



## **IR Briefing Materials:**

**The First Quarter of the Year Ending December 31, 2020**

**August 17, 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.

<b>I</b>	Summary of the First Quarter of the Year Ending December 31, 2020	P.2	-	P.4
<b>II</b>	Consolidated Business Plan for Fiscal Year Ending December 31, 2020	P.5	-	P.8
<b>III</b>	Overview of the First Quarter of the Year Ending December 31, 2020	P.9	-	P.16
<b>IV</b>	Reference Materials (Overview of the shift to holding company)	P.17	-	P.18
<b>V</b>	Reference Materials (About the Equity Finance)	P.19	-	P.20
<b>VI</b>	Reference Materials (Company Profile, Shareholder Composition, Trends in Consolidated Results)	P.21	-	P.24

# I - Summary of the Year Ending December 31, 2020

Topic  
1

## Impact of coronavirus outbreak

- The market itself essentially came to a halt in April and May due to the impact of the state of emergency declaration, and the Group had to restrict its sales activities.

Topic  
2

## Development of new product plans

- Began providing a co-working space at a Shimokitazawa property

### Promotion of development of new product plans

<https://contents.xj-storage.jp/xcontents/32500/c8bdd27e/2529/47e8/a9bf/dcfed1b19971/20200720071428223s.pdf>

Topic  
3

## Development of ARISTO, a real estate small-lot investment product

- Began selling ARISTO Koenji, the third such product following ARISTO Kyoto and ARISTO Aoyama. Progress in developing the fourth product has been steady.

## I -2. Summary of the Year Ended March 31, 2020

(Units: million yen)	FY2019 1Q (ended June 30, 2019)		FY2020 1Q (ended June 30, 2020)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Net sales	4,507	100.0%	2,253	100.0%	- 50.0%	14.1%
Gross profit	923	20.5%	586	26.0%	- 36.5%	—
SG & A	742	16.5%	767	34.0%	+3.4%	—
EBITDA	234	5.2%	- 142	—	—	—
Ordinary income	111	2.5%	- 256	—	—	—
Net income before taxes	111	2.5%	- 256	—	—	—
Net income	72	1.6%	- 180	—	—	—

- **Due to the impact of the spread of the novel coronavirus, sales activities had to be restricted in April and May, and both net sales and net income were disappointing.**

## **II - Consolidated Business Plan for Fiscal Year Ending December 31, 2020**

### 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

### 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.

We released the following guidance in our “Group Guidelines (Policies and Initiatives) on (Revised) Corporate Governance Code,” dated April 1, 2020.

### Scale that Group is targeting (Guidance)

	Target
Consolidated net assets	25 billion yen
Number of employees (consolidated)	200
Total market value	35-40 billion yen

※In aiming to achieve the targets in this guidance, time schedules such as those used until now will not be set.

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

## III-1. Consolidated P/L Summary

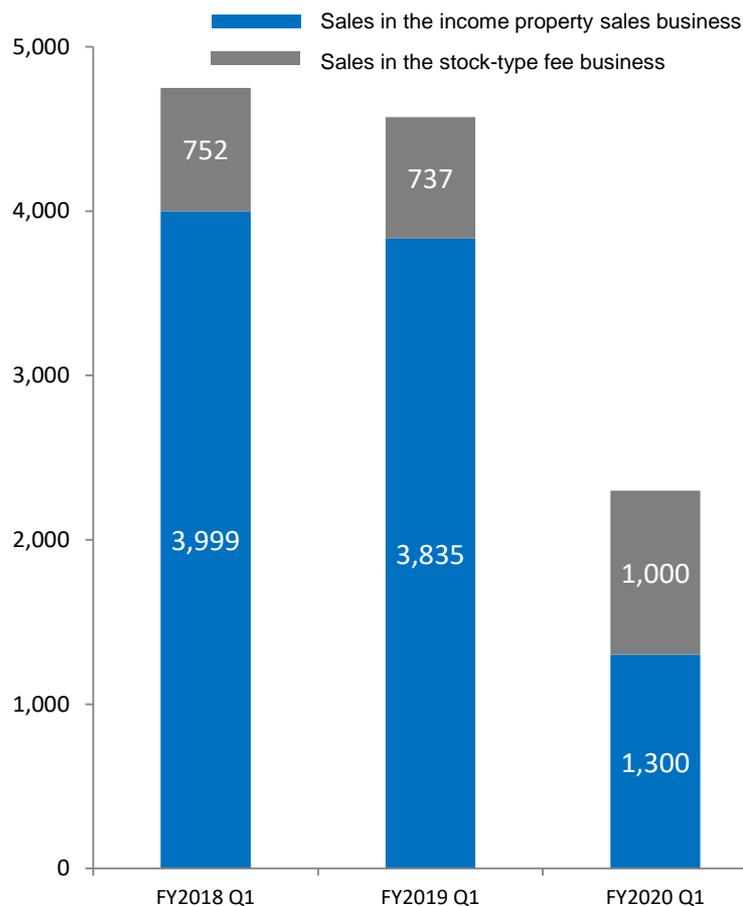
(Units: million yen)	FY2019 1Q (ended June 30, 2019)		FY2020 1Q (ended June 30, 2020)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Net sales	4,507	100.0%	2,253	100.0%	- 50.0%	14.1%
Gross profit	923	20.5%	586	26.0%	- 36.5%	—
SG & A	742	16.5%	767	34.0%	+3.4%	—
EBITDA	234	5.2%	- 142	—	—	—
Ordinary income	111	2.5%	- 256	—	—	—
Net income before taxes	111	2.5%	- 256	—	—	—
Net income	72	1.6%	- 180	—	—	—

- **Due to the impact of the spread of the novel coronavirus, sales activities had to be restricted in April and May, and both net sales and net income were disappointing.**

# III-2. Changes in Segment Results

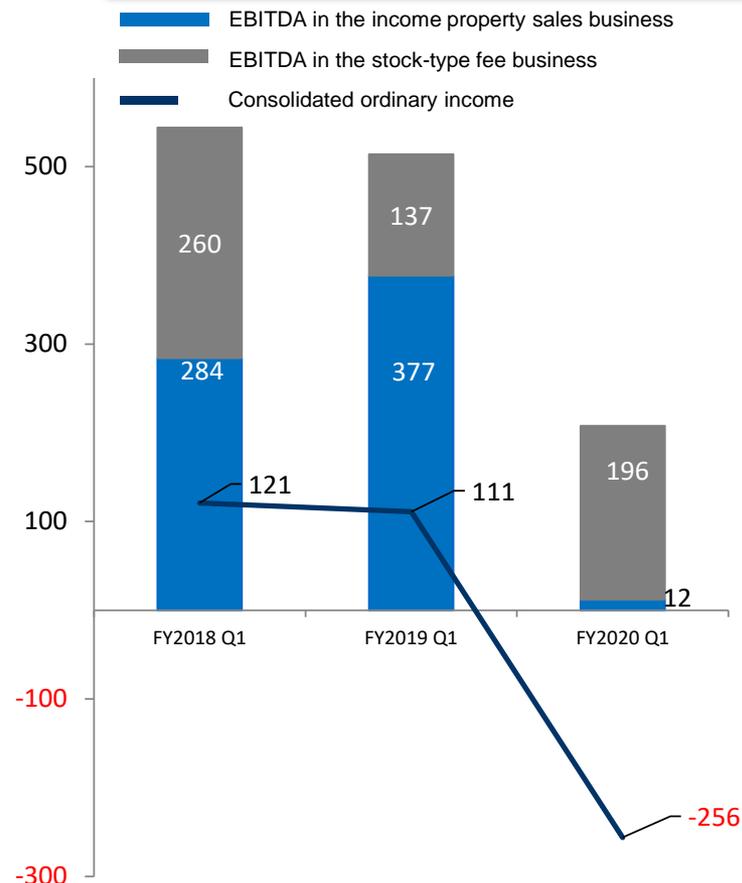
(Unit: million yen)

## Changes in segment sales



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

## Changes in segment EBITDA

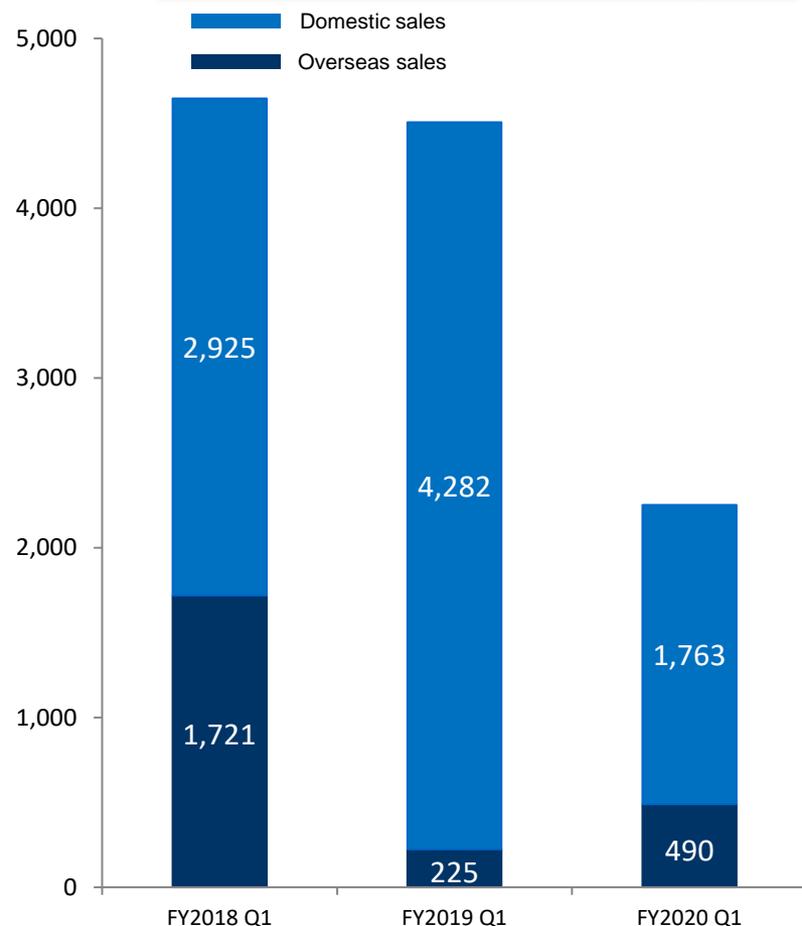


➤ **Results declined substantially in the income property sales business due to the impact of the spread of the novel coronavirus.**

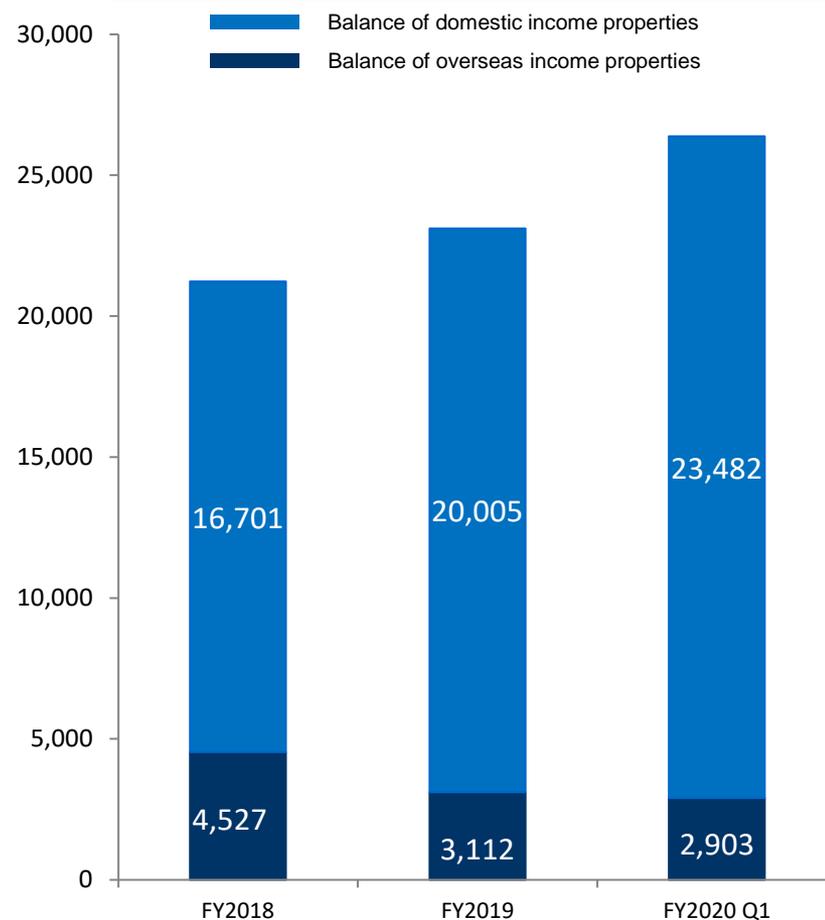
# III-3. Changes in Scale of Business by Region

(Unit: million yen)

## Changes in Net sales



## Changes in balance of income properties



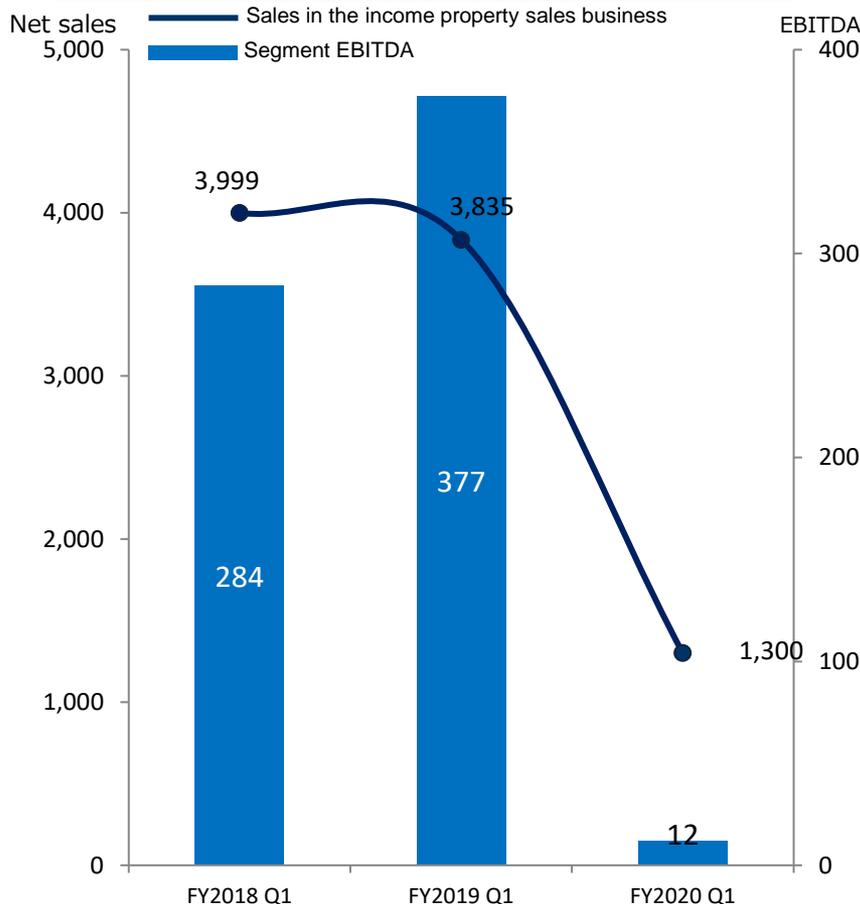
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Balance of domestic income properties built up, primarily with large properties.**

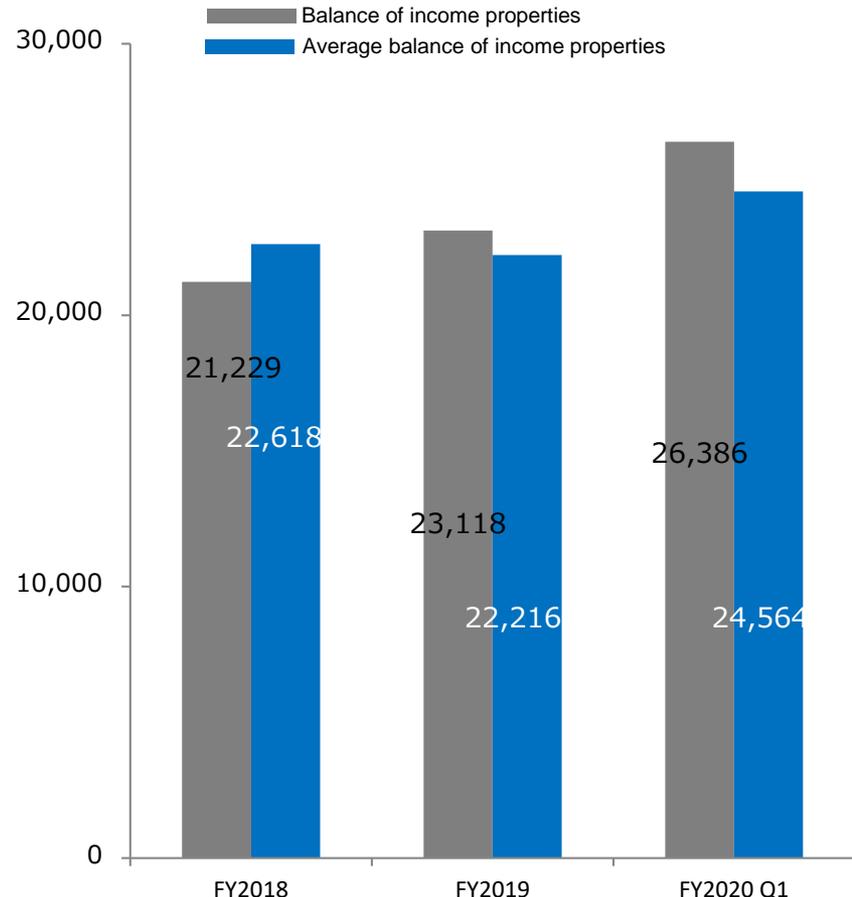
# III-4. Main Business Areas (1): Overview of the Income Property Sales Business

(Units: million yen)

## Changes in income property sales business results



## Changes in balance of income properties



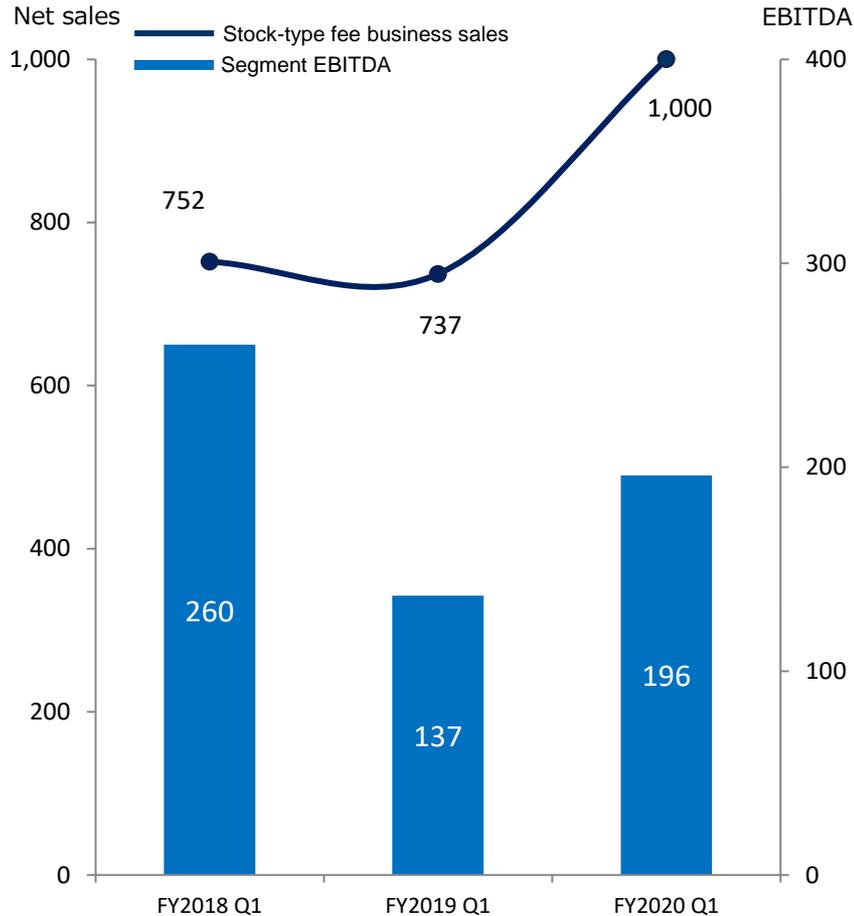
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **Net sales and net income fell sharply due to the growing coronavirus outbreak, but the balance of income properties increased due to property acquisitions in Japan.**

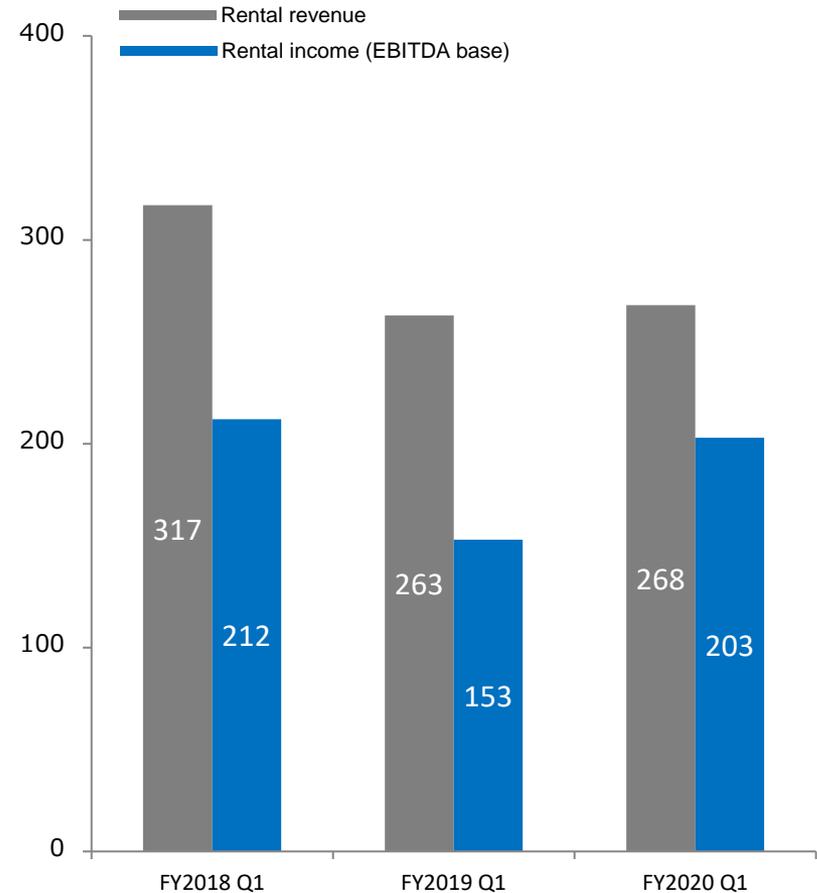
# Ⅲ-5. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

## Changes in stock-type fee business results

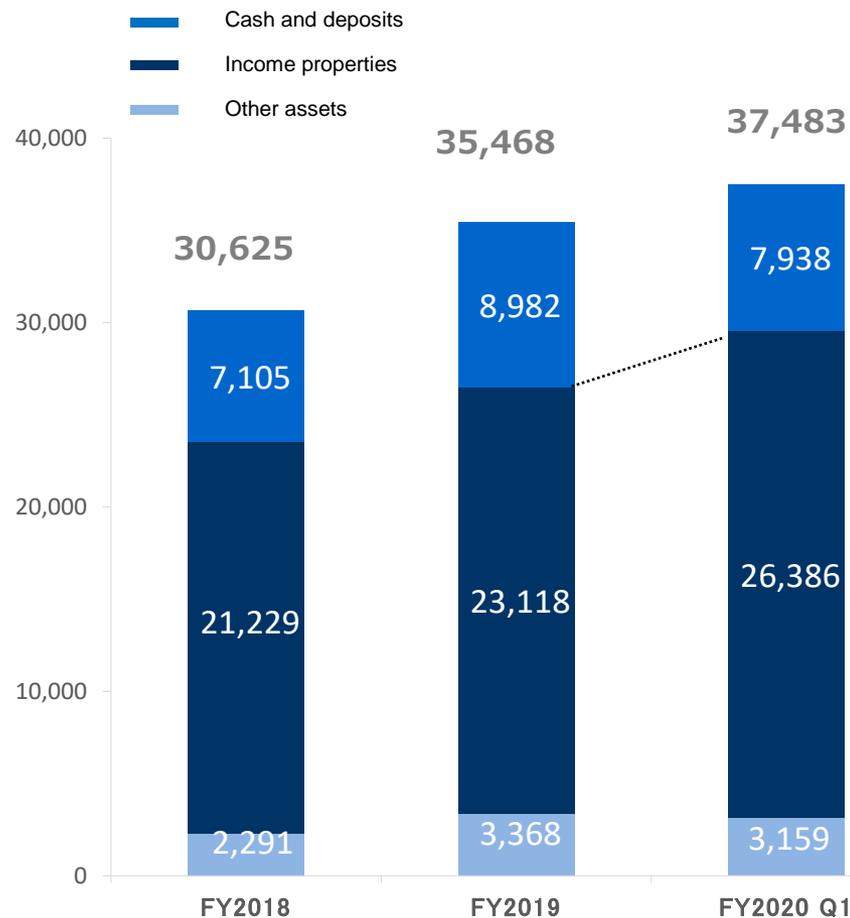


## Changes in rental revenue and income



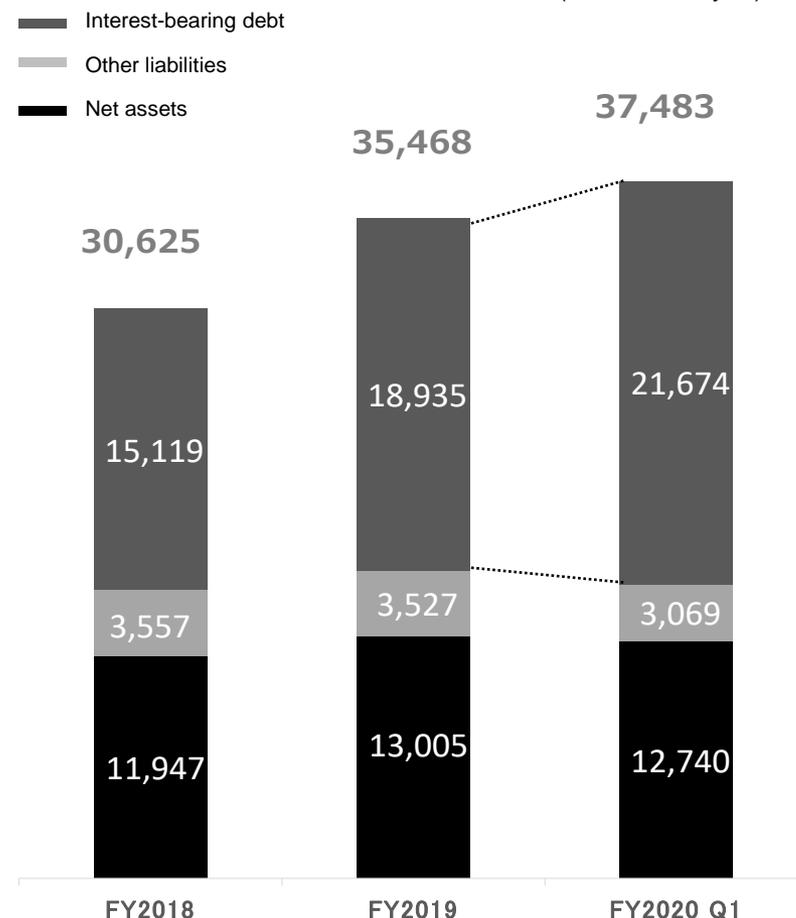
➤ Net sales and EBITDA increased due to the M&A of Sumikawa Works Co., Ltd.

## Total assets



## Total liabilities and 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 increased due to an increase in Income properties.**

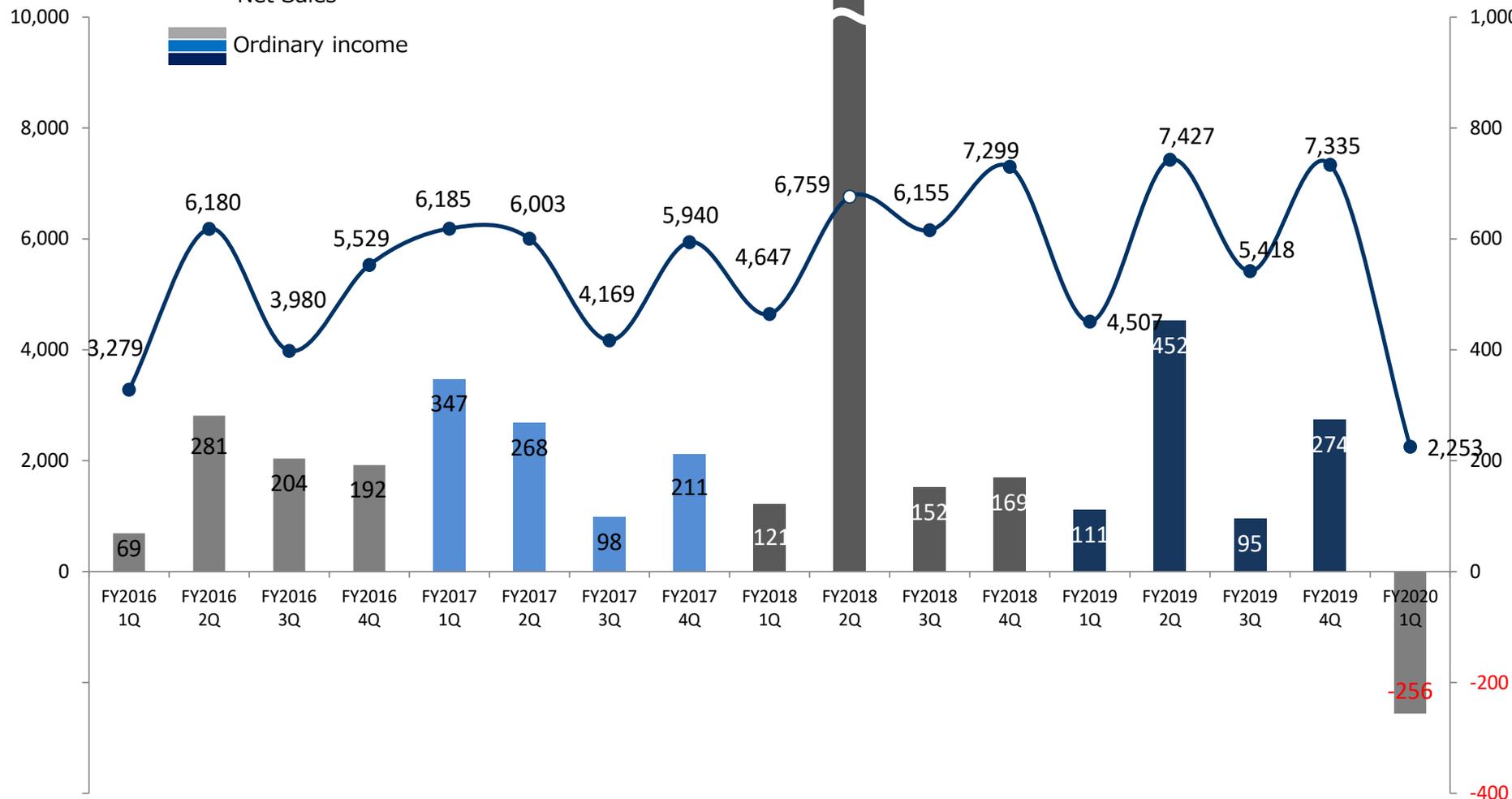
# Ⅲ-7. Changes in Consolidated Quarterly

(Unit: million yen)

Net Sales

— Net Sales  
 Ordinary income

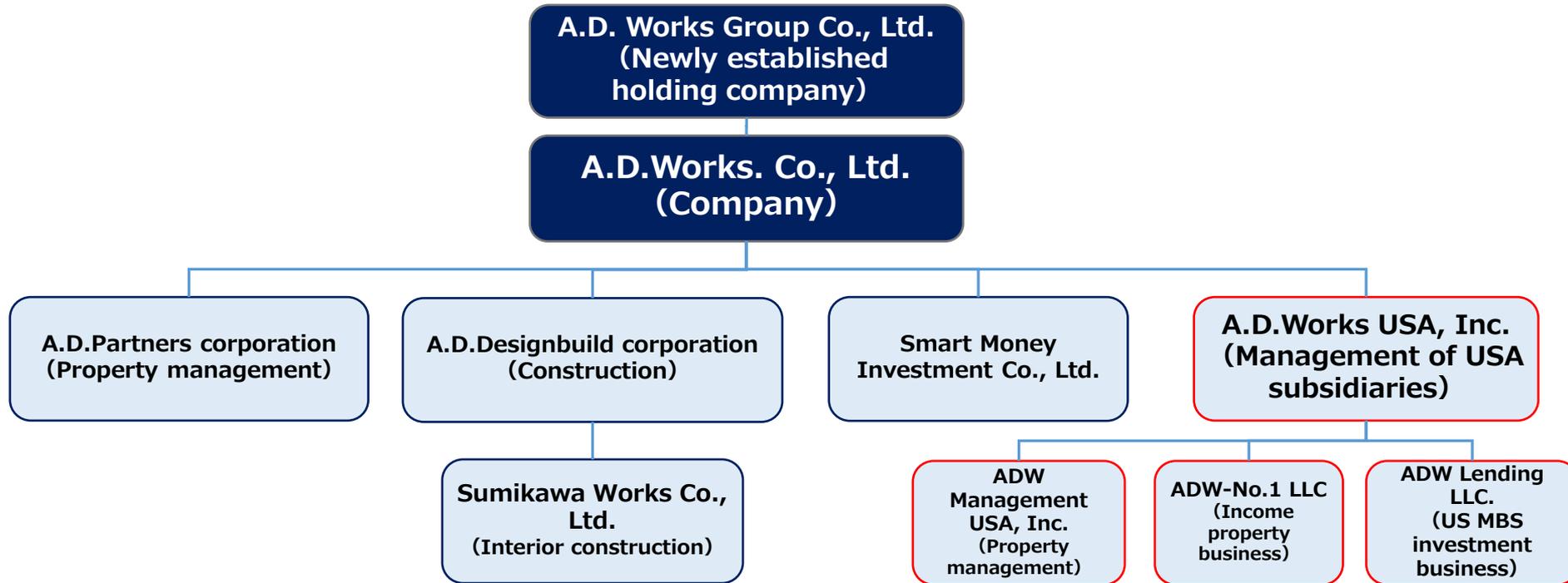
Ordinary income



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

## **IV - Reference Materials (Overview of the shift to holding company)**

Organizational system in STEP 1 (April 1, 2020) ⇒ Full-scale reorganization will take place from Step 2



## Aims of shift to holding company

- Make it easier to utilize methods such as business alliances, capital alliances and M&A;
- Optimize risk-taking and risk-hedging;
- Remain a “small company”;
- Introduce innovations to compensation system and HR system.

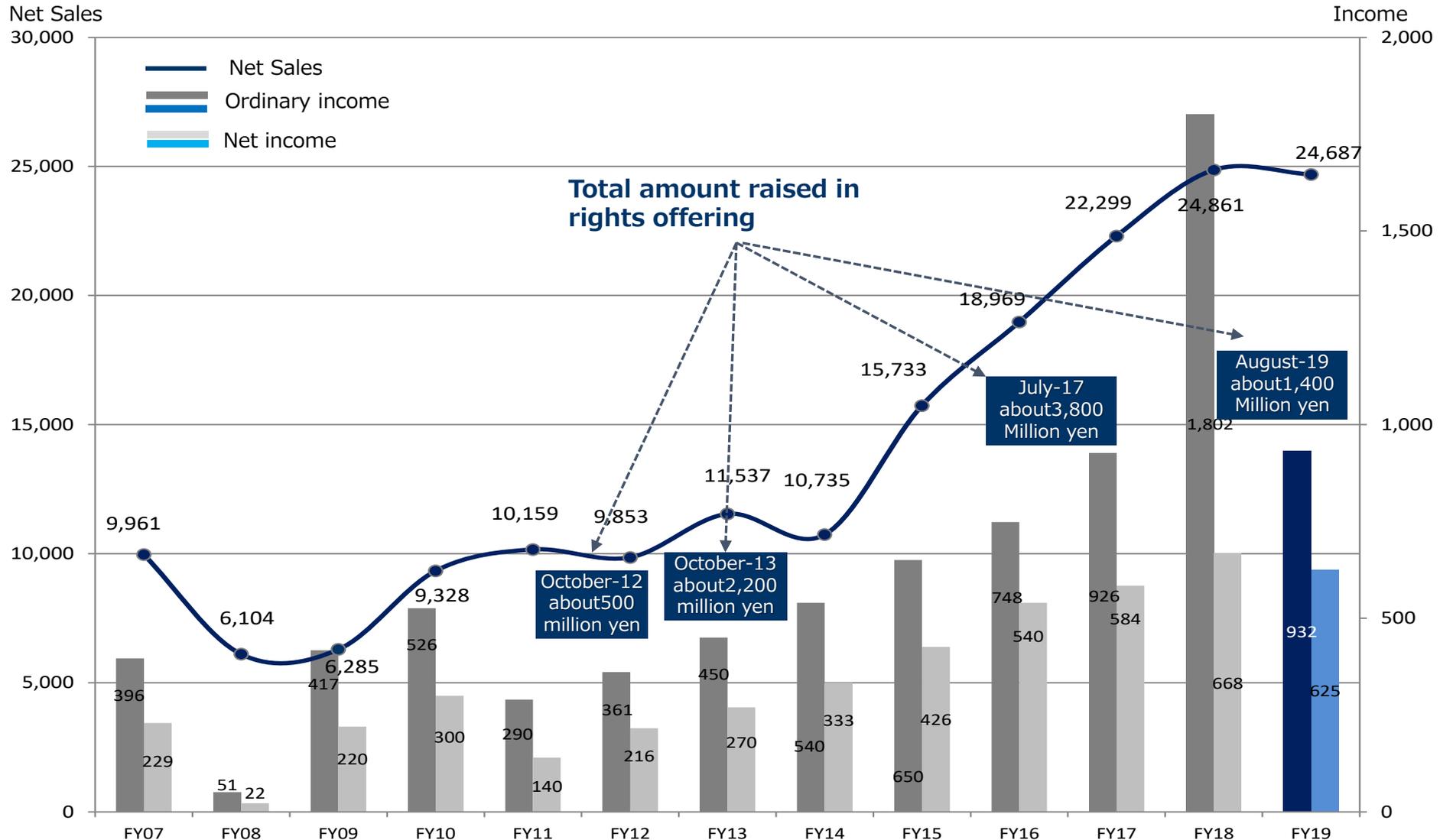
- Company name:** A.D.Works Group Co.,Ltd.
  
- Headquarters:** 5th Floor, Hibiya Kokusai Bldg.,2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
  
- Establishment:** Incorporated April 1, 2020.  
 (note) A.D.Works, the Group's predecessor, was established in February 1886 and incorporated in May 1936.
  
- 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)
  
- 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

# V – Reference Materials (Equity Finance)

# V-1. Reference Materials (About the Equity Finance)

(Units: million yen)



➤ We increased our balance of income properties while also raising money, and achieved steady growth.

# **VI - Reference Materials**

**(Company Profile, Shareholder Composition, Trends in Consolidated Results)**

### Number of issued shares / Number of shareholders

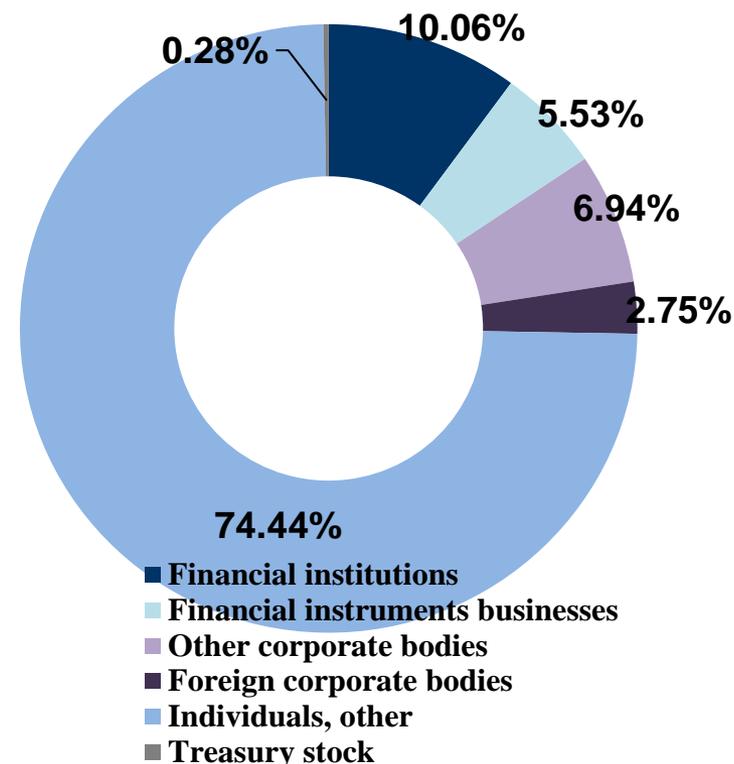
1. Number of issued shares: 39,345,064

2. Number of shareholders: 20,540  
(shareholders with voting rights: 12,605)

### 3. Major shareholders

		Share ratio
1	Hideo Tanaka (President and CEO)	12.49%
2	Liberty House Co., Ltd.	5.07%
3	Morgan Stanley MUFG Securities Co., Ltd.	3.75%
4	The Master Trust Bank of Japan, Ltd.	2.26%
5	Japan Trustee Services Bank, Ltd. (Trust Account · 5)	1.88%
6	Japan Trustee Services Bank, Ltd. (Trust Account)	1.27%
7	Kazufumi Imai	1.12%
8	Japan Trustee Services Bank, Ltd. (Trust Account · 1)	1.06%
9	Japan Trustee Services Bank, Ltd. (Trust Account · 2)	0.81%
10	Japan Trustee Services Bank, Ltd. (Trust Account · 6)	0.78%

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

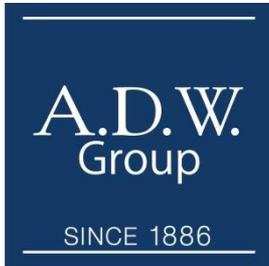


(note) Treasury stock is not deducted when calculating the share ratio.

## VI-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	2,253
Ordinary income	540	650	748	926	1,802	932	-256
Net income	333	426	540	584	663	625	-180
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	12,740
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	37,483
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	26,386
Rental revenue	717	842	1,058	1,112	1,319	1,147	268
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	11.9%
Employees	99	115	136	146	167	185	196



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 Group Business Planning Department**  
**TEL: 03-5251-7641**  
**E-mail: [ir@re-adworks.com](mailto:ir@re-adworks.com)**