

繋ぎ高める。変わり続ける。

A.D.Works Co., Ltd.
IR Briefing Materials:
The First Quarter of the Year Ending March 31, 2020

July 25, 2019

A.D.Works Co., Ltd.

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

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I - Summary of the First Quarter of the Year Ending March 31, 2020

Topic
1

Release of the sixth mid-range business plan (covering fiscal 2019 to fiscal 2021)

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

Topic
2

Launch of our second small-lot real estate product

- **Launched ARISTO®Aoyama, our second small-lot real estate product**

Topic
3

Conducted equity finance

- **Conducted a rights offering (exercise period: until August 23, 2019)**

Basic Policy for Sixth Mid-range Business Plan (covering fiscal 2019 to fiscal 2021)

- I** Develop a resilient business foundation that can generate stable revenue in a changing environment
- II** Develop and dig into new business areas and exercise synergistic effects with existing businesses
- III** Build an enduring customer base premised on optimizing the customer experience

Sixth Mid-range Business Plan P/L

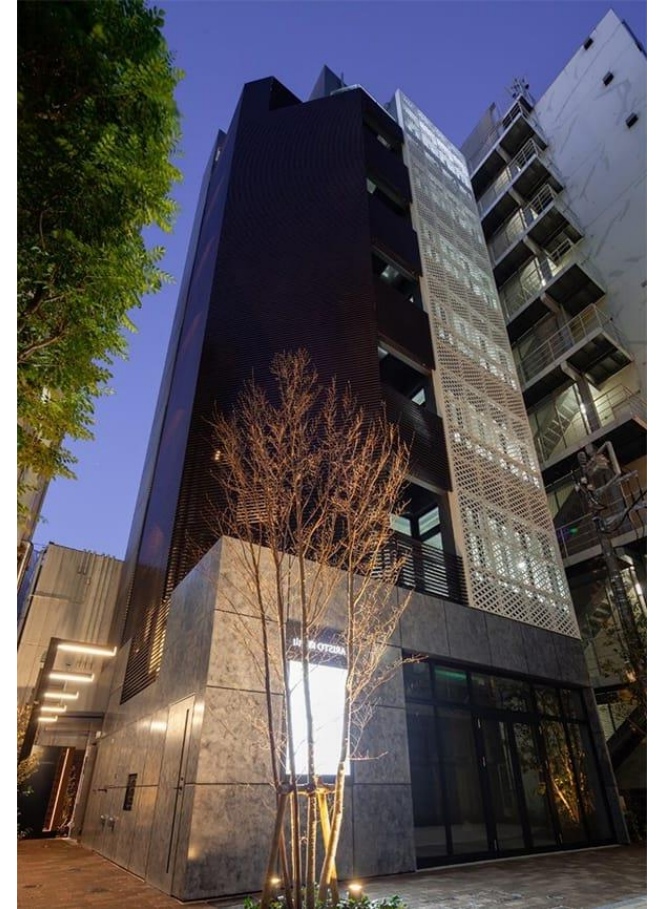
(Unit: Million yen)	FY2018 (Results)	FY2019 (Planned)	FY2021 (Planned)
Sales	24,861	26,000	30,000
EBTDA	2,324	1,330	2,200
Ordinary income	1,802	840	1,500

- Released “Notice on Formulation of sixth Mid-range Business Plan” on June 4, 2019.

Following our first small-lot real estate product ARISTO® Kyoto last year, **launched ARISTO® Aoyama on June 3**

Total amount solicited: 900 million yen
Minimum investment: 5 million yen

Further sales of properties also being considered during the current fiscal year.



「ARISTO®Aoyama special site
<https://www.re-adworks.com/business/aristo/aoyama/>

Overview of 22nd stock acquisition rights through a non-commitment-type rights offering (exercise price non-discount type)

Allotment date	July 11, 2019
Allotment recipient	All the existing shareholders excluding the Company
Total number of stock acquisition rights	349,382,912 units
Number of dilutive shares resulting from this issuance	349,382,912 shares (1 share per stock acquisition right)
Amount raised	Approximately 4.5 billion yen (assuming exercise ratio of 40%)
Exercise price	33 yen per share
Progress	Currently being financed Exercise period lasts until August 23, 2019.

II - Overview of the First Quarter of the Year Ending March 31, 2020

II -1. Consolidated P/L Summary

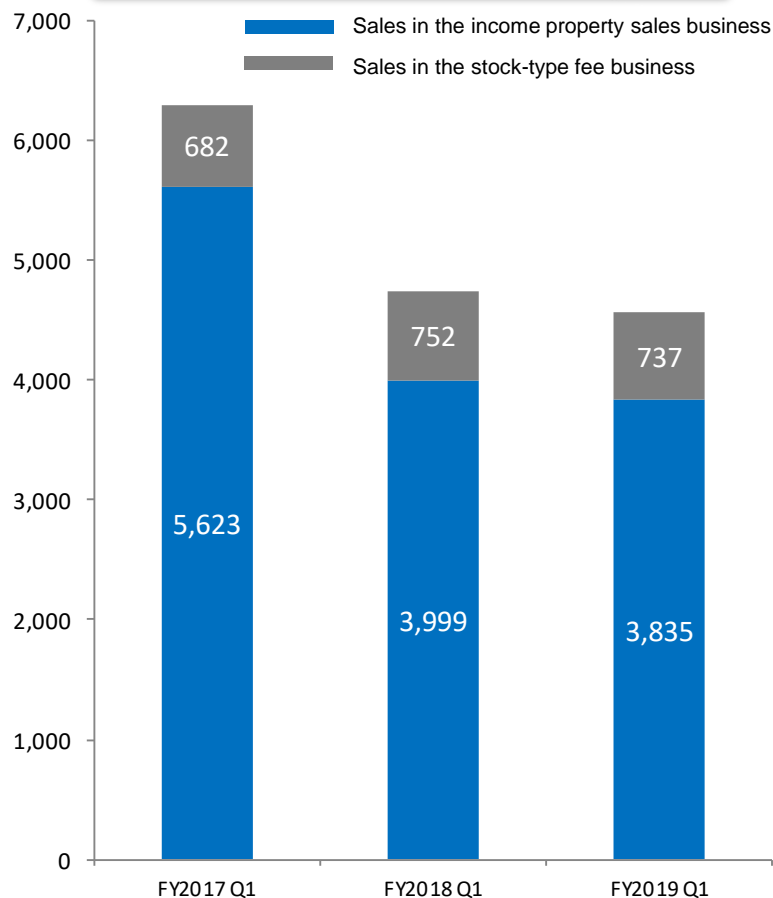
(Units: million yen)	FY2018 1Q (ended June 30, 2018)		FY2019 1Q (ended June 30, 2019)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Sales	4,647	+100.0%	4,507	+100.0%	- 3.0%	17.3%
Gross profit	884	+19.0%	923	+20.5%	+4.4%	—
SG & A	675	+14.5%	742	+16.5%	+9.8%	—
EBITDA	249	+5.4%	234	+5.2%	- 6.0%	17.7%
Ordinary income	121	+2.6%	111	+2.5%	- 8.5%	13.3%
Net income before taxes	- 635	- 13.7%	111	+2.5%	—	12.5%
Net income	- 306	- 6.6%	72	+1.6%	—	12.7%

- **While sales decreased slightly, profits were mostly as expected because there was no longer any extraordinary loss related to past years' consumption taxes as in the previous fiscal year.**

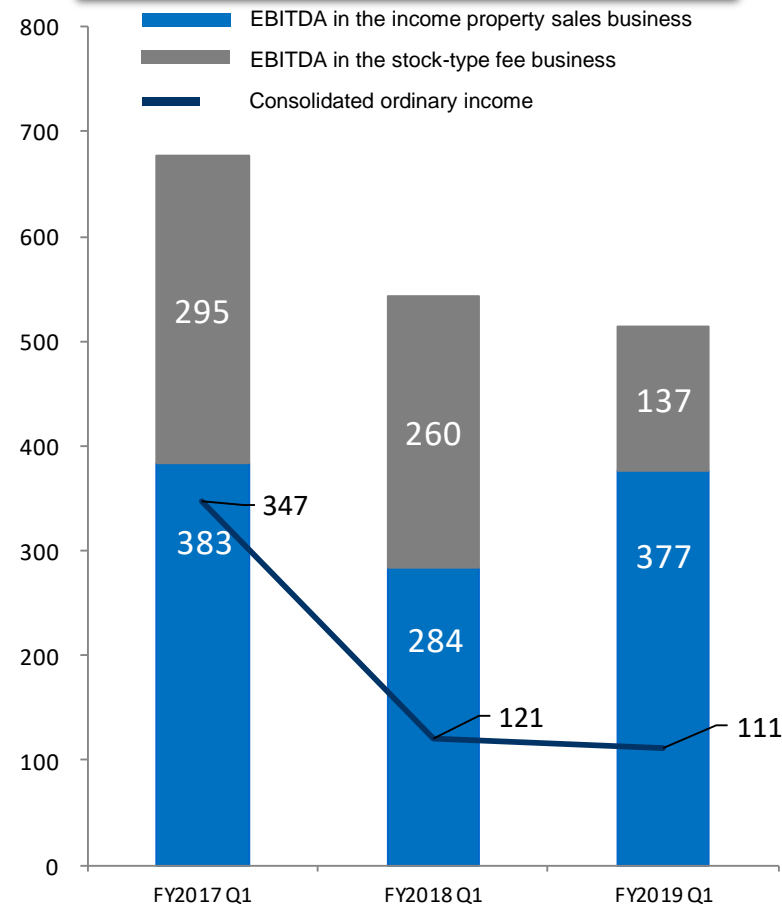
II -2. Changes in Segment Results

(Unit: million yen)

Changes in segment sales



Changes in segment EBITDA

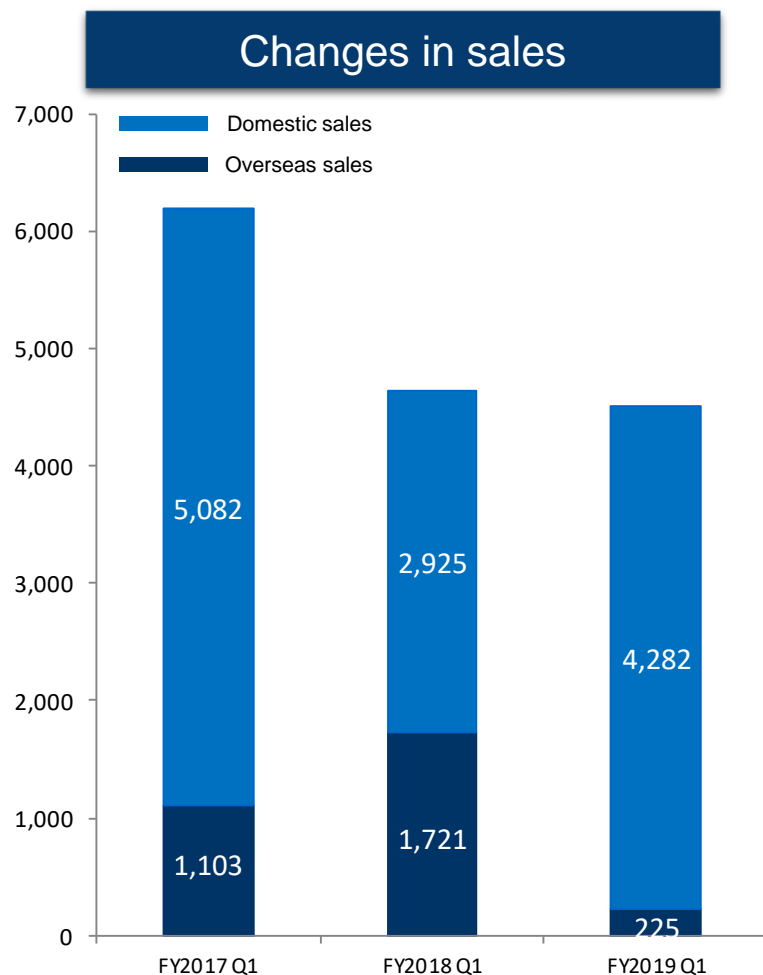


Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

➤ **Results were mostly the same as the previous year.**

II -3. Changes in Scale of Business by Region

(Unit: million yen)



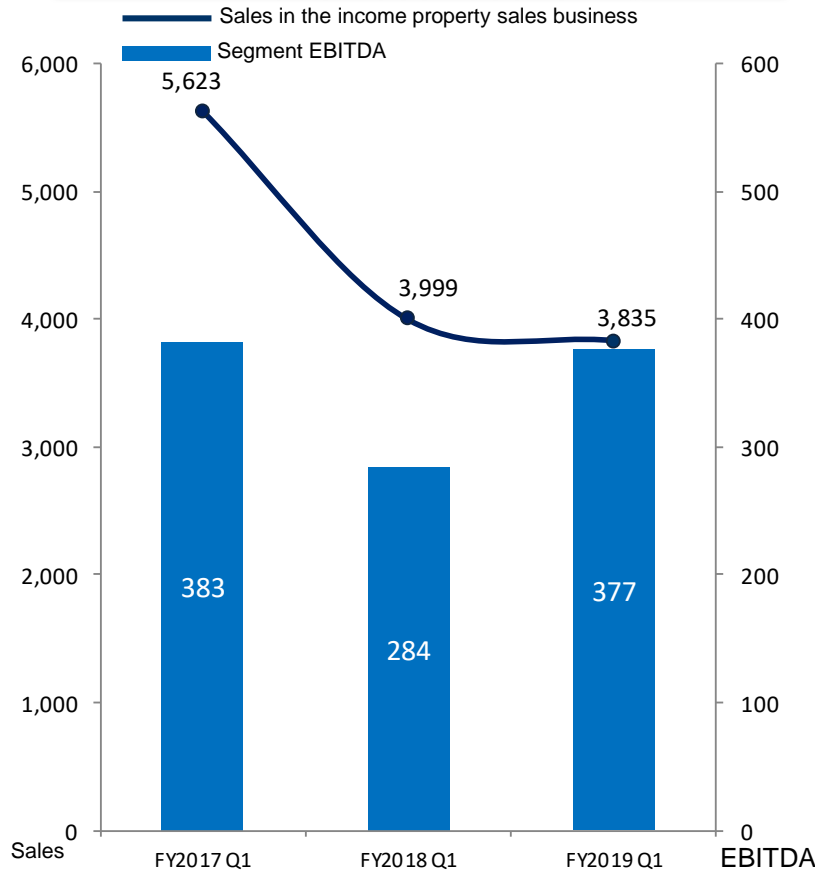
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Sales decreased YoY due to the property sales schedule for the overseas.**

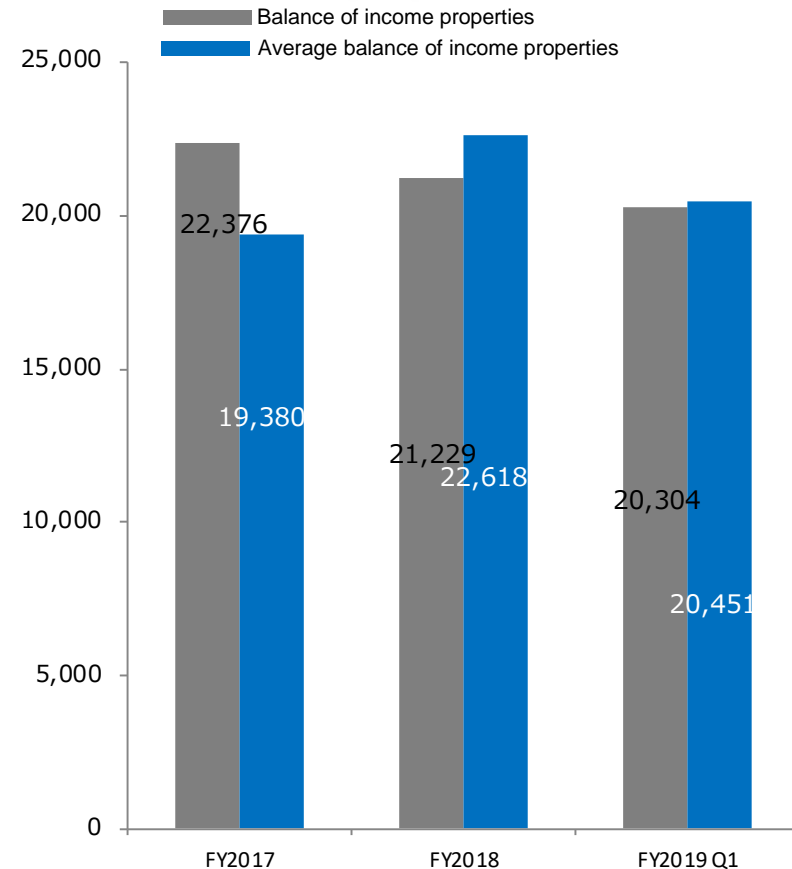
II -4. Main Business Areas (1): Overview of the Income Property Sales Business

(Units: million yen)

Changes in income property sales business results



Changes in balance of income properties



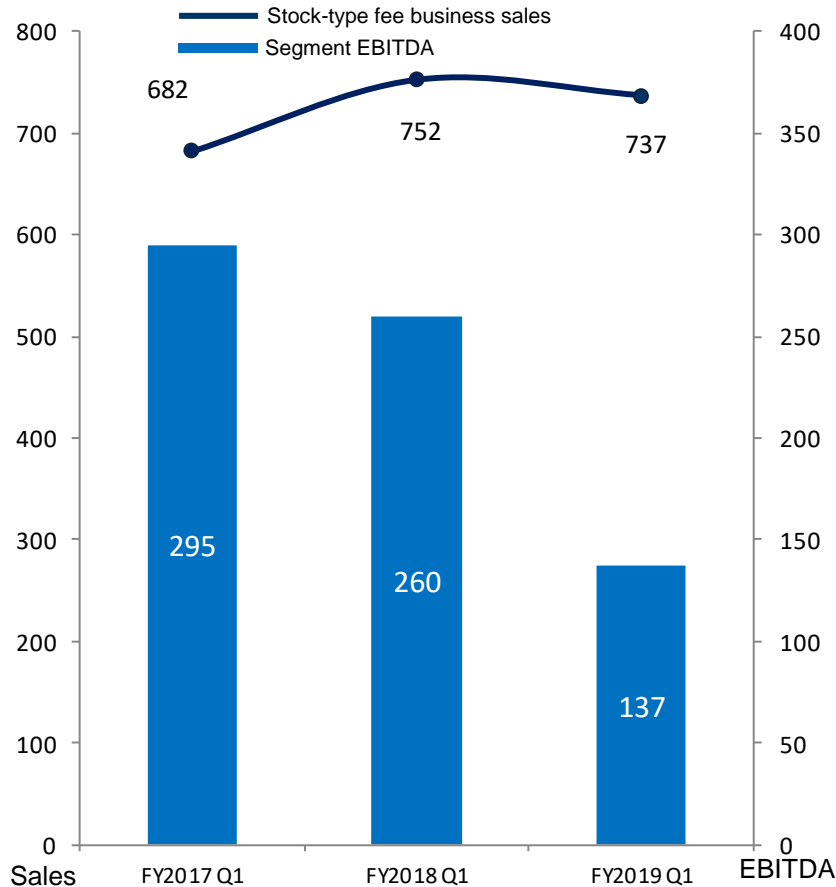
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- While sales were down slightly compared to the previous fiscal year, EBITDA increased due to strong sales of large properties.

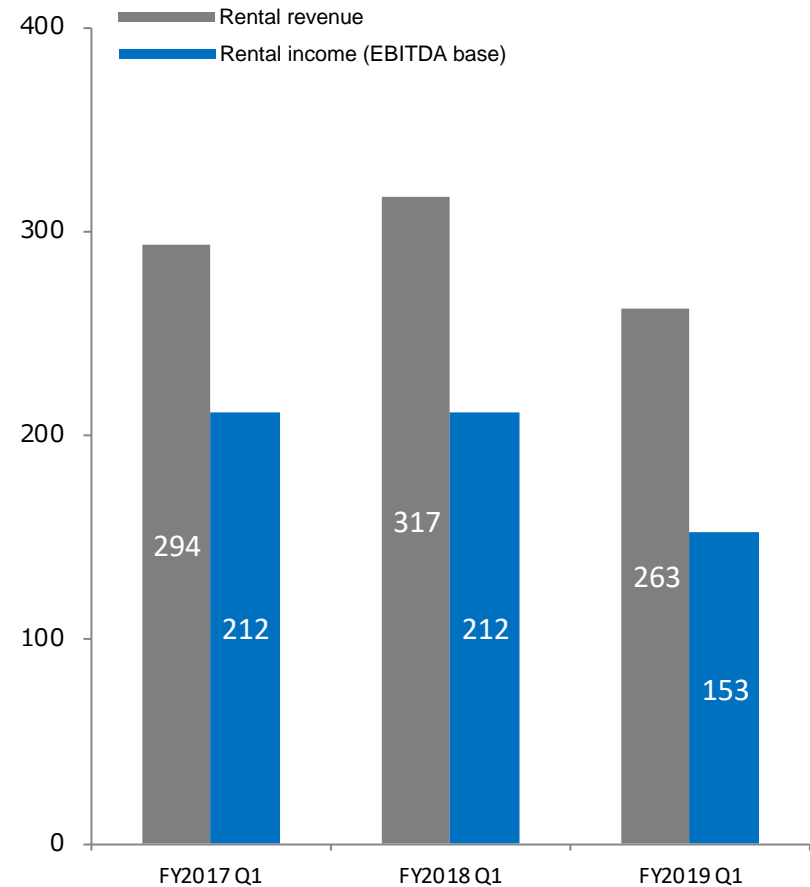
II -5. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

Changes in stock-type fee business results



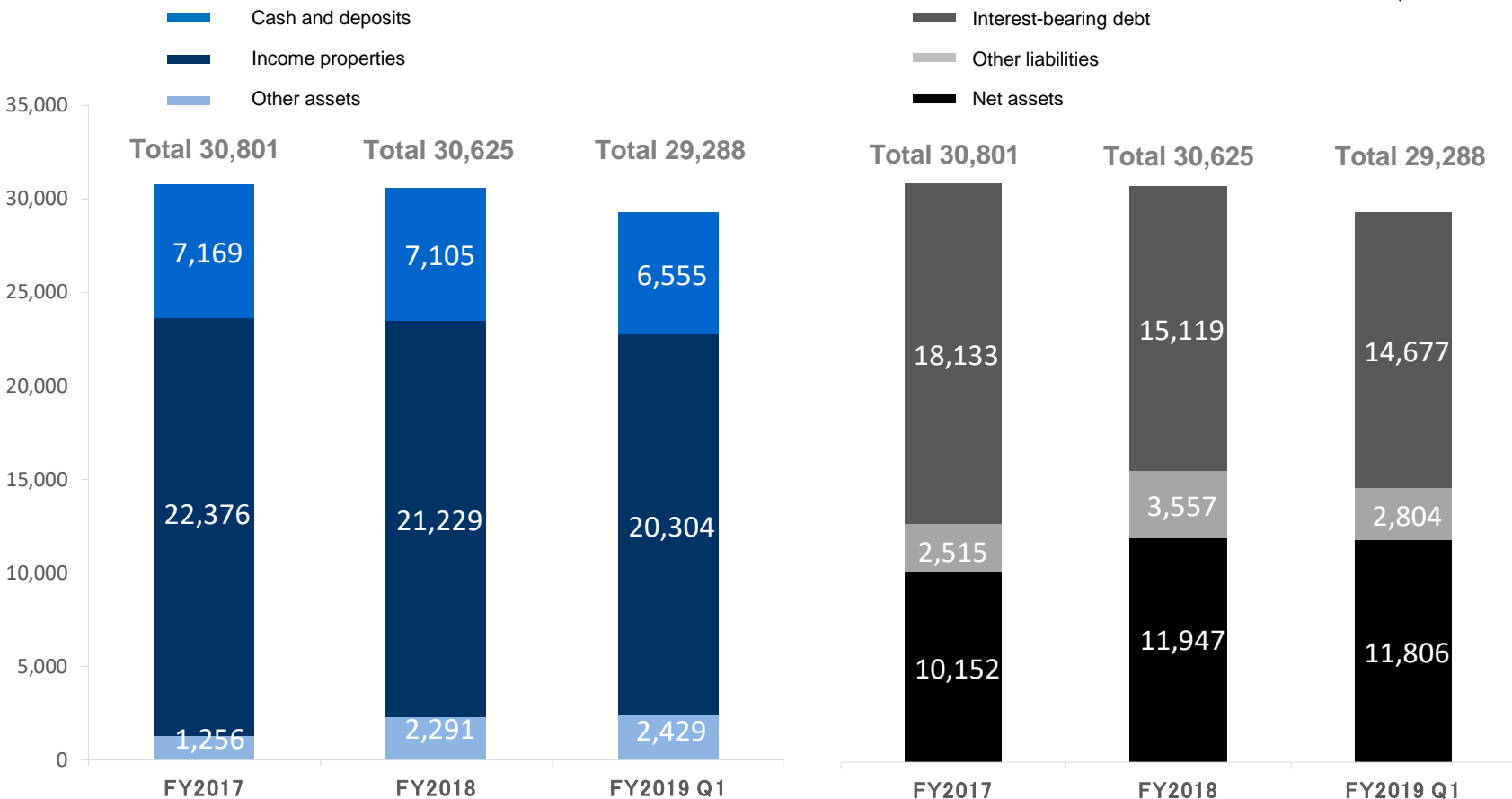
Changes in rental revenue and income



- Rental revenue decreased as a result of a decline in the balance of income properties due to a conservative purchasing strategy that put sales first in anticipation of changes in market conditions during the previous fiscal year.

Summary of main B/S items

(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.

➤ **Both cash and deposits and income properties decreased. We will focus on the purchase of prime properties going forward.**

III. Business Plan and Progress

【Consolidated earnings forecasts for fiscal year ending March 2020】

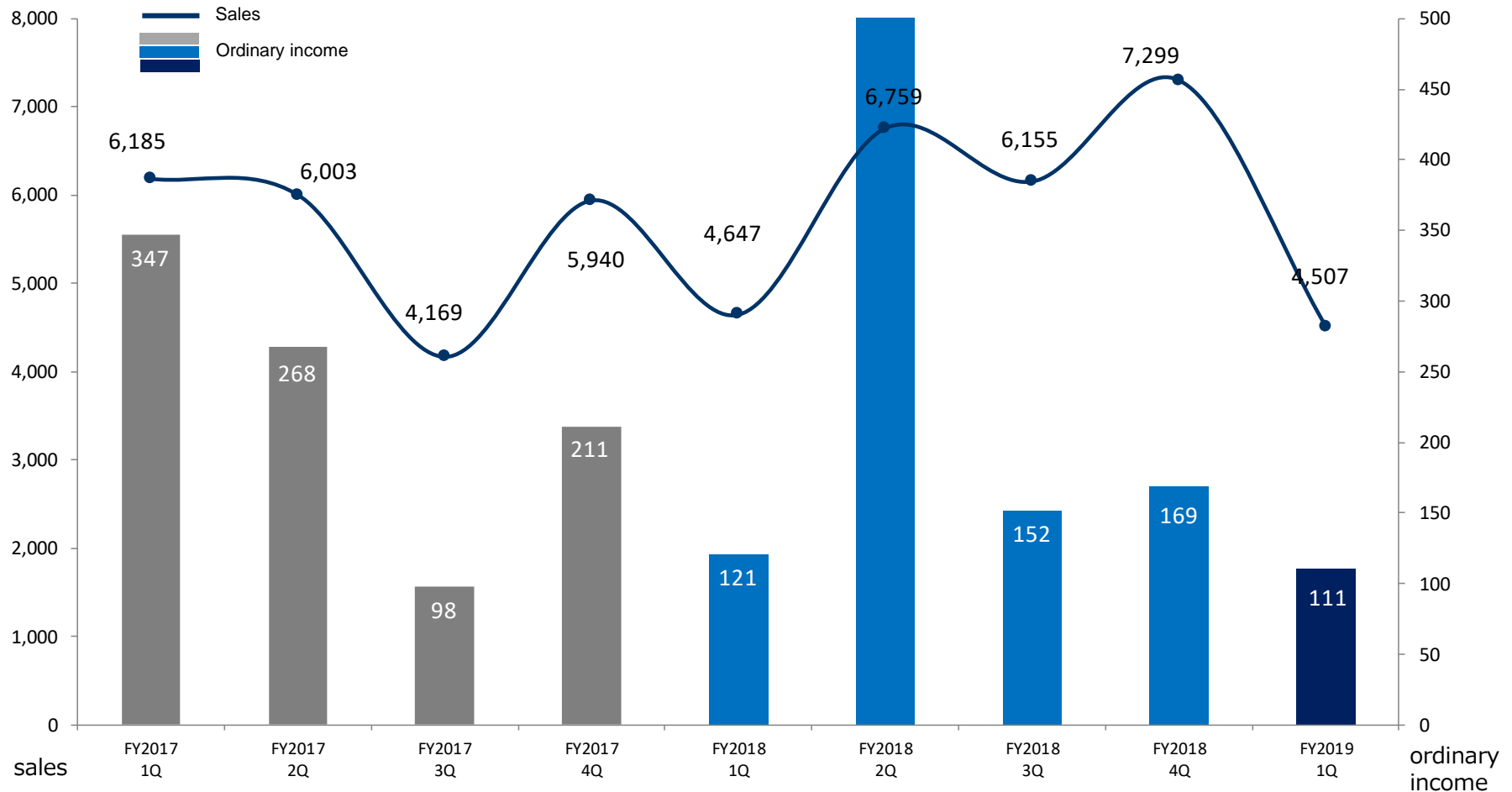
(Unit: Million yen)

	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%

- **We expect higher sales and lower income in this fiscal year, but we are prioritizing the rebuilding of our portfolio of income-earning properties and focusing on building up our balance of properties.**

Ⅲ-2. Changes in Consolidated Quarterly Results

(Units: million yen)



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 (The Sixth Mid-Range Business)

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
EBTDA	2,324	1,330	2,200
Ordinary income	1,802	840	1,500

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

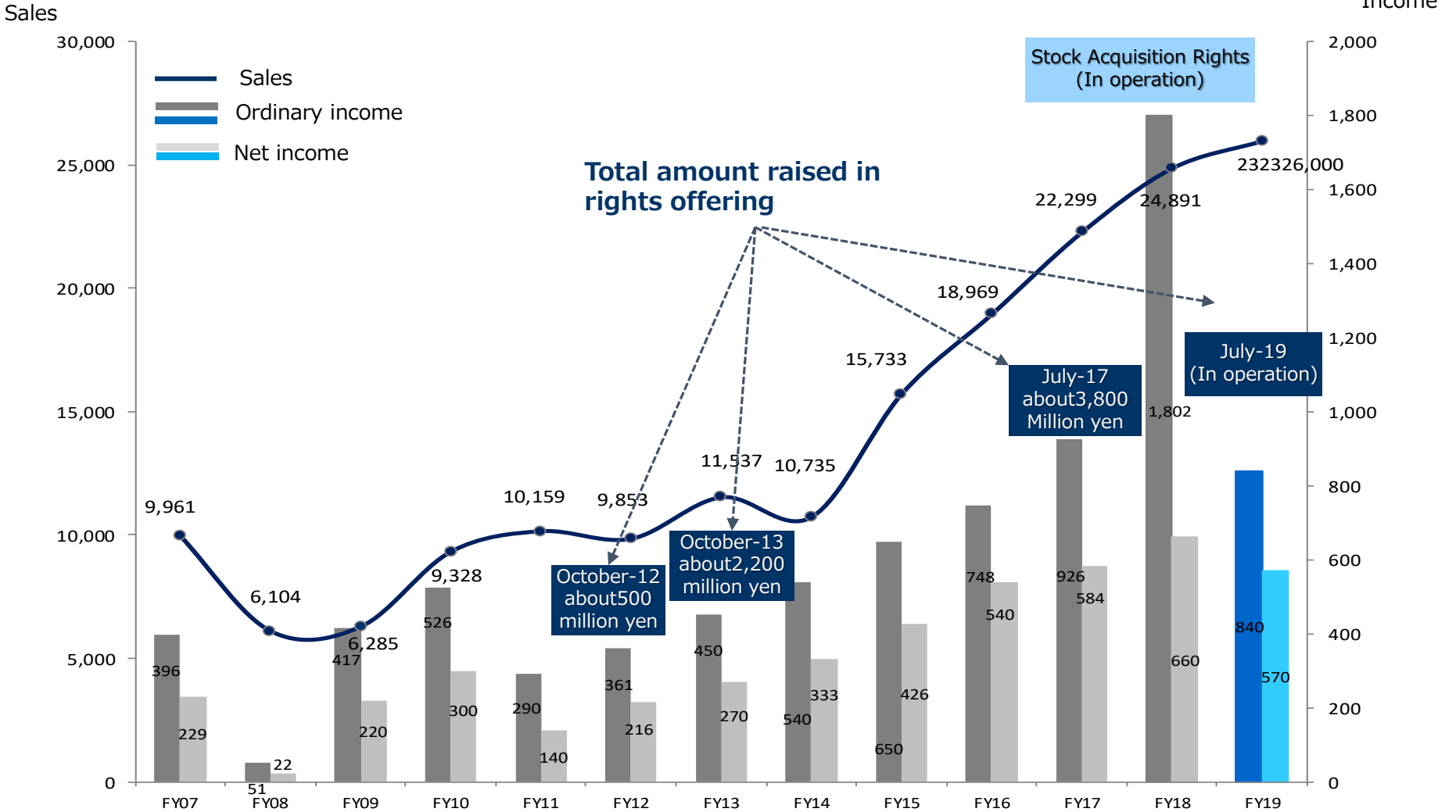
(Unit: Million yen)

(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
Total	21,229	36,500
(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

V – Reference Materials (About the Equity Finance)

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

(Units: million yen)



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■ Accelerated expansion of advisory services for financing

Our expertise in rights offerings, which we have carried out three times, has been collected in a book for publication.

We are proactively expanding advisory services for companies with similar issues.

【Target companies】

- Listed companies
- Companies with a high proportion of individual shareholders
- Relatively low market capitalization
- Strong motivation to grow and robust need for capital



※Please refer to the press release dated April 22, 2019 entitled “AD Works publishes books bringing together expertise on rights offerings: Full-scale expansion of advisory services on fund-raising on the occasion of publication.”

VI - Reference Materials

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

- ❑ **Company name:** A.D.Works Co., Ltd.
- ❑ **Headquarters:** 13th Fl., U-1 Hibiya Bldg., 1-1-7, Uchisaiwai-cho, Chiyoda-ku, Tokyo
- ❑ **Establishment:** Founded February 1886. Incorporated May 1936.
- ❑ **Capital:** 4,395 million yen (as of the end of June 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)
 - 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 (housing loan investment 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

VI-2. Shareholder Composition (Based on information as of June, 2019)

Number of issued shares / Number of shareholders

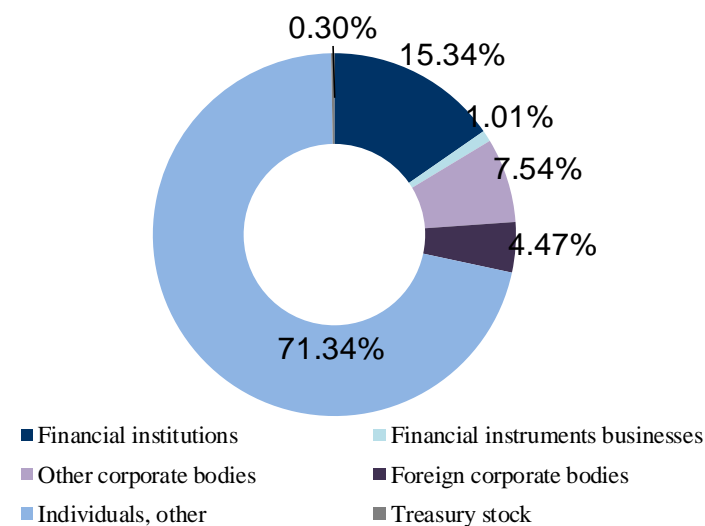
Number of issued shares: 350,422,493

Number of shareholders: 20,957

Major shareholders

		Number of shares	Share ratio %
1	Hideo Tanaka (President and CEO)	46,108,620	13.15%
2	Liberty House Co., Ltd.	16,216,000	4.62%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	11,613,800	3.31%
4	The Nomura Trust and Banking Co., Ltd. (Trust Account)	9,312,600	2.65%
5	Japan Trustee Services Bank, Ltd. (Trust Account)	8,138,100	2.32%
6	Japan Trustee Services Bank, Ltd. (Trust Account - 5)	5,437,800	1.55%
7	Shin Takahashi	4,501,000	1.28%
8	Japan Trustee Services Bank, Ltd. (Trust Account - 1)	4,201,400	1.19%
9	Japan Trustee Services Bank, Ltd. (Trust Account - 2)	4,041,200	1.15%
10	Ueda Yagi Tanshi Co., Ltd.	3,572,000	1.01%

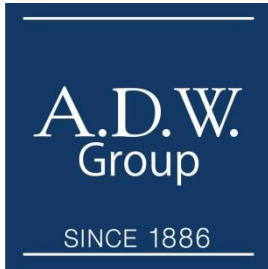
Allocation by owner (share ratio)



VI-3. Changes in Consolidated Results (Summary)

(Units: million yen)

	Year ended March 31, 2012 (Results)	Year ended March 31, 2013 (Results)	Year ended March 31, 2014 (Results)	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)
Consolidated sales	10,159	9,853	11,537	10,735	15,733	18,969	22,299	24,861
Consolidated ordinary income	290	361	450	540	650	748	926	1,802
Consolidated net income	140	216	270	333	426	540	584	663
Net assets	2,205	2,896	5,496	5,478	5,842	6,415	10,152	11,947
Total assets	6,258	9,117	14,274	16,681	17,925	25,832	30,801	30,625
Total income property balance (at year end)	3,810	5,703	10,124	12,931	14,551	20,318	22,376	21,229
Rental revenue (sales)	380	416	460	717	842	1,058	1,112	1,319
Rental revenue / Sales ratio (%)	3.7%	4.2%	4.0%	6.7%	5.4%	5.6%	5.0%	5.3%
Employees (persons)	53人	59.5人	68人	99人	115人	136人	146人	167人



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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E-mail: ir@re-adworks.com