Summary of Earnings Report for First Three Quarters of Year Ending March 31, 2016

January 26, 2016

Name of listed company: A.D.Works, Ltd. Listed stock exchange: Tokyo Stock Exchange
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Additional material of financial result: Yes
Result meeting: No

(Millions yen, rounded down)

1. Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 31, 2016 (April 1, 2015–December 31, 2015)

(1) Consolidated business results (cumulative)

(%: Year-on-year comparison)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
First three quarters, year ending March 31, 2016	11,021	54.7	614	42.3	465	52.0	299	60.7
First three quarters, year ended March 31, 2015	7,122	(23.8)	432	(37.6)	306	(28.1)	186	(27.4)

(Notes) Comprehensive income: 2016 First 3Q 308 million yen (68.5%) 2015 First 3Q 182 million yen ((28.7%))

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
First three quarters, year ending March 31, 2016	1.39	1.39
First three quarters, year ended March 31, 2015	0.86	0.86

(2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
First three quarters, year ending March 31, 2016	17,809	5,769	32.4
End of fiscal year ended March 31, 2015	16,681	5,478	32.8

(Notes) Shareholders' equity: 2016 First 3Q 5.762 billion yen End of 2015 5.471 billion yen

2. Dividends Information

	Dividend per Share				
	1Q	Interim	3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	0.00	—	0.35	0.35
Year ending March 31, 2016	—	0.00			
Year ending March 31, 2016 (forecast)			—	0.35	0.35

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

3. Consolidated Business Plan for the 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. 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 saw improvements in corporate earnings and in the hiring and income environments, backed by the economic and monetary policies of the government and the Bank of Japan. However the future is uncertain due to the risk of a downturn in overseas economies, including concerns about a slowdown in the economies of China and other emerging nations.

In the business environment surrounding the A.D.W. Group, conditions in both the rental market and sales market were good as a result of the rising trend in Tokyo Metropolitan Area land prices. Continuing strong buying demand centered on high net-worth individuals also favored the income property market as well, and overall business conditions continued to be strong.

In this kind of business environment and based on the Fourth Mid-range Business Plan (fiscal year ended March 31, 2015 – fiscal year ending March 31, 2017), 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 engaged in various measures for this purpose.

During the first three quarters of this consolidated fiscal year, in accordance with the policies of the above mid-range business plan, we carried out property acquisition activities in Japan and overseas and also engaged in sales of income properties. As a result, we achieved a large increase in income compared with the first three quarters of the previous consolidated fiscal year.

Through operation of the A.D.Works "Royaltorch" owners' club, we worked to provide high-quality services that meet the needs of our customers (primarily high net-worth individuals) who are the owners of the properties which we sold. We also worked to provide more precise consulting and otherwise strengthen our client relation functions in order to maximize real estate investment efficiency for each individual owner.

As a result of the above, sales during this consolidated first three quarters results period were 11.021 billion yen (up 54.7% year-on-year), EBITDA was 656 million yen (up 44.1% year-on-year), operating income was 614 million yen (up 42.3% year-on-year), ordinary income was 465 million yen (up 52.0% year-on-year), and net income attributable to the owner of the parent was 299 million yen (up 60.7% year-on-year).

Beginning from the first quarter of this consolidated fiscal year, we have applied the Accounting Standard for Business Combination (Corporate Accounting Standard No. 21: September 13, 2013) and related standards, and consequently have changed the "Net income" category to "Net income attributable to owner of parent".

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

(Income property sales business)

In this business segment, based on the business plan mentioned above, we focused on active acquisition and sales of income properties.

As property prices continue to rise, although we still maintained our cautious approach to acquisition activities, we also made active use of our appraisal abilities and expertise related to property acquisitions and focused on careful selection of high-grade properties. As a result, during third quarter of this consolidated fiscal year, we completed the acquisition of 13 properties in Japan and 3 properties in the United States. This boosted the amount of income properties acquired to 9.253 billion yen (including both Japan and US properties), an increase of 40.2% year-on-year.

Backed by continuing strong activity in the income properties market, we also sold 27 properties – 24 in Japan and 3 in the US (an increase of 6 properties year-on-year). As a result, the average balance of income properties during this period was 13.407 billion yen (up 19.7% year-on-year).

As a result of the above, sales were 9.893 billion yen (up 60.9% year-on-year), EBITDA was 943 million yen (up 44.6% year-on-year), and operating income was 942 million yen (up 44.7% year-on-year).

(Stock-type fee business)

In this business segment, by increasing our balance of income properties, we succeeded in securing 610 million yen of rental income during the first three quarters of this consolidated fiscal year (up 19.7% year-on-year), steadily increasing the

contribution of rental income to profits. On the other hand, there was an increase in expenses associated with this business, due primarily to higher depreciation resulting from the increase in income properties held for long-term sale, and to an increase in personnel expenses resulting from expanding the organization in preparation for future growth.
Our business of contracting property management for income properties after they are sold remains strong, and the number of income properties under our management in Japan is 3,550 (as of December 31, 2015).
As a result of the above, sales were 1.280 billion yen (up 23.9% year-on-year), EBITDA was 444 million yen (up 7.4% year-on-year), and operating income was 419 million yen (up 3.3% year-on-year).

(Notes) *1: 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: Expenses of A.D.Estate Co., Ltd., the company responsible for the new property construction business, were previously presented under the "(Other)" segment. Beginning from this consolidated fiscal year, these expenses are included in the headquarters expenses.

*3: Depreciation related to income properties held for long-term sale is calculated as a cost for the stock-type fee business.

(2) Forecast for the next fiscal year

Based on the Fourth Mid-Range Business Plan (fiscal year ended 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

During the first three quarters of this consolidated fiscal year, progress relative to the consolidated results plan for this fiscal year was 88.9% for sales, 70.2% for EBITDA, and 77.5% for ordinary income. Although sales progress is ahead of the plan, because we proceeded from the start of the year based on a policy of prioritizing sales activities during the first half of the year and prioritizing acquisition activities during the second half of the year, we recognize that overall we are making steady progress toward achieving the plan targets.
As a result of the above, there are no changes to the consolidated results plan for the year ending March 31, 2016 that was announced on March 9, 2015.

(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%

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.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Units: Thousands yen)

	Previous consolidated fiscal year (March 31, 2015)	Current consolidated first three quarters (December 31, 2015)
Assets		
Current assets		
Cash and savings	3,081,935	2,270,457
Accounts receivable	73,259	92,008
Income properties held for sale	10,975,508	12,851,430
Real estate for sale in process	77,017	169,774
Other	300,036	262,374
Allowance for doubtful accounts	(2,223)	(1,268)
Total current assets	14,505,534	15,644,777
Fixed assets		
Tangible fixed assets		
Land	1,239,470	1,239,617
Other(net)	715,499	704,685
Total tangible fixed assets	1,954,970	1,944,302
Intangible fixed assets	61,095	59,008
Investments and other assets	159,669	160,937
Total fixed assets	2,175,735	2,164,248
Total assets	16,681,270	17,809,025
Liabilities		
Current liabilities		
Accounts payable	450,352	219,929
Short-term loans payable	3,921,703	3,432,006
Current portion of bonds	139,500	129,500
Current portion of long-term loans payable	999,369	1,094,393
Corporate tax payable	157,174	47,749
Reserve	17,463	128,903
Other	864,367	854,676
Total current liabilities	6,549,930	5,907,157
Fixed liabilities		
Corporate bonds	967,250	881,500
Long-term loans payable	3,601,167	5,175,343
Other	84,018	75,991
Total fixed liabilities	4,652,435	6,132,835
Total liabilities	11,202,366	12,039,992

	Previous consolidated fiscal year (March 31, 2015)	Current consolidated first three quarters (December 31, 2015)
		(Units: Thousands yen)
Net assets		
Shareholders' equity		
Capital stock	1,937,744	1,937,744
Capital surplus	1,885,962	1,886,483
Retained earnings	2,108,105	2,329,924
Treasury stock	(457,977)	(397,471)
Total shareholders' equity	5,473,834	5,756,681
Accumulated other comprehensive income		
Foreign currency translation adjustments	3,557	5,975
Deferred gains (losses) on hedges	(6,318)	-
Total accumulated other comprehensive income	(2,761)	5,975
Subscription rights to shares	7,830	6,376
Total net assets	5,478,903	5,769,033
Total liabilities and net assets	16,681,270	17,809,025

(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, 2014 – December 31, 2014)	Current consolidated first three quarters (April 1, 2015 – December 31, 2015)
Sales	7,122,421	11,021,383
Cost of sales	5,490,578	8,823,311
Gross profit on sales	1,631,842	2,198,072
Sales, general, and administrative expenses	1,199,768	1,583,073
Operating income	432,074	614,999
Non-operating income		
Interest and dividends income	394	272
Insurance received	969	300
Subsidy income	-	942
Interest on refund	239	14
Foreign exchange profit	1,177	-
Other	80	45
Total non-operating income	2,862	1,575
Non-operating expenses		
Interest paid	110,907	119,747
Other	18,025	31,728
Total non-operating expenses	128,933	151,475
Ordinary income	306,003	465,098
Extraordinary losses		
Loss on disposal of fixed assets	66	-
Total extraordinary losses	66	-
Net income before taxes	305,936	465,098
Income taxes – current	119,591	165,575
Total income taxes	119,591	165,575
Net income	186,345	299,522
Net income attributable to owners of parent	186,345	299,522

Consolidated Comprehensive Income Statement

Consolidated first three quarters

(Units: Thousands yen)

	Previous consolidated first three quarters (April 1, 2014 – December 31, 2014)	Current consolidated first three quarters (April 1, 2015 – December 31, 2015)
Net income before minority interests	186,345	299,522
Other comprehensive income		
Foreign currency translation adjustments	3,520	2,418
Deferred gains (losses) on hedges	(6,882)	6,318
Total other comprehensive income	(3,362)	8,736
Comprehensive income	182,982	308,259
(attributable to)		
Owners of the parent company	182,982	308,259
Minority interests	—	—