start of this consolidated fiscal year.

3. Plan of Consolidated Financial Results for the Year Ending March 31, 2015 (from April 1, 2014 to 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)

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

1. Analysis Related to Business Results and Financial Status

(1) Analysis related to business results

[1] Business results from this fiscal year

Backed by rising land prices, the business environment surrounding the A.D.W. Group continues to improve in both the rental market and selling market. In the revenue-generating real estate market, there has also been a significant increase in buying demand centered on high net-worth individuals.

In this kind of business environment and based on the Third Mid-range Business Plan that was announced on May 24, 2012, the A.D.W. Group has identified the following as its basic policies: establishment of the AD business model, expanding the scale of business, and flexible and independent raising of capital. We have positioned the 3 years beginning from the year ended March 31, 2013 as a period of preparation for dramatic future advances, and have carried out a variety of plans aimed at achieving further growth.

Because of our success in carrying out the Third Mid-range Business Plan ahead of schedule, we formulated a new 3-year Fourth Mid-range Business Plan beginning from the year ending March 31, 2015. This plan was announced on March 31, 2014.

During the current consolidated fiscal year, sales activities in the revenue-generating real estate business delivered strong results, producing a large increase in income and profits compared with the previous fiscal year. As we work to actively expand our balance of revenue-generating real estate, A.D.Works is devoting maximum efforts to acquisition activities in Tokyo and the broader Tokyo Metropolitan Area (Tokyo + 3 prefectures), including in Kanagawa Prefecture where we opened the Yokohama Sales Office in September 2013.

We also carried out preparation aimed at full-scale operation of a revenue-generating real estate business in the United States, including the acquisition of 5 revenue-generating real estate properties in California, U.S.A., establishing a property management company in Los Angeles in September 2013, and obtaining local licenses for engaging in revenue-generating real estate business.

Aiming to further strengthen our relationships with the high net-worth individuals who are the owners of the properties sold by A.D.Works, we launched the “torch” owners’ club in January 2014 as one part of our CRM (*1) strategy. We have also focused efforts on strengthening cooperation with external partners.

As we announced on October 16, 2013, during this consolidated year we conducted a commitment-type rights offering (allotment of listed share options without contribution) and completed the procurement of approximately 2.2 billion yen of on-hand funds to be used for acquisition of revenue-generating real estate. The 144 million yen that was expended for this capital increase was recorded as a non-operating expense.

As a result of the above, sales during this consolidated fiscal year were 11.537 billion yen (up 17.1% from the previous year), operating income was 790 million yen (up 43.0% from the previous year), ordinary income was 450 million yen (up 24.7% from the previous fiscal year), and net income was 270 million yen (up 25.2% from the previous fiscal year).

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

(Revenue-generating real estate business)

In this segment, we focused on further strengthening our acquisition activities and on sales of revenue-generating real estate.

As a result of our focus on acquisition activities aimed at achieving an 8.0 billion yen target balance of revenue-generating real estate at the end of the consolidated fiscal year, we succeeded in expanding our balance of revenue-generating real estate to 10.1 billion yen. With growing interest among high net-worth individuals

regarding investment in revenue-generating real estate, our active approach to sales activities resulted in sales of 32 buildings during this consolidated fiscal year (compared with 28 buildings during the previous fiscal year). As a result of the above, sales were 9.595 billion yen (up 30.6% from the previous fiscal year) and ordinary income was 878 million yen (up 72.4% from the previous fiscal year).

(Stock-type fee business)

In this segment, we worked to increase rental revenue by expanding our balance of revenue-generating real estate, and also to provide a range of property management and other consulting services.

During this consolidated fiscal year, although the increase in rental revenue obtained during the period of ownership by our company did contribute to profits, profits in this segment were down from the previous year. The primary reason was an increase in personnel and other expenses for reinforcing our subsidiary A.D.Partners Corporation, which is engaged in the property management business and which began operating in July 2013.

As a result of the above, sales were 1.109 billion yen (up 27.2% from the previous fiscal year) and ordinary income was 252 million yen (down 20.7% from the previous fiscal year).

(General residential real estate business)

In this segment, we focused on sales of new buildings and secondhand buildings.

As a result, sales were 916 million yen (down 45.1% from the previous fiscal year) and ordinary income was 5 million yen (compared with an ordinary loss of 92 million yen in the previous fiscal year). The scale of this business is continuing to decrease as we concentrate on our core businesses.

(Notes) *1: Customer Relationship Management: A method used by companies to construct long-term relationships with customers

*2: Transactions between segments are eliminated in the consolidated figures.

*3: The difference of 686 million yen between the total ordinary income of all segments and the consolidated ordinary income is recorded for the company as a whole as an SG&A expense that cannot be attributed to the segments.

[2] Plan for the next fiscal year

In addition to carrying out the Third Mid-range Business Plan ahead of schedule, A.D.Works also conducted a capital increase by means of a commitment-type rights offering and completed the procurement of the 2.2 billion yen in funds required for expanding the scale of our business, as announced on October 16, 2013. Based on these results, a new 3-year Fourth Mid-range Business Plan beginning from the next fiscal year (year ending March 31, 2015) was formulated and announced on March 31, 2014.

As in the previous plan, this Fourth Mid-range Business Plan continues the basic policy of changing the profit structure by expanding the scale of our business, and calls for actively increasing the balance of revenue-generating real estate. With this strategy, we intend to transition from a profit model that is dependent on sales of revenue-generating real estate to a model yielding more stable profits by increasing the balance of revenue-generating real estate in order to increase rental revenue in addition to income from sales of these properties.

We will achieve the optimal balance between the turnover rate and balance of revenue-generating real estate in order to increase consolidated ROE by ensuring a certain level of rental revenue for each fiscal year from the revenue-generating real estate held by our company. The plan value for consolidated ROE (fiscal year end) in the next fiscal year is 5.3%.

Although the business environment surrounding A.D.Works has improved compared with past years, in consideration for factors including real estate prices that have continued rising since last year, and the effects of

the April hike in the consumption tax, we believe that property acquisitions must be conducted cautiously in order to maintain the necessary level of quality in the revenue-generating real estate which we acquire. For this reason, we have formulated a conservative plan for the next fiscal year.

As a result of the above, the consolidated business plan for the year ending March 31, 2015 calls for 12.700 billion yen in sales (up 10.1% from the previous year) and 500 million yen in ordinary income (up 11.0% from the previous year).

It has also been decided to additionally announce the plan values for consolidated EBITDA (*) beginning from the next fiscal year to serve as an index for the cash produced by the regular business of the A.D.Works Group. The plan value for consolidated EBITDA in the next fiscal year is 787 million yen.

* Consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)

= Consolidated operating income + Depreciation, amortization, etc.

Depreciation and amortization, etc. includes depreciation, software amortization, amortization of goodwill, and other expenses which do not involve cash disbursement.

(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%

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.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

	(Units: Thousands yen)	
	Previous consolidated fiscal year (year ended March 31, 2013)	Current consolidated fiscal year (year ended March 31, 2014)
Assets		
Current assets		
Cash and savings	2,213,812	3,617,746
Accounts receivable	12,291	47,914
Revenue-generating real estate held for sale	4,972,922	8,939,011
Real estate for sale in process	395,109	146,319
Deferred tax assets	51,029	51,856
Other	215,715	180,421
Allowance for doubtful accounts	(651)	(1,511)
Total current assets	7,860,230	12,981,757
Fixed assets		
Tangible fixed assets		
Buildings	282,495	294,149
Accumulated depreciation	(35,015)	(49,974)
Buildings (net)	247,479	244,175
Tools, furniture, and fixtures	27,485	35,712
Accumulated depreciation	(15,395)	(19,995)
Tools, furniture, and fixtures (net)	12,089	15,717
Land	869,853	869,853
Total tangible fixed assets	1,129,423	1,129,745
Intangible fixed assets		
Other	7,988	19,528
Total intangible fixed assets	7,988	19,528
Investments and other assets		
Investment securities	2,500	500
Deferred tax assets	49,928	39,677
Others	67,429	103,749
Total investments and other assets	119,857	143,926
Total fixed assets	1,257,269	1,293,201
Total assets	9,117,499	14,274,958
Liabilities		
Current liabilities		
Accounts payable	223,702	411,976
Short-term loans payable	2,423,950	2,141,200
Current portion of bonds	60,000	139,500
Current portion of long-term loans payable	303,550	406,579
Corporate tax payable	170,690	79,552
Reserve for stock benefits	—	14,966
Other	785,263	751,784
Total current liabilities	3,967,155	3,945,558
Fixed liabilities		
Corporate bonds	110,000	1,106,750
Long-term loans payable	2,108,989	3,689,211
Other	34,570	37,380
Total fixed liabilities	2,253,559	4,833,341

(Units: Thousands yen)

	Previous consolidated fiscal year (year ended March 31, 2013)	Current consolidated fiscal year (year ended March 31, 2014)
Total liabilities	6,220,715	8,778,899

(Units: Thousands yen)

	Previous consolidated fiscal year (year ended March 31, 2013)	Current consolidated fiscal year (year ended March 31, 2014)
Net assets		
Shareholders' equity		
Capital stock	676,956	1,936,512
Capital surplus	615,954	1,883,142
Retained earnings	1,633,371	1,852,063
Treasury stock	(54,025)	(184,273)
Total shareholders' equity	2,872,256	5,487,444
Accumulated other comprehensive income		
Foreign currency translation adjustments	—	(427)
Total accumulated other comprehensive income	—	(427)
Subscription rights to shares	24,527	9,042
Total net assets	2,896,784	5,496,058
Total liabilities and net assets	9,117,499	14,274,958

(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, 2012 – March 31, 2013)	Current consolidated fiscal year (April 1, 2013 – March 31, 2014)
Sales	9,853,076	11,537,213
Cost of sales	8,318,691	9,405,010
Gross profit on sales	1,534,384	2,132,203
Sales, general, and administrative expenses	981,412	1,341,204
Operating income	552,972	790,998
Non-operating income		
Interest and dividends income	302	556
Interest on refund	791	859
Subsidy income	—	636
Insurance income	1,993	366
Other	69	156
Total non-operating income	3,157	2,575
Non-operating expenses		
Interest paid	127,979	118,442
Commission fees	13,577	19,471
Stock issuance cost	39,917	144,270
Other	13,301	60,811
Total non-operating expenses	194,776	342,996
Ordinary income	361,352	450,577
Net income before taxes	361,352	450,577
Income taxes – current	213,922	170,308
Income taxes – deferred	(68,859)	9,550
Total income taxes	145,062	179,859
Net income before minority interests	216,290	270,717
Net income	216,290	270,717

Consolidated Comprehensive Income Statement

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Current consolidated fiscal year (April 1, 2013 – March 31, 2014)
Net income before minority interests	216,290	270,717
Other comprehensive income		
Foreign currency translation adjustments	—	(427)
Total other comprehensive income	—	(427)
Comprehensive income	216,290	270,290
(attributable to)		
Owners of the parent company	216,290	270,290
Minority interests	—	—

(4) Consolidated Statement of Cash Flows

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Current consolidated fiscal year (April 1, 2013 – March 31, 2014)
Cash flows from operating activities		
Net income before income taxes	361,352	450,577
Depreciation and amortization	21,444	22,485
Increase (decrease) in allowance for doubtful accounts	(149)	860
Increase (decrease) in allowance for bonuses	(25,746)	—
Increase (decrease) in reserve for stock benefits	—	14,966
Interest and dividend income	(302)	(556)
Interest paid	127,979	118,442
Stock issuance cost	39,917	144,270
Decrease (increase) in notes and accounts receivable	23,823	(35,622)
Increase (decrease) in notes and accounts payable	157	188,274
Decrease (increase) in inventory assets	(2,117,872)	(3,730,168)
Increase (decrease) in advances received	333,000	—
Other	27,673	81,907
Subtotal	(1,208,721)	(2,744,563)
Interest and dividends income received	302	556
Interest amount paid	(131,382)	(129,549)
Income taxes paid	(17,208)	(264,238)
Cash flow from operating activities	(1,357,011)	(3,137,795)
Cash flow from investing activities		
Payments for acquisition of tangible fixed assets	(8,876)	(19,727)
Payments for acquisition of intangible fixed assets	(3,284)	(14,366)
Income from sale of investment securities	10	1,800
Payments for purchase of golf club memberships	(12,000)	—
Payments for guarantee deposits	—	(15,000)
Payments for lease deposits	—	(21,759)
Cash flow from investing activities	(24,151)	(69,053)
Cash flow from financing activities		
Proceeds from short-term loans payable	6,718,900	5,746,000
Repayment of short-term loans payable	(5,633,450)	(6,028,750)
Proceeds from long-term loans payable	1,617,000	3,844,170
Repayment of long-term loans payable	(1,177,204)	(2,160,919)
Proceeds from issuance of bonds	97,740	1,137,337
Expenses for redemption of bonds	(50,000)	(83,750)
Expenses for purchase of treasury stock	—	(166,800)
Proceeds from issuance of subscription rights to shares	144	5,040
Proceeds from exercise of subscription rights to shares	461,480	2,381,897
Dividends paid	(26,736)	(51,321)
Other	(13,577)	(85,334)
Cash flow from financing activities	1,994,295	4,537,568
Effect of exchange rate on cash and cash equivalents	—	7,349

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Current consolidated fiscal year (April 1, 2013 – March 31, 2014)
Increase (decrease) in cash and cash equivalents	613,133	1,338,069
Cash and cash equivalents at beginning of year	1,600,679	2,213,812
Cash and cash equivalents at end of year	2,213,812	3,551,882