

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

July 22, 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
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 Additional material of financial result: Yes
 Result meeting: No

(Millions yen, rounded down)

1. Consolidated Results for 1Q of the Fiscal Year Ending March 31, 2016 (April 1, 2015 – June 30, 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	%
1Q, year ending March 31, 2016	4,589	210.2	294	171.8	248	280.6	162	340.3
1Q, year ended March 31, 2015	1,479	(52.5)	108	(45.6)	65	(61.3)	36	(64.2)

(Notes) Comprehensive income: 2016 1Q 177 million yen (385.6%) 2015 1Q 36 million yen ((64.5%))

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1Q, year ending March 31, 2016	0.75	0.75
1Q, year ended March 31, 2015	0.16	0.16

(2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
1Q, year ending March 31, 2016	16,248	5,611	34.5
End of fiscal year ended March 31, 2015	16,681	5,478	32.8

(Notes) Shareholders' equity: 2016 1Q 5.604 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	—	—	—	—	—
Year ending March 31, 2016 (forecast)	—	0.00	—	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 quarter of this consolidated fiscal year, backed by the economic and monetary policies of the government and the Bank of Japan, the economy of Japan continued on a slow path to recovery, seeing improvements in corporate earnings and the hiring and income environments, as well as continuing rising stock prices and a weaker yen.

However the future remains uncertain due to factors including economic trends in China and other emerging nations, the effects of overseas political instability, and rising prices resulting from the weaker yen.

In the business environment surrounding the A.D.W. Group, due to the rising trend in Tokyo Metropolitan Area land prices, both the rental market and sales market showed strong activity. Continuing good conditions also favored the income property market as well, supported by strong buying demand centered on high net-worth individuals.

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 quarter 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 actively engaged in sales of income properties. As a result, we achieved a large increase in income and profit compared with the first quarter of the previous consolidated fiscal year.

Centered on the "Royaltorch" 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 (primarily high net-worth individuals) who are the owners of the properties which we sold, and also carried out measures based on cooperation with external partners.

As a result of the above, sales during this consolidated 1Q results period were 4.589 billion yen (up 210.2% year-on-year), EBITDA was 306 million yen (up 167.2% year-on-year), operating income was 294 million yen (up 171.8% year-on-year), ordinary income was 248 million yen (up 280.6% year-on-year), and net income attributable to the owner of the parent was 162 million yen (up 340.3% year-on-year).

Beginning from 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 further strengthened our acquisition activities and actively engaged in sales of income properties. Backed by the continuing high level of activity in the income property market, we acquired 2.878 billion yen of income properties during 1Q of this consolidated fiscal year, and sold 13 properties in Japan and overseas (9 more properties than 1Q of the previous year), resulting in an average balance of income properties during the quarter of 12.775 billion yen (up 20.4% year-on-year).

As a result of the above, sales were 4.208 billion yen (up 263.0% year-on-year), EBITDA was 418 million yen (up 145.6% year-on-year), and operating income was 417 million yen (up 145.9% year-on-year).

(Stock-type fee business)

In this business segment, aiming for a rapid transition to a stable profit structure, we continued to increase our balance of income properties and succeeded in securing 205 million yen in rental revenue during 1Q of this consolidated fiscal year (up 28.9% year-on-year). Our business of contracting property management for income properties after they are sold remains strong, and the number of income properties under our management is 3,389 (as of June 30, 2015).

As a result of the above, sales were 419 million yen (up 34.8% year-on-year), EBITDA was 163 million yen (up 45.5% year-on-

year), and operating income was 156 million yen (up 42.9% 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.

(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

Steady progress was made during this consolidated 1Q, and there are no changes to the consolidated results plan for the year ending March 31, 2016 that was announced on March 31, 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

	Previous consolidated fiscal year (March 31, 2015)	Consolidated IQ of current fiscal year (June 30, 2015)
(Units: Thousands yen)		
Assets		
Current assets		
Cash and savings	3,081,935	3,010,029
Accounts receivable	73,259	67,208
Income properties held for sale	10,975,508	10,606,684
Real estate for sale in process	77,017	153,948
Other	300,036	246,240
Allowance for doubtful accounts	(2,223)	(1,443)
Total current assets	14,505,534	14,082,667
Fixed assets		
Tangible fixed assets		
Land	1,239,470	1,239,470
Other(net)	715,499	710,587
Total tangible fixed assets	1,954,970	1,950,057
Intangible fixed assets	61,095	59,328
Investments and other assets	159,669	156,546
Total fixed assets	2,175,735	2,165,933
Total assets	16,681,270	16,248,601
Liabilities		
Current liabilities		
Accounts payable	450,352	179,288
Short-term loans payable	3,921,703	2,681,307
Current portion of bonds	139,500	139,500
Current portion of long-term loans payable	999,369	1,040,554
Corporate tax payable	157,174	82,496
Reserve	17,463	104,270
Other	864,367	796,950
Total current liabilities	6,549,930	5,024,367
Fixed liabilities		
Corporate bonds	967,250	946,250
Long-term loans payable	3,601,167	4,583,576
Other	84,018	83,194
Total fixed liabilities	4,652,435	5,613,020
Total liabilities	11,202,366	10,637,388

(Units: Thousands yen)

	Previous consolidated fiscal year (March 31, 2015)	Consolidated 1Q of current fiscal year (June 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	1,937,744	1,937,744
Capital surplus	1,885,962	1,886,478
Retained earnings	2,108,105	2,192,270
Treasury stock	(457,977)	(424,196)
Total shareholders' equity	5,473,834	5,592,297
Accumulated other comprehensive income		
Foreign currency translation adjustments	3,557	18,300
Deferred gains (losses) on hedges	(6,318)	(5,776)
Total accumulated other comprehensive income	(2,761)	12,524
Subscription rights to shares	7,830	6,390
Total net assets	5,478,903	5,611,212
Total liabilities and net assets	16,681,270	16,248,601

(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, 2014 – March 31, 2015)	Current consolidated fiscal year (April 1, 2015 – March 31, 2016)
Sales	1,479,743	4,589,548
Cost of sales	1,053,346	3,735,949
Gross profit on sales	426,397	853,599
Sales, general, and administrative expenses	318,040	559,130
Operating income	108,356	294,468
Non-operating income		
Interest and dividends income	65	42
Interest on refund	42	14
Foreign exchange profit	-	1,992
Total non-operating income	107	2,048
Non-operating expenses		
Interest paid	35,478	40,813
Other	7,602	6,868
Total non-operating expenses	43,080	47,681
Ordinary income	65,383	248,835
Net income before taxes	65,383	248,835
Income taxes – current	28,573	86,771
Total income taxes	28,573	86,771
Net income	36,809	162,064
Net income attributable to owners of parent	36,809	162,064

Consolidated Comprehensive Income Statement
 Consolidated 1Q

(Units: Thousands yen)

	Previous consolidated 1Q (April 1 2014 – June 30, 2014)	Current consolidated 1Q (April 1, 2015 – June 30, 2015)
Net income before minority interests	36,809	162,064
Other comprehensive income		
Foreign currency translation adjustments	(290)	14,743
Deferred gains (losses) on hedges	-	542
Total other comprehensive income	(290)	15,285
Comprehensive income	36,518	177,349
(attributable to)		
Owners of the parent company	36,518	177,349
Minority interests	-	-