

A.D.W.  
Group

SINCE 1886

繋ぎ高める。変わり続ける。

A.D.Works Co., Ltd.

IR Briefing Materials:

The First Three Quarters of the Year Ending March 31, 2020

February 17, 2020

A.D.Works Co., Ltd.

TSE 1st Section: 3250 <http://www.re-adworks.com/>

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# I - Summary of the First Three Quarters of the Year Ending March 31, 2020

Topic  
1

- **Steady rate of progress in achieving income targets**
- **Despite uncertain market conditions, over 75% of the EBITDA, ordinary income, and net income targets have been achieved**

Topic  
2

- **Focus on large properties**
- **Concentrate on the sale and acquisition of large properties in Japan to drive the income-earning property sale business**

Topic  
3

- **Approval of shift to holding company and official decision at extraordinary general meeting of shareholders in November**
- **Pursued as an important measure “developing and digging into new business areas and exercising synergistic effects with existing businesses,” one of the policies of the sixth mid-range business plan**

## **II - Overview of the First Three Quarters of the Year Ending March 31, 2020**

## II -1. Consolidated P/L Summary

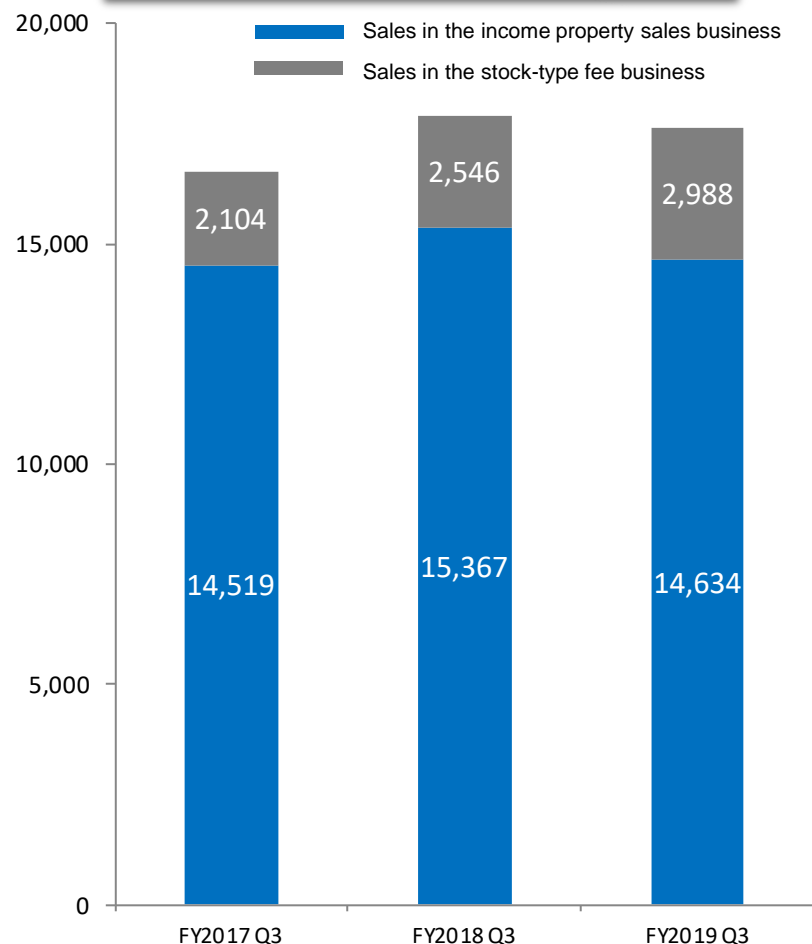
(Units: million yen)	FY2018 3Q (ended Dec.31, 2018)		FY2019 3Q (ended Dec.31, 2019)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Sales	17,561	+100.0%	17,352	+100.0%	- 1.2%	66.7%
Gross profit	4,152	+23.6%	3,448	+19.9%	- 17.0%	—
SG & A	2,279	+13.0%	2,516	+14.5%	+10.4%	—
EBITDA	2,018	+11.5%	1,072	+6.2%	- 46.9%	80.6%
Operating income	1,632	+9.3%	659	+3.8%	- 59.6%	78.5%
Ordinary income	874	+5.0%	659	+3.8%	- 24.5%	74.1%
Net income	642	+3.7%	463	+2.7%	- 27.8%	81.3%

- **In the previous fiscal year, we bolstered income with measures such as the sale of high income-earning properties earlier than planned in order to recover the extraordinary loss related to consumption taxes for past fiscal years. As a result, income was down this year over the previous fiscal year. At the same time, on the income side, progress in achieving the full-year target has been steady.**

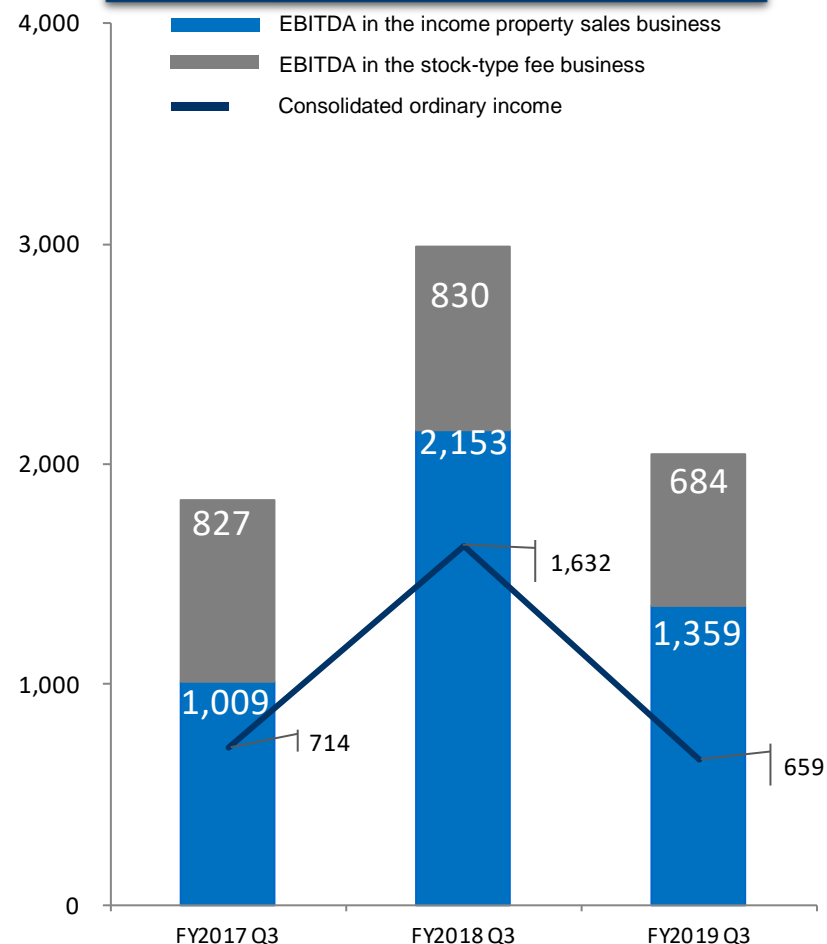
## II -2. Changes in Segment Results

(Unit: million yen)

### Changes in segment sales



### Changes in segment EBITDA

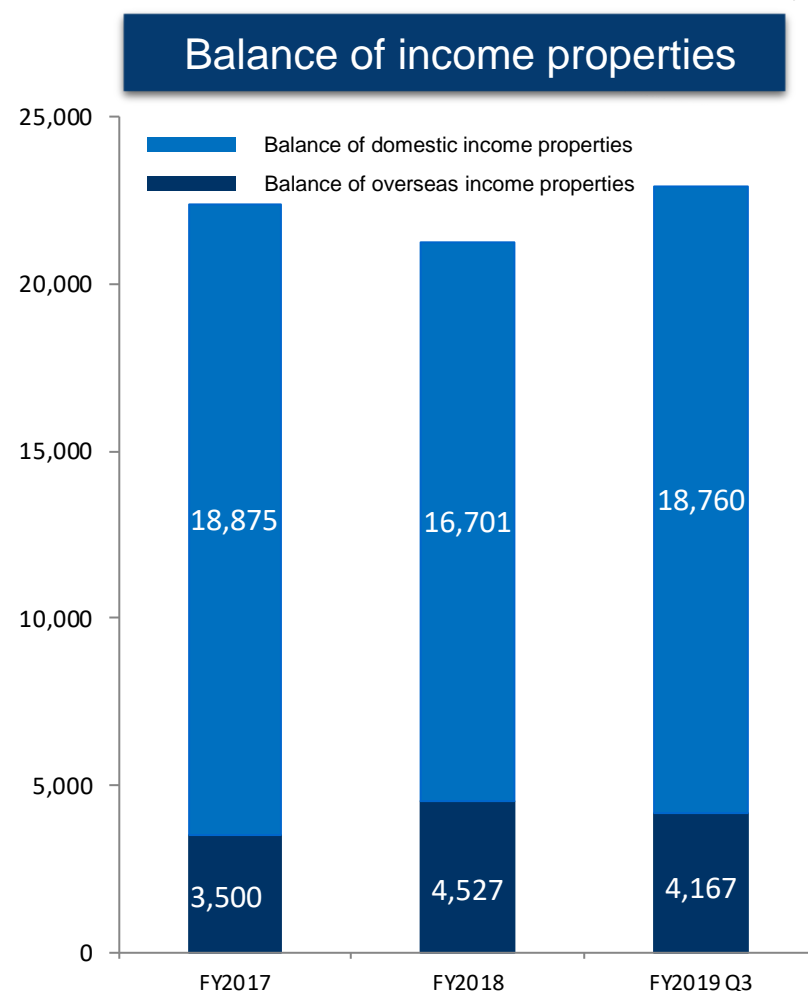
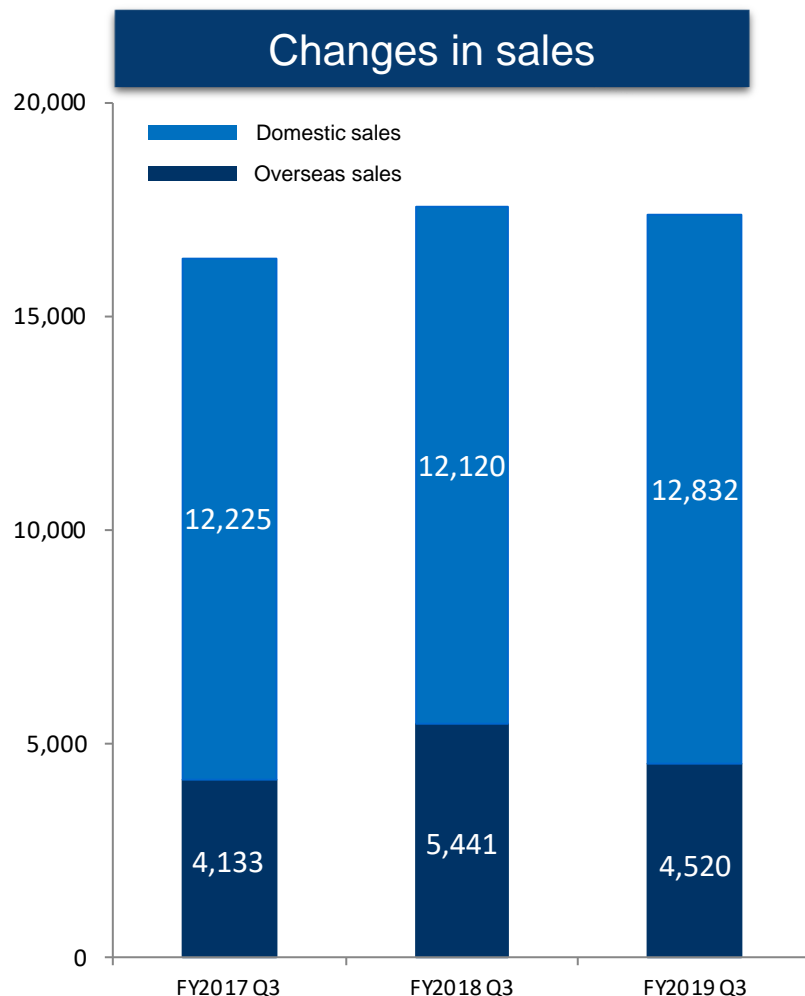


Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

➤ **In the previous fiscal year, income was boosted due to special factors, but this year it is generally within forecast.**

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

(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.

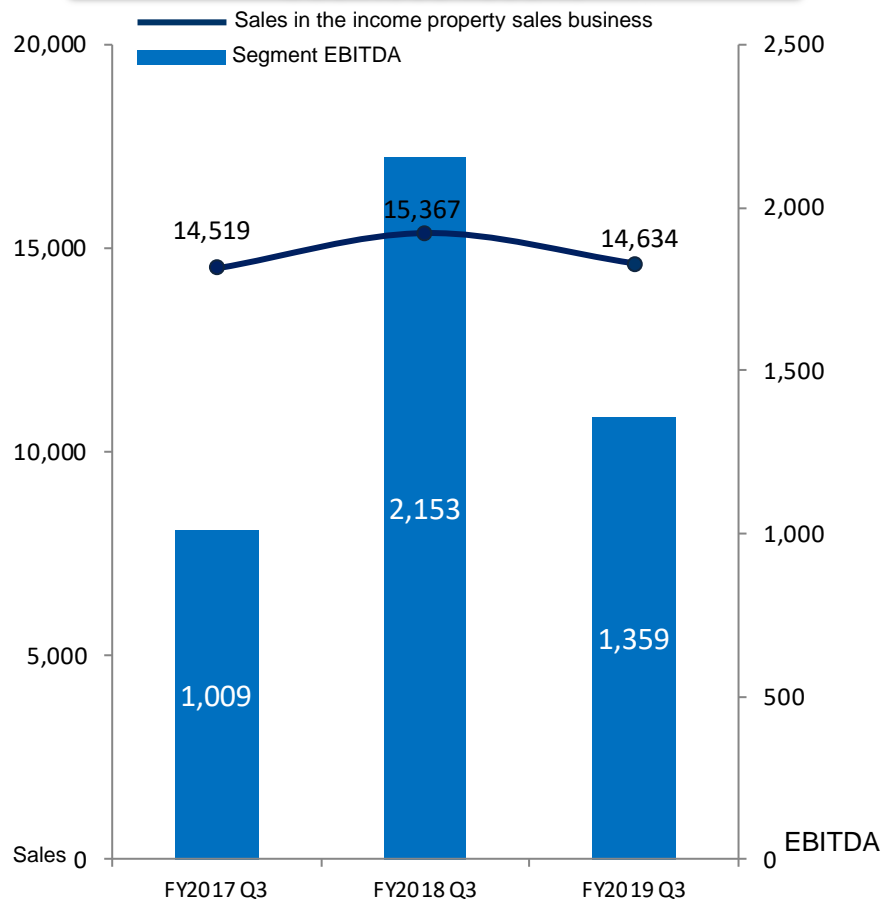
- **Sales were solid in Japan and declined overseas compared to the previous year due to the Q1 sales schedule.**
- **Balance of income-earning properties built up, primarily with large properties in Japan.**



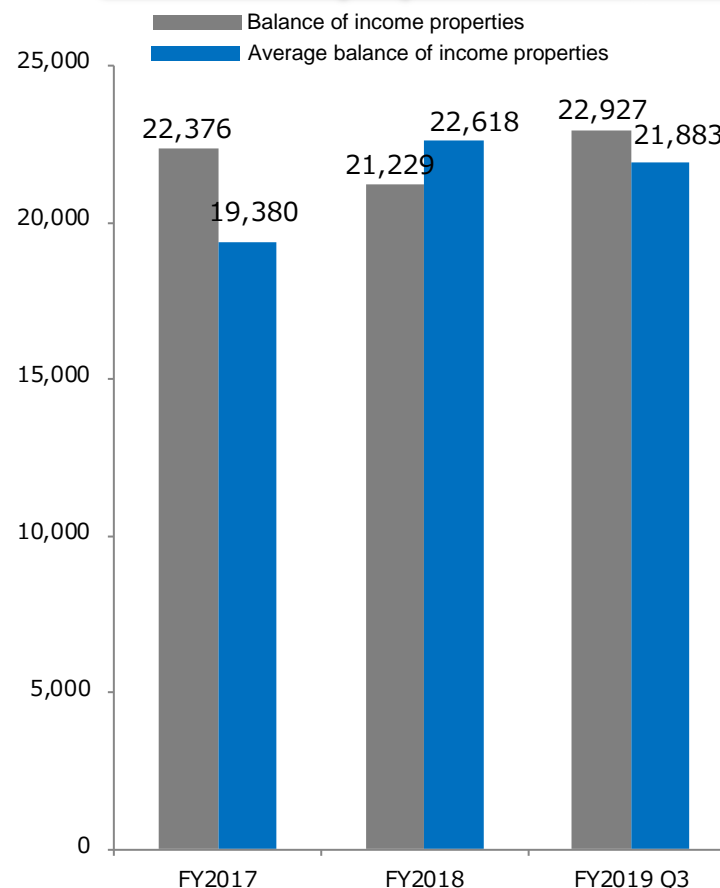
## II-4. Main Business Areas (1): Overview of the Income Property Sales Business

(Units: million yen)

### Changes in income property sales business results



### Changes in balance of income properties



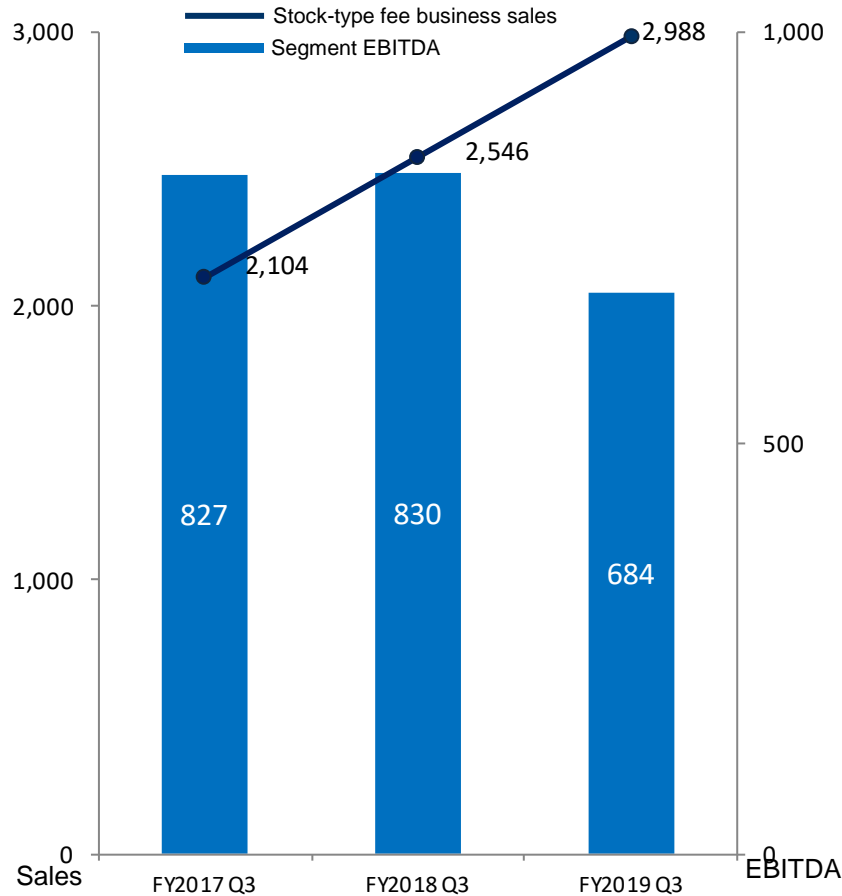
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **Results were generally in line with expectations when excluding special factors in the previous fiscal year.**

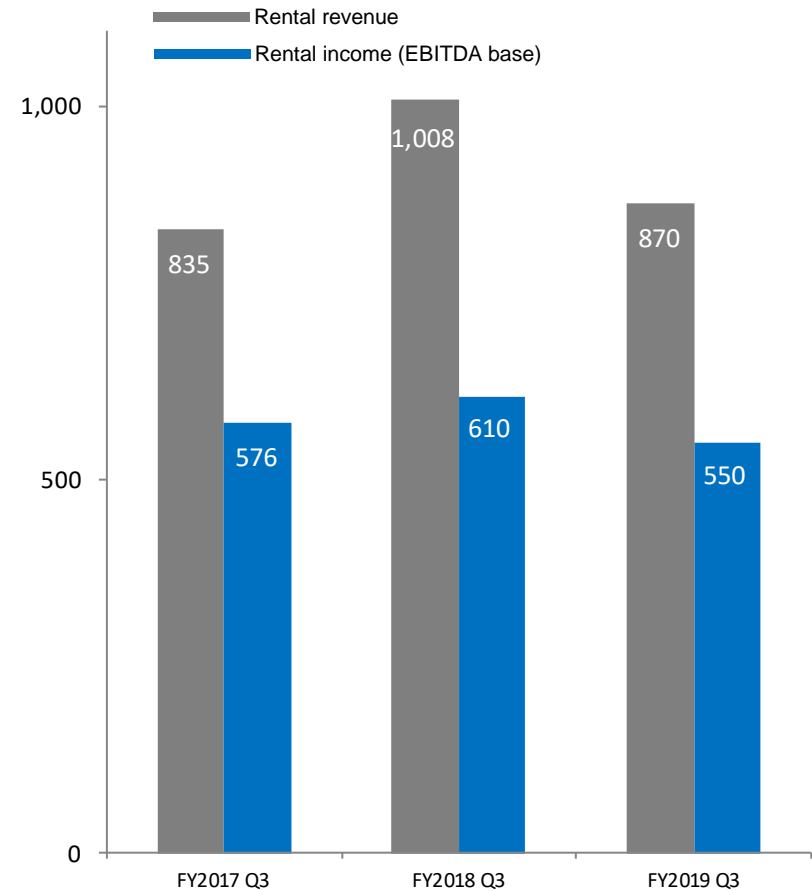
## Ⅱ -5. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

### Changes in stock-type fee business results



### Changes in rental revenue and income



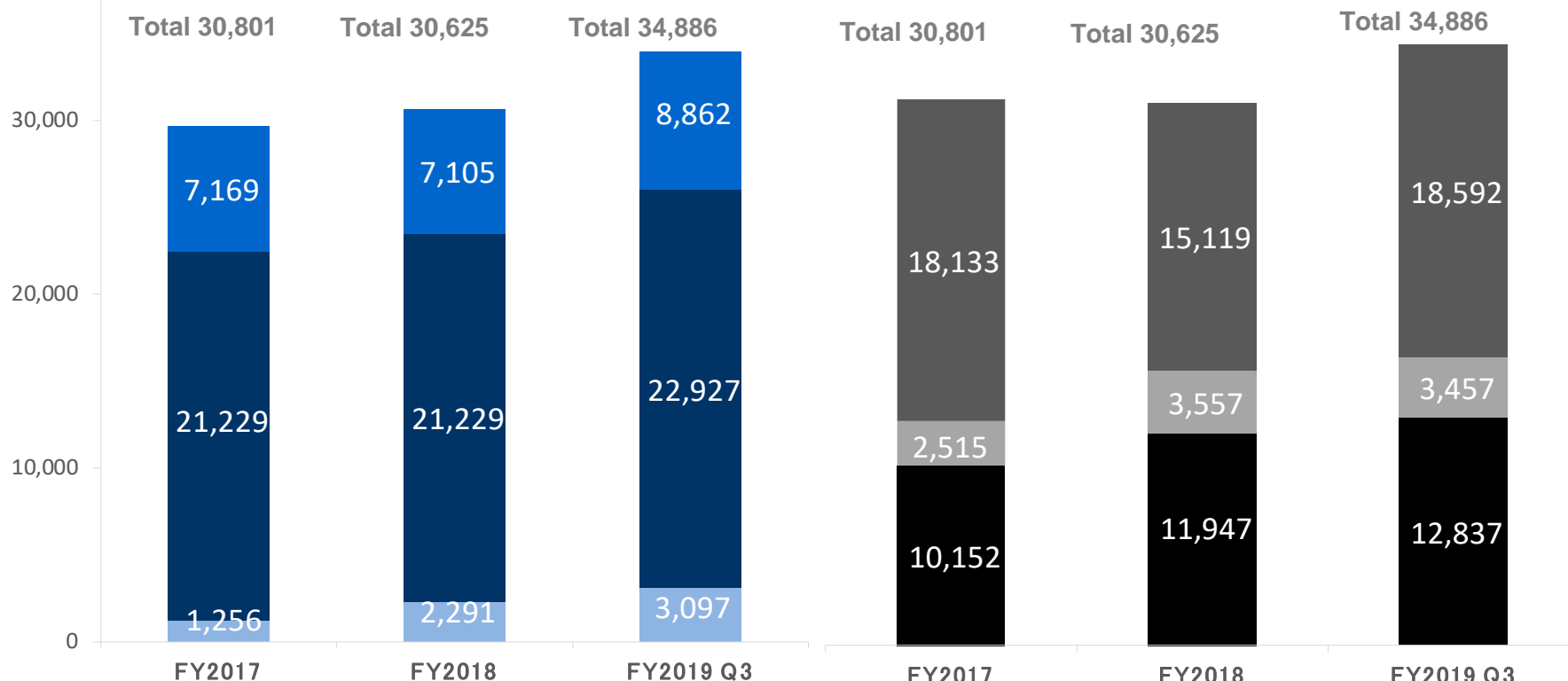
- Net sales increased due to the M&A of Sumikawa Works Co., Ltd. Rental revenue declined due to the decrease in the average balance of income-earning properties in this fiscal period.

# II -6. Consolidated B/S Summary

## Summary of main B/S items

(Unit: million yen)

- Cash and deposits
- Income properties
- Other assets
- Interest-bearing debt
- Other liabilities
- Net assets



(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.

- **Focus on acquiring prime properties and increasing the balance of income-earning properties.**
- Net assets rose due to an increase in capital resulting from a rights offering.**

## **III. Business Plan and Progress**

## 【Consolidated Business Plan for Fiscal Year Ending March 31, 2020】

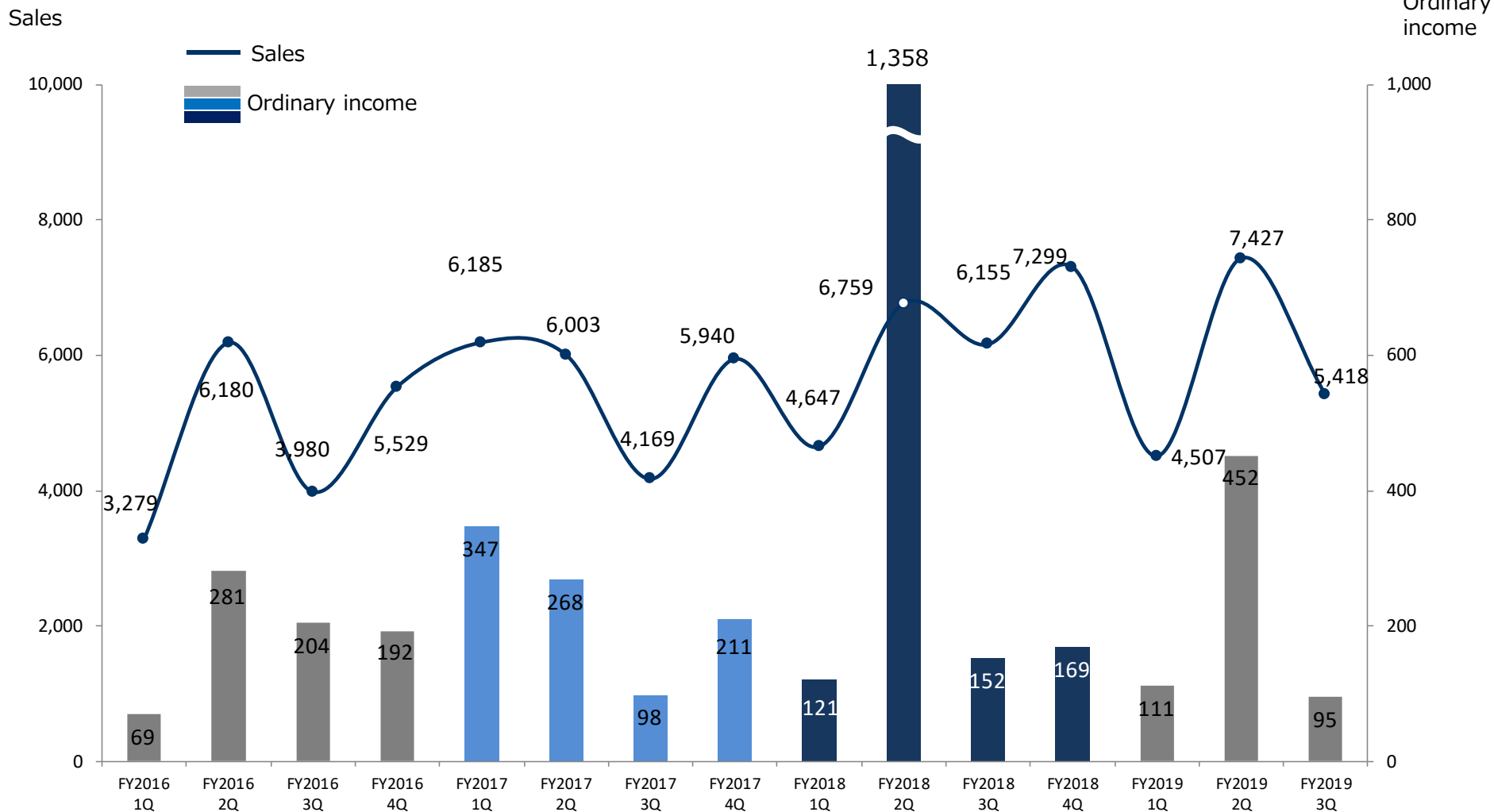
(Unit: Million yen)

	FY2018 Result	FY2021 Plan	Change from previous year
Sales	24,861	26,000	4.6%
EBITDA	2,324	1,330	▲42.8%
Ordinary income	1,802	840	▲53.4%
Net income before taxes	1,043	890	▲14.7%
Net income	663	570	▲14.1%

- In the previous fiscal year, we bolstered income with measures such as the sale of high income-earning properties earlier than planned in order to recover the extraordinary loss related to consumption taxes for past fiscal years. As a result, income was down this year over the previous fiscal year.
- We had predicted an increase in sales and a decrease in profit, but we made the reorganization of our portfolio of income-earning properties the top priority and focused on building up the real estate balance.

## 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.**

## **IV -Reference Materials (The Sixth Mid-Range Business Plan)**

1. Target period: Fiscal 2019 to Fiscal 2021
2. Position: Period for cultivation of premium value
3. Theme: Shift from real estate business to high-net-worth individuals business and then the premium business

## 4. Basic Policy

- (1) Develop a resilient business foundation that can generate stable revenue in a changing environment
- (2) Develop and dig into new business areas and exercise synergistic effects with existing businesses
- (3) Build an enduring customer base premised on optimizing the customer experience

## 5. Consolidated earnings forecasts

(Unit: Million yen)

P/L	FY2018 (Results)	FY2019 (Planned)	FY2021 (Planned)
Sales	24,861	26,000	30,000
EBITDA	2,324	1,330	2,200
Ordinary income	1,802	840	1,500
Income before income taxes	1,043	890	1,500



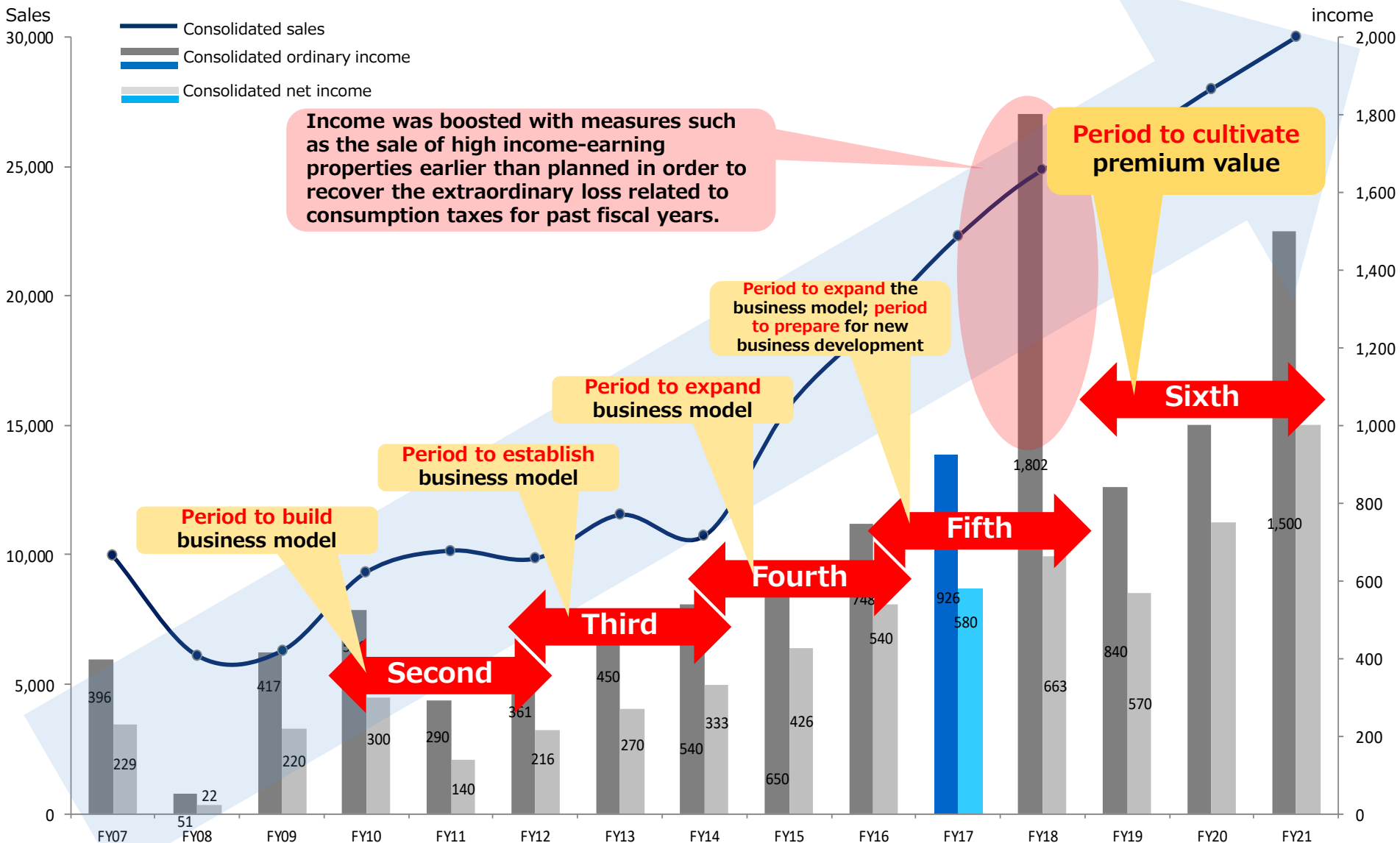
### 1. Guidance on achievement of the sixth mid-range business plan

(Unit: Million yen)

(1) Balance of income-earning properties	FY2018 (Results)	FY2021 guidance
Balance of domestic income properties held for short- or medium-term sale	14,688	24,300
Balance of domestic income properties held for long-term sale	2,013	8,000
Balance of US income properties held for sale	4,527	4,200
<b>Total</b>	<b>21,229</b>	<b>36,500</b>
(2) Fee business sales	FY2018 (Results)	FY2021 guidance
Stock-type business	3,072	4,000
Flow-type business	39	250
(3) Gross profit for new core business	FY2018 (Results)	FY2021 guidance
Gross profit for new core business	0	800
(4) Net assets	FY2018 (Results)	FY2021 guidance
Net assets	11,947	18,000

# IV-3. Progress with Sixth Mid-range Business Plan

(Unit: Million yen)  
income



## Themes in Sixth Mid-range Business Plan

### Real estate business

#### ■ Focus on products and service

- Fostering a value chain
- Origins of growth, future focal points

### High-net-worth individuals business

#### ■ Focus on customer needs

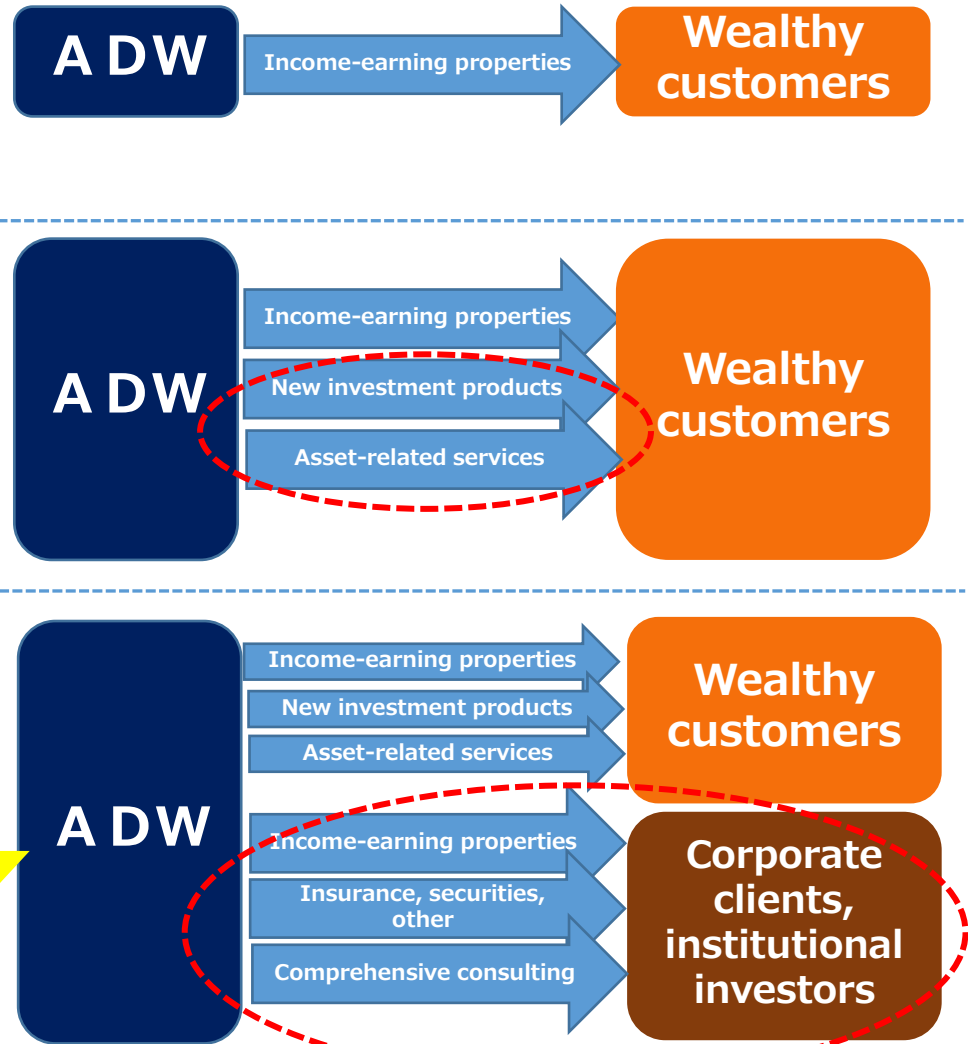
- Diversification of service
- Expansion of wealthy client base
- Development of marketing network

### Premium business

#### ■ Focus on value offered

- Expand targeted clients to BtoB
- Provide a value chain
- Protect/Increase customers' assets

Shift from real estate business to high-net-worth individuals business and then the premium business



## Overview of shift to holding company

### 1. Purpose of shift to holding company

**This move aims to accelerate flexible business development and achieve the following effects:**

- 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”;
- Look ahead to workplace reforms.

### 2. Overview of shift to holding company structure

- Method of change: Sole share transfer
- Share transfer ratio: For every one stock in A.D. Works, shareholders will receive 0.1 share in the newly established holding company

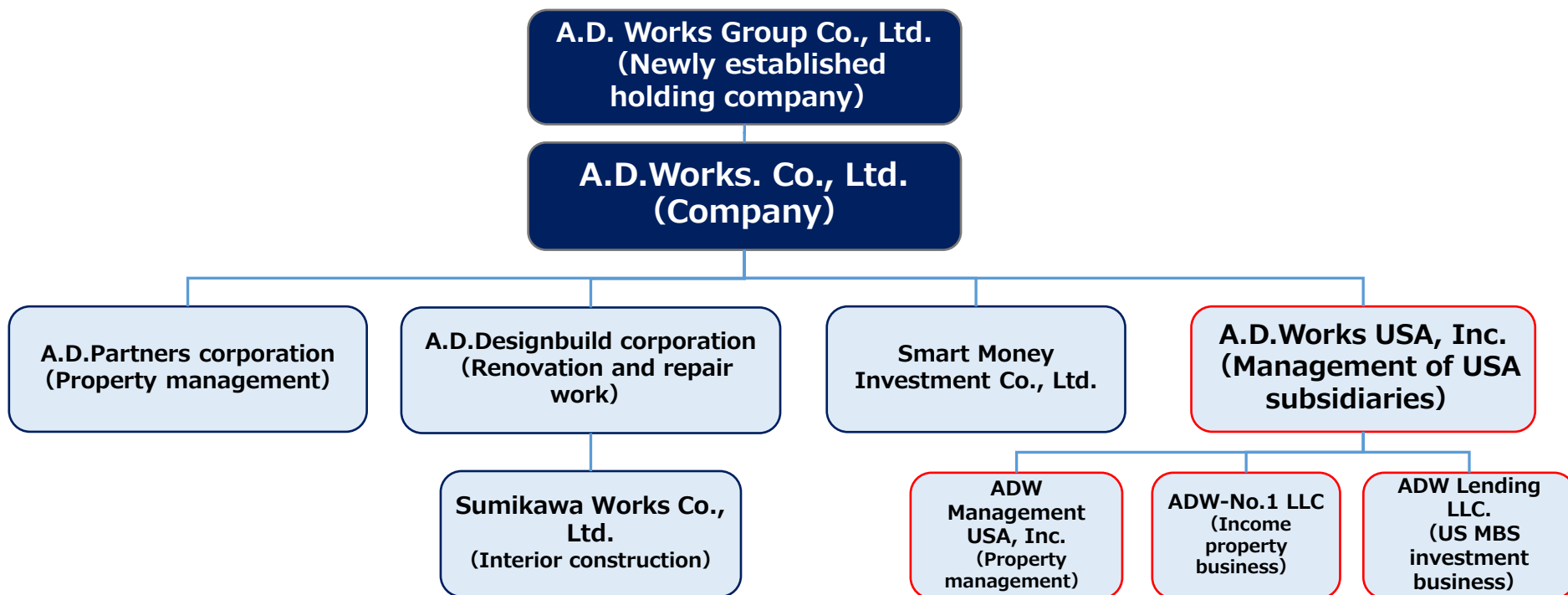
### 3. Schedule for shift to holding company structure (planned)

November 29, 2019 (Friday)	Approval of holding company structure at extraordinary general meeting of shareholders
March 30, 2020 (Monday)	Delisting of shares
April 1, 2020 (Wednesday)	Date of registration of the establishment of the holding company (effective date)  Listing of holding company's shares (technical listing*)

※This is a system whereby following the share transfer, the newly established holding company is listed at the same time that the Company's shares are delisted.

# IV-6. Overview of Sixth Mid-range Business Plan

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



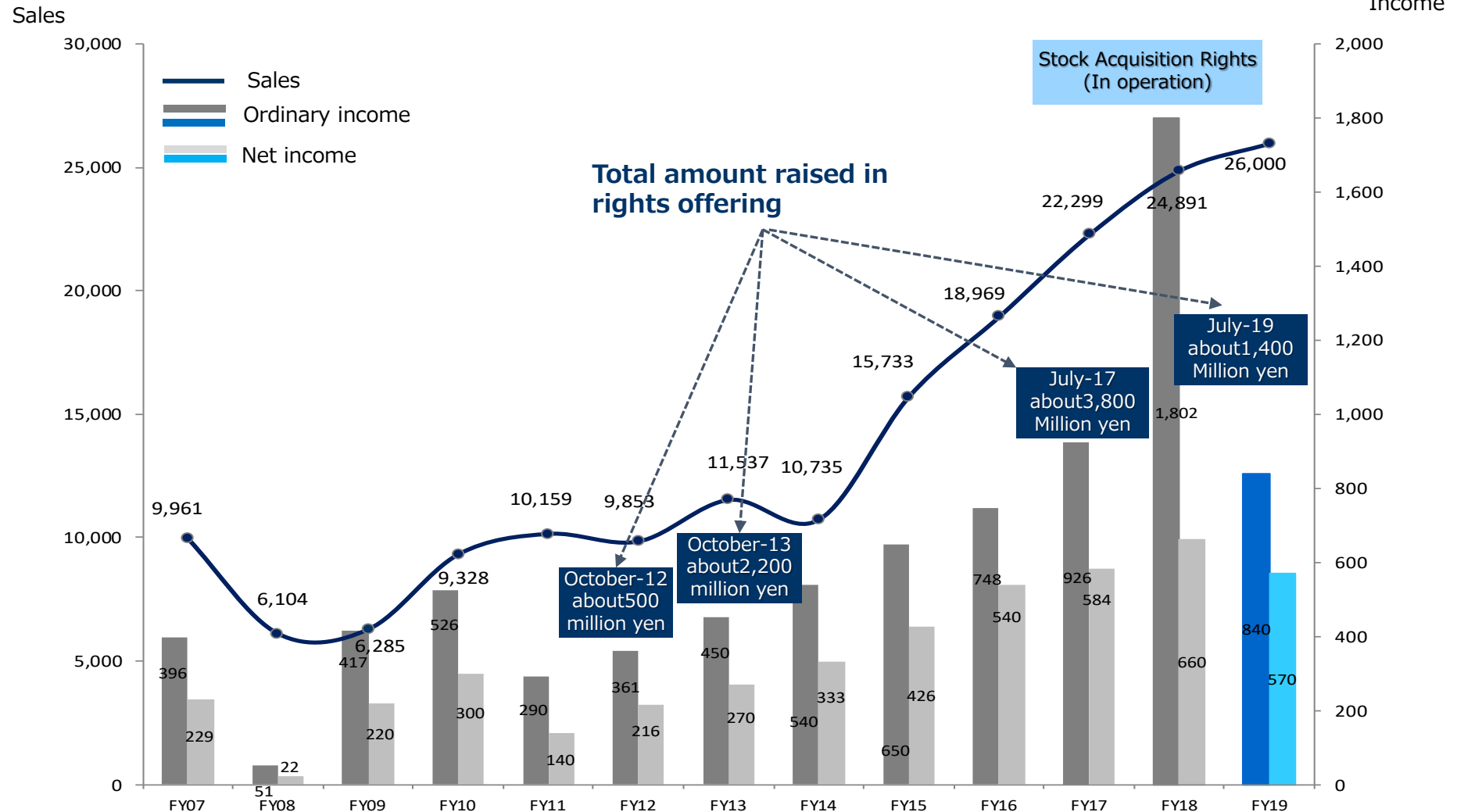
## Overview of holding company

Name	: A.D. Works Group Co., Ltd.
Location	: Hibiya Kokusai Building, 2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
Representative	: Hideo Tanaka, President and CEO
Business	: Operation and management of Group companies and ancillary operations
Capital	: 5,500 million yen
End of financial period	: December 31

# V – Reference Materials (Equity Finance)

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

(Units: million yen)



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

# **VI - Reference Materials**

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



- ❑ **Company name:** A.D.Works Co., Ltd.
- ❑ **Headquarters:** 5th Floor, Hibiya Kokusai Bldg.,2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
- ❑ **Establishment:** Founded February 1886. Incorporated May 1936.
- ❑ **Capital:** 5,096 million yen (as of the end of December 2019)
- ❑ **Listed:** Listed October 2007 on Tokyo Stock Exchange JASDAQ.  
Changed October 2015 to the First Section of the Tokyo Stock Exchange.
- ❑ **Subsidiaries:**
  - A.D.Partners Co., Ltd. (property management)
  - A.D.Designbuild Co., Ltd. (construction)
  - Smartmoney Investment Co., Ltd. (sales of small-lot investment products /dormant company)
  - 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
Takemoto Ohto	Director, Audit & Supervisory Committee Member
Miwa Sutoh	Director, Audit & Supervisory Committee Member
Sachiko Awai	Director, Audit & Supervisory Committee Member

### Number of issued shares / Number of shareholders

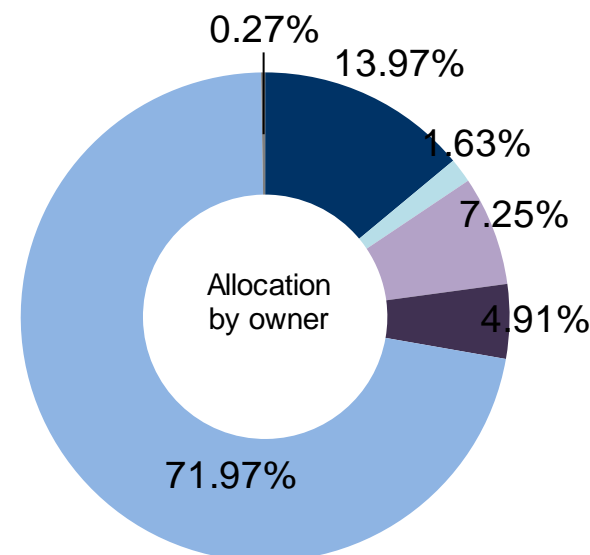
1. Number of issued shares: 392,898,648

2. Number of shareholders: 22,172

### 3. Major shareholders

		Share ratio %
1	Hideo Tanaka (President and CEO)	13.00%
2	Liberty House Co., Ltd.	4.12%
3	Japan Trustee Services Bank, Ltd. (Trust Account)	2.81%
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	2.77%
5	Japan Trustee Services Bank, Ltd. (Trust Account - 5)	1.84%
6	The Master Trust Bank of Japan, Ltd. (BIP Trust Account)	1.47%
7	STATE STREET BANK AND TRUST COMPANY 505325	1.46%
8	Japan Trustee Services Bank, Ltd. (Trust Account - 1)	1.28%
9	Ueda Yagi Tanshi Co., Ltd.	1.22%
10	Kazufumi Imai	1.10%

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

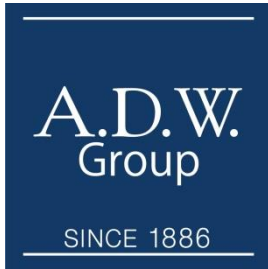


- Financial institutions
- Financial instruments businesses
- Other corporate bodies
- Foreign corporate bodies
- Individuals, other
- Treasury stock

## VI-3. Changes in Consolidated Results (Summary)

(Units: million yen)

	Year ended March 31, 2015 (Results)	Year ended March 31, 2016 (Results)	Year ended March 31, 2017 (Results)	Year ended March 31, 2018 (Results)	Year ended March 31, 2019 (Results)	Year ended March 31, 2020 Q3 (Results)
Consolidated sales	10,735	15,733	18,969	22,299	24,861	17,352
Consolidated ordinary income	540	650	748	926	1,802	659
Consolidated net income	333	426	540	584	663	463
Net assets	5,478	5,842	6,415	10,152	11,947	12,837
Total assets	16,681	17,925	25,832	30,801	30,625	34,886
Total income property balance (at year end)	12,931	14,551	20,318	22,376	21,229	22,927
Rental revenue (sales)	717	842	1,058	1,112	1,319	870
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	5.0%
Employees (persons)	99	115	136	146	167	190



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 Business Planning Department**  
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