



IR Briefing Materials: Year Ended March 31, 2020 (for A.D.Works Co., Ltd.)

The holding company was established on April 1, 2020 through a sole share transfer with A.D.Works as the sole parent company. The Group will release A.D.Works' consolidated earnings for the fiscal year ended March 2020.

June 17, 2020
A.D.Works Group Co., Ltd.
TSE 1st Section: 2982
<https://www.adwg.co.jp/>

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

I - Summary of the Year Ended March 31, 2020

Topic
1

Income surpassed targets

- The impact of the expanding novel coronavirus outbreak had not yet become severe in this fiscal year, and income surpassed targets.

Topic
2

Progress with infrastructure development, our core business

- Sales of income-earning properties on a larger scale drove earnings.
- Steady progress in increasing scale of acquisitions

Topic
3

Promotion of new initiatives

- The Group's first transaction in Hawaii in the US contributed to earnings.
- Sumikawa Works Co., Ltd. became a Group company through an M&A.

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

(Units: million yen)	FY2018 (ended March 31, 2019)		FY2019 (ended March 31, 2020)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Net Sales	24,861	100.0%	24,687	100.0%	- 0.7%	95.0%
Gross profit	5,343	21.5%	4,812	19.5%	- 9.9%	—
SG & A	3,226	13.0%	3,520	14.3%	+9.1%	—
EBITDA	2,324	9.3%	1,470	6.0%	- 36.7%	110.6%
Ordinary income	1,802	7.3%	932	3.8%	- 48.2%	111.1%
Pre-tax income	1,043	4.2%	933	3.8%	- 10.6%	104.9%
Net income	663	2.7%	625	2.5%	- 5.8%	109.7%

- **Income at all levels exceeded full-year forecasts.**
It should be noted that in the previous fiscal year, high income-earning properties were sold earlier than planned to compensate for extraordinary losses related to consumption taxes for past fiscal years, and this and other measures boosted income. This resulted in lower income in this fiscal year compared to the previous fiscal year.

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

I **Determine changes to business structure in a post-coronavirus world**

- 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**

- 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**

- 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

II-2. Consolidated Results Plan (announced June 11,2020)

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 Group Co., Ltd.

II-3. Scale that Group is targeting (Guidance)

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 Ended March 31, 2020

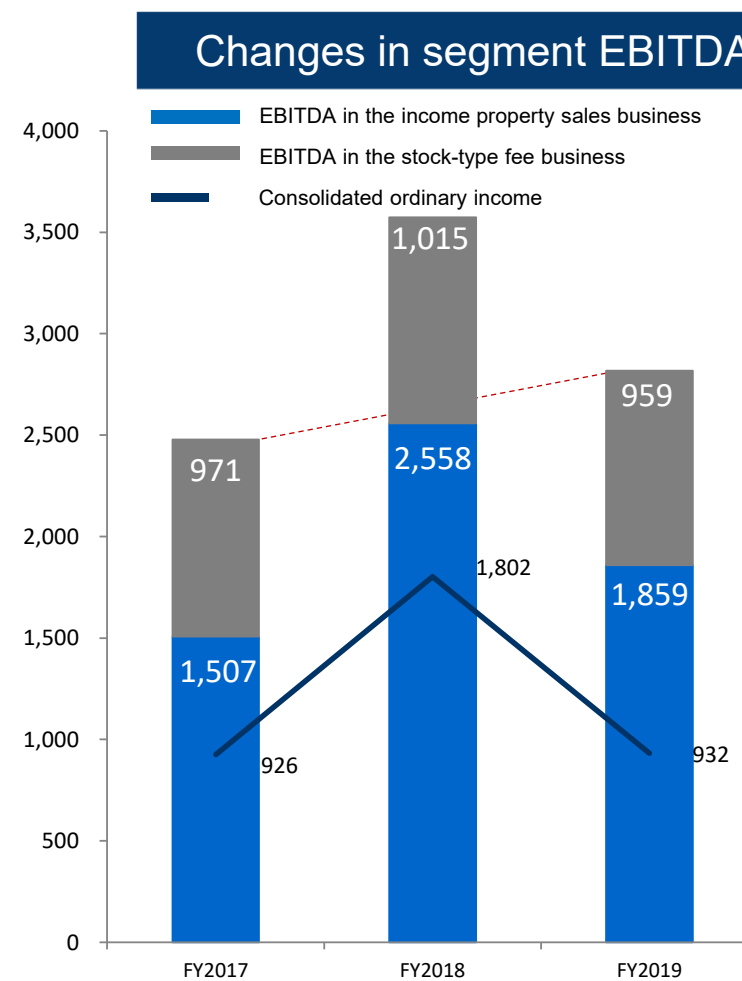
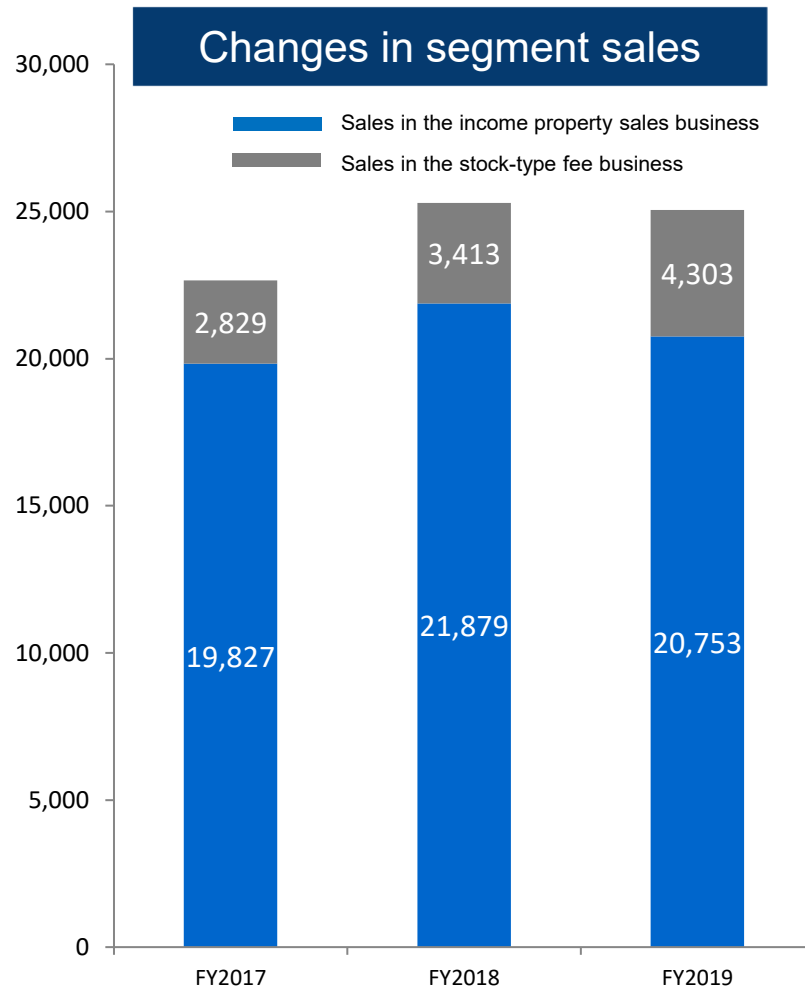
III-1. Consolidated P/L Summary

(Units: million yen)	FY2018 (ended March 31, 2019)		FY2019 (ended March 31, 2020)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Net Sales	24,861	100.0%	24,687	100.0%	- 0.7%	95.0%
Gross profit	5,343	21.5%	4,812	19.5%	- 9.9%	—
SG & A	3,226	13.0%	3,520	14.3%	+9.1%	—
EBITDA	2,324	9.3%	1,470	6.0%	- 36.7%	110.6%
Ordinary income	1,802	7.3%	932	3.8%	- 48.2%	111.1%
Pre-tax income	1,043	4.2%	933	3.8%	- 10.6%	104.9%
Net income	663	2.7%	625	2.5%	- 5.8%	109.7%

- **Income at all levels exceeded full-year forecasts.**
 It should be noted that in the previous fiscal year, high income-earning properties were sold earlier than planned to compensate for extraordinary losses related to consumption taxes for past fiscal years, and this and other measures boosted income. This resulted in lower income in this fiscal year compared to the previous fiscal year.

III-2. Changes in Segment Results

(Unit: million yen)

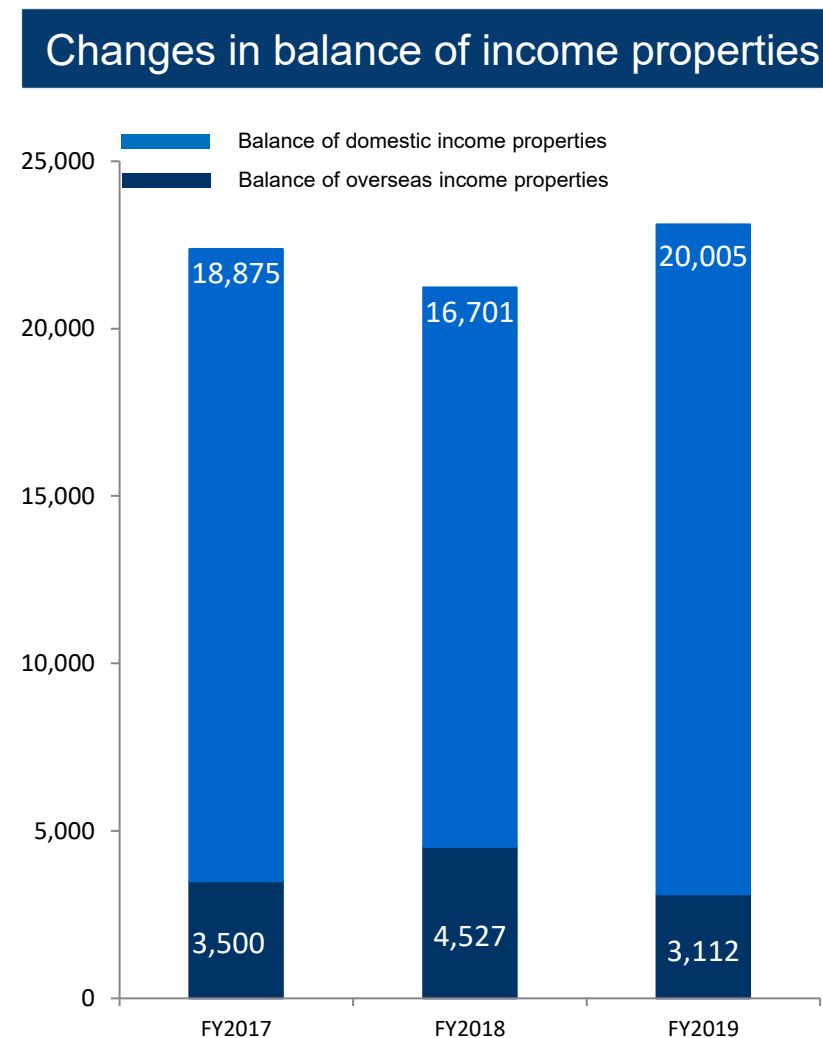
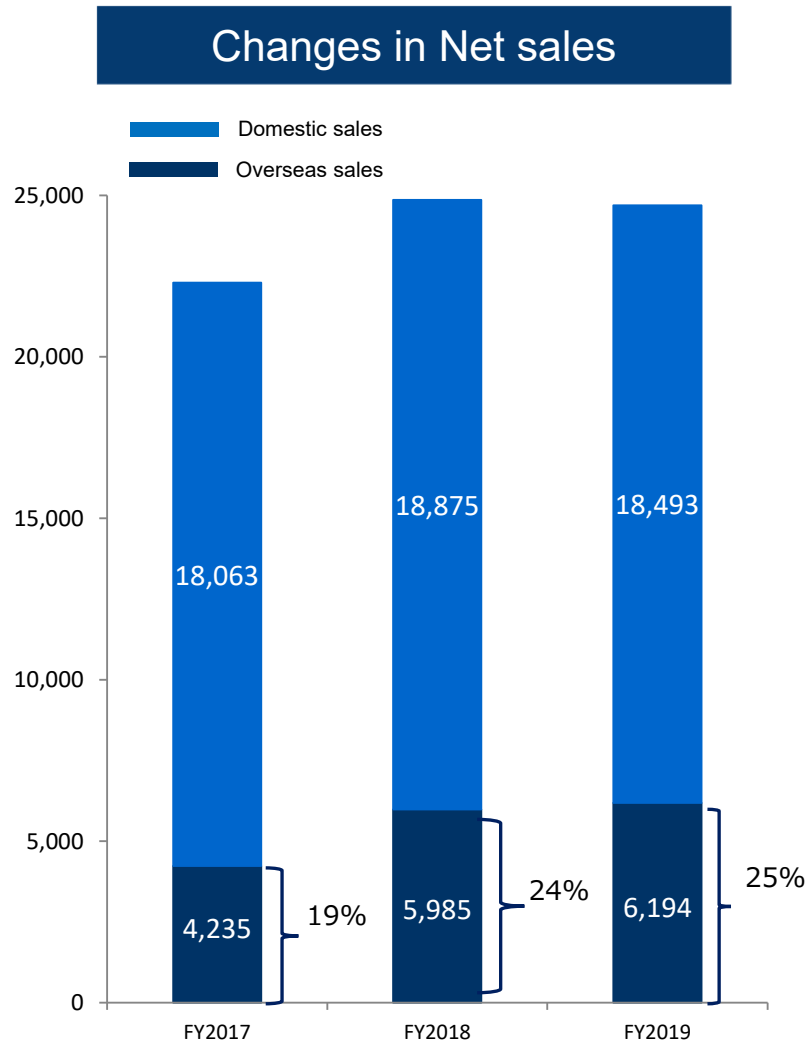


Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

- Earnings were generally in line with forecasts, when excluding one-off factors in the previous fiscal year.

III-3. Changes in Scale of Business by Region

(Unit: million yen)



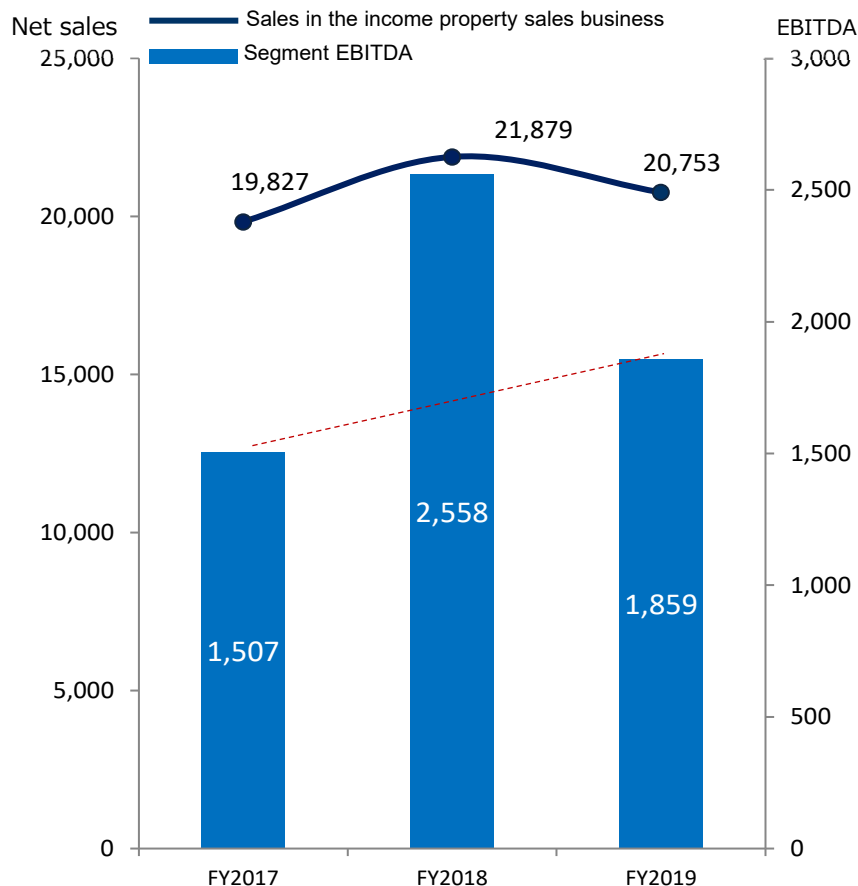
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Balance of income-earning properties built up, primarily with large properties in Japan.**

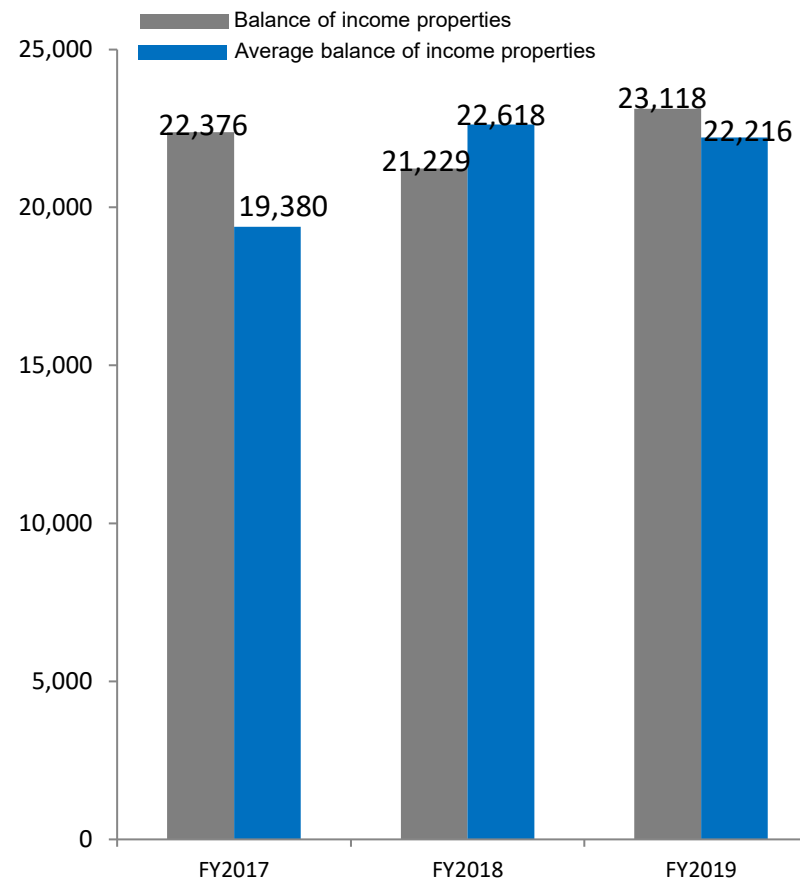
III-4. Main Business Areas (1): Overview of the Income Property Sales Business

(Units: million yen)

Changes in income property sales business results



Changes in balance of income properties



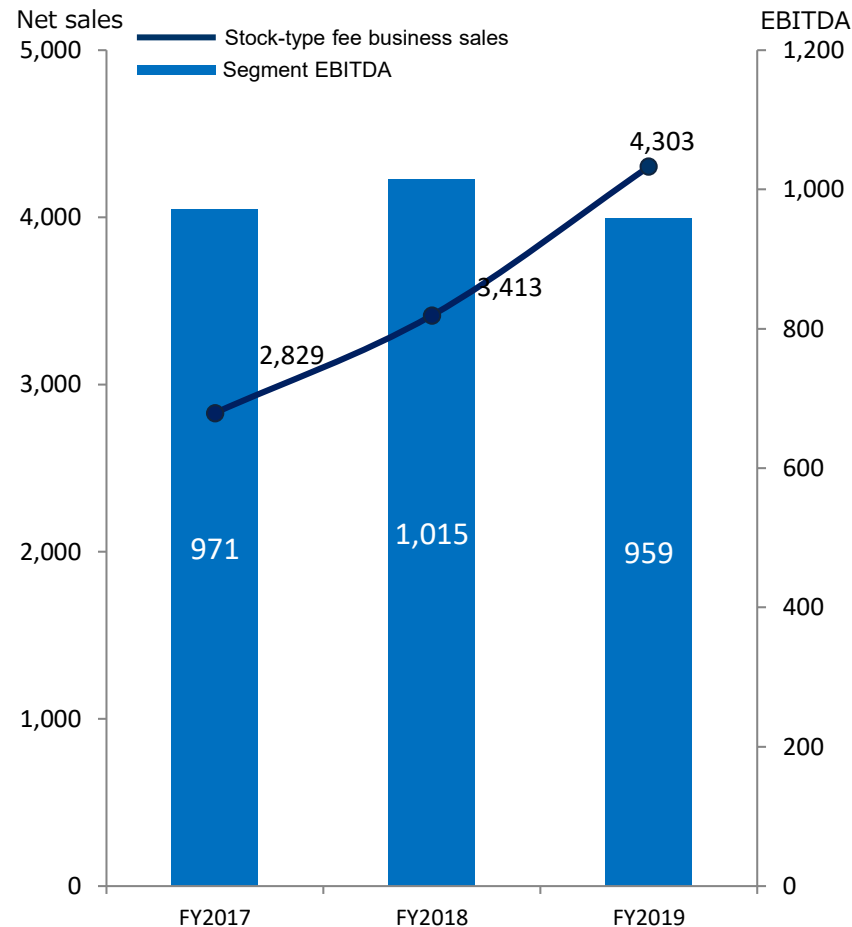
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **EBITDA grew steadily, when excluding one-off factors in the previous fiscal year.**
- **The year-end balance of income-earning properties — the source of future revenue — increased more than 1.8 billion yen.**

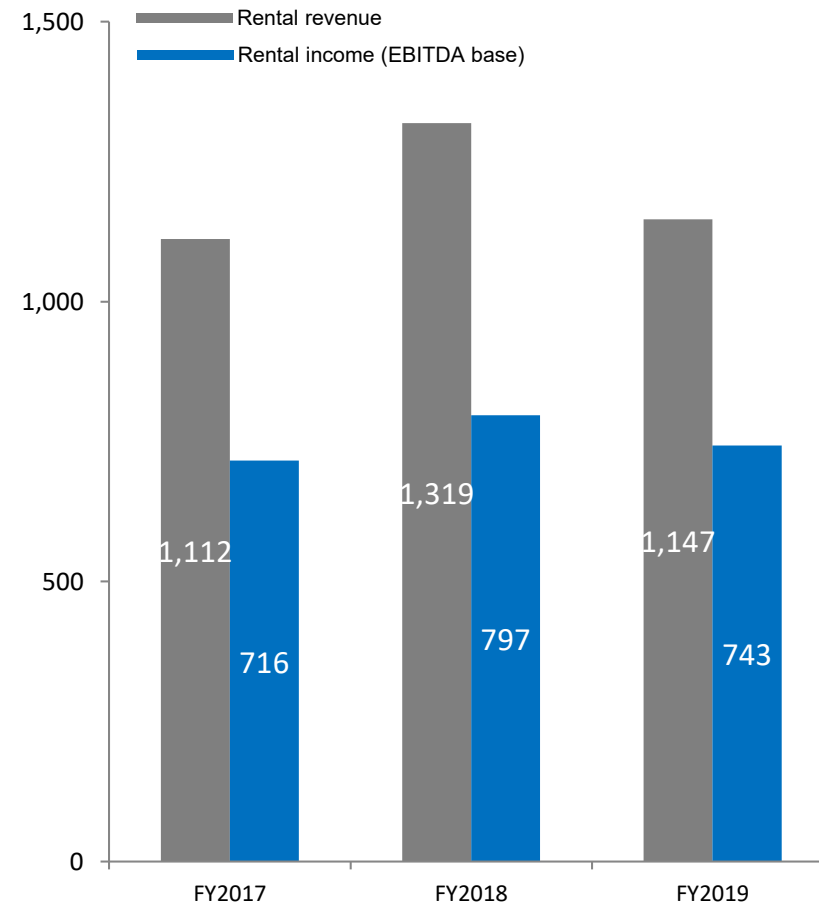
III-5. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

Changes in stock-type fee business results

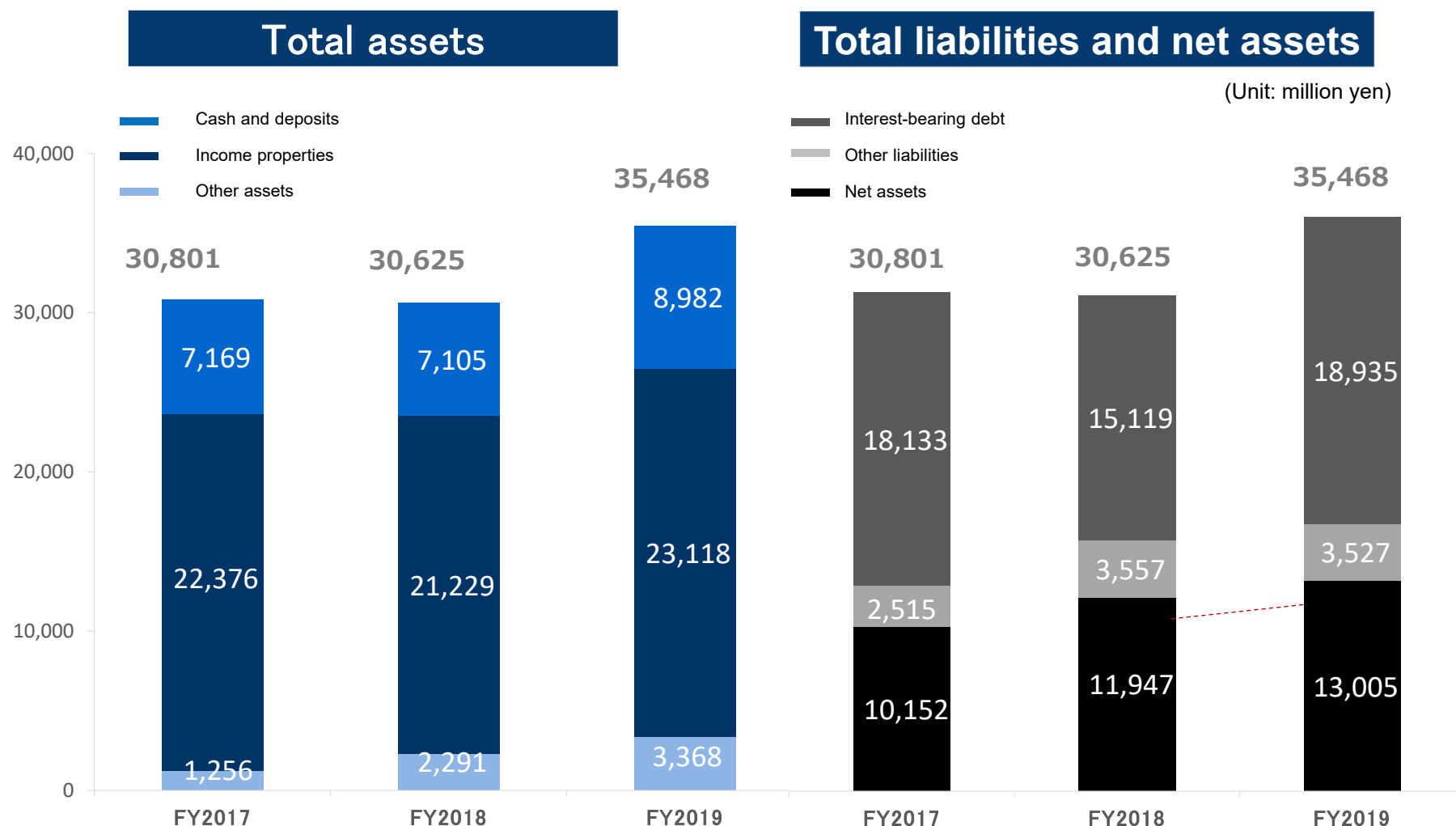


Changes in rental revenue and income



- **Net sales increased due to the M&A of Sumikawa Works Co., Ltd. EBITDA decreased due to an increase in employees as an advance investment aimed at ascertaining customer needs.**

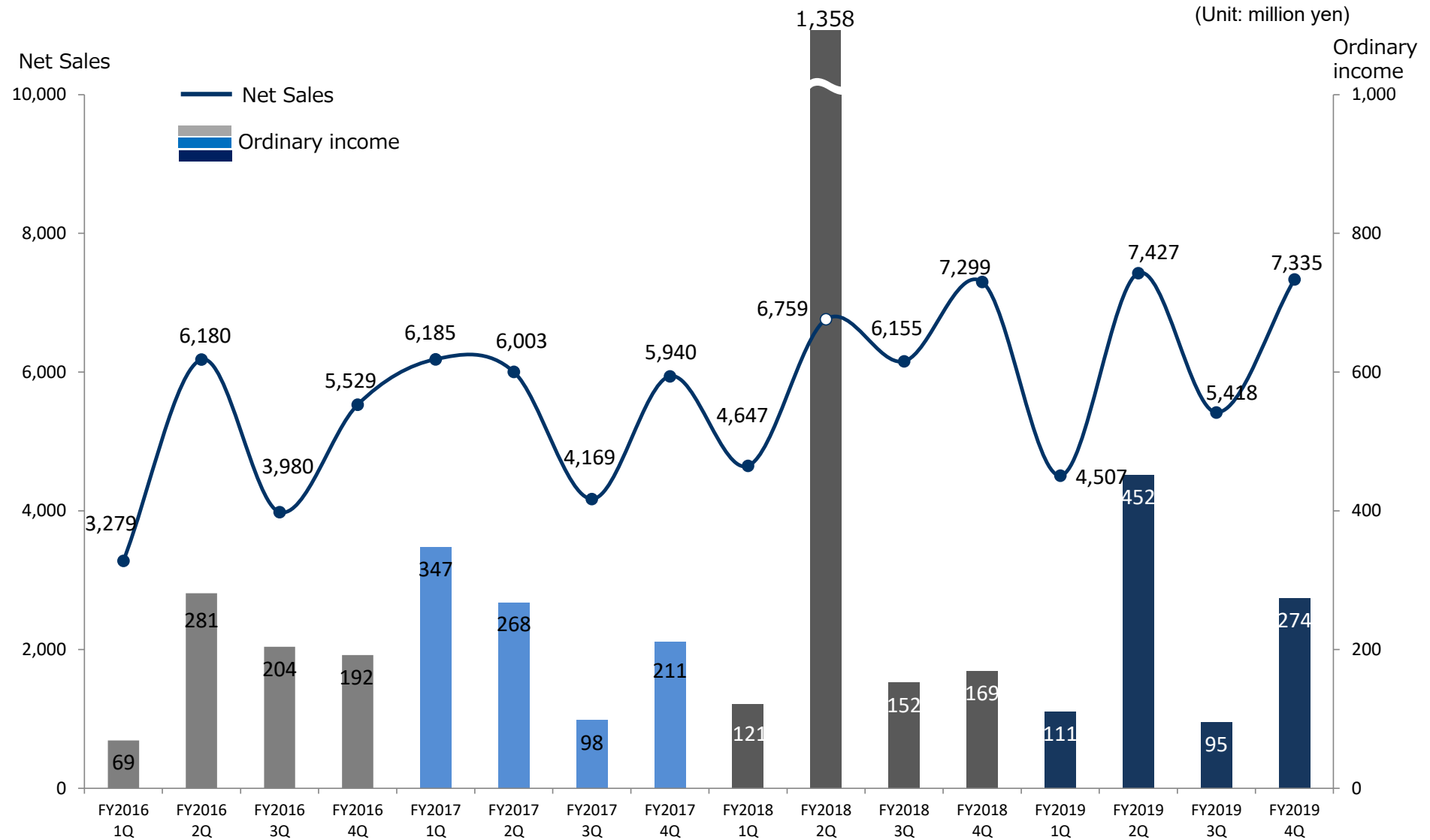
III-6. Consolidated B/S Summary



(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 assets increased 8.8% over the end of the previous fiscal year to 13,005 million yen due to 625 million yen in net income and a capital increase of about 1,400 million yen in a rights offering.**

Ⅲ-7. Changes in Consolidated Quarterly

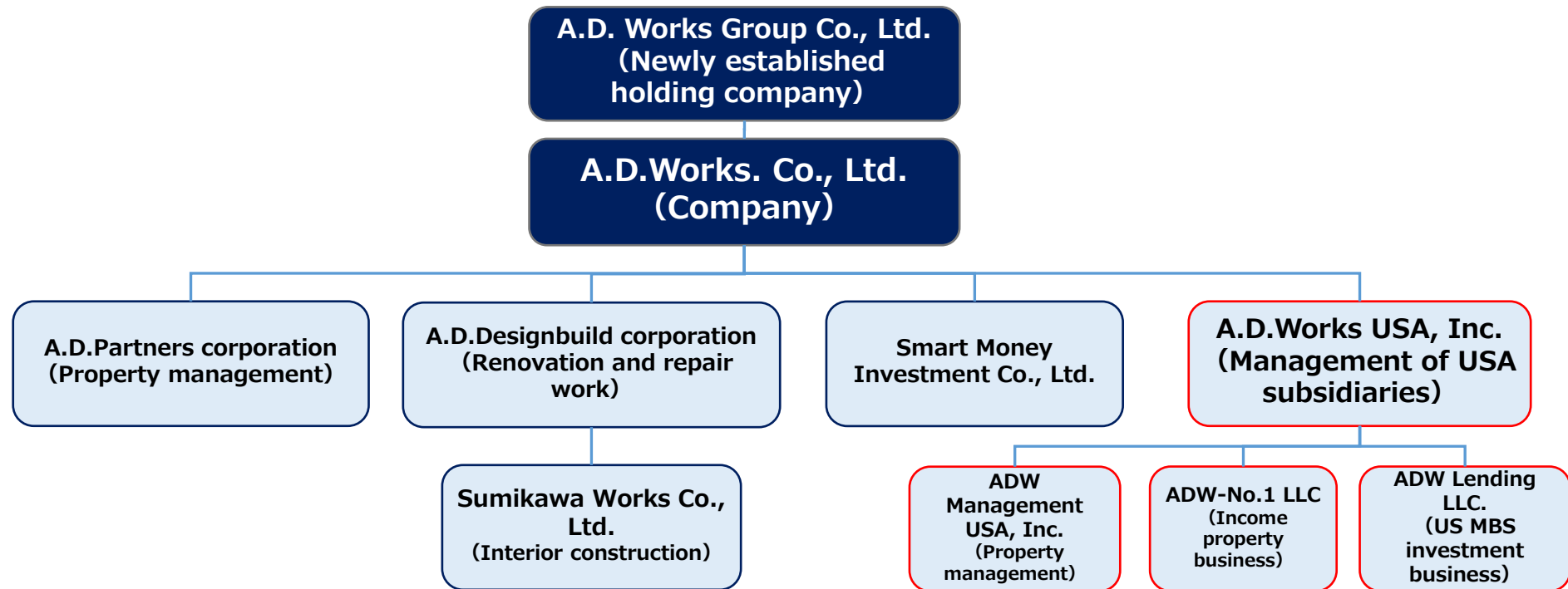


At present, the income property sales business accounts for about 90% of consolidated sales. As a result, there are large fluctuations in quarterly results.

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

IV-1. Overview of the shift to holding company

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

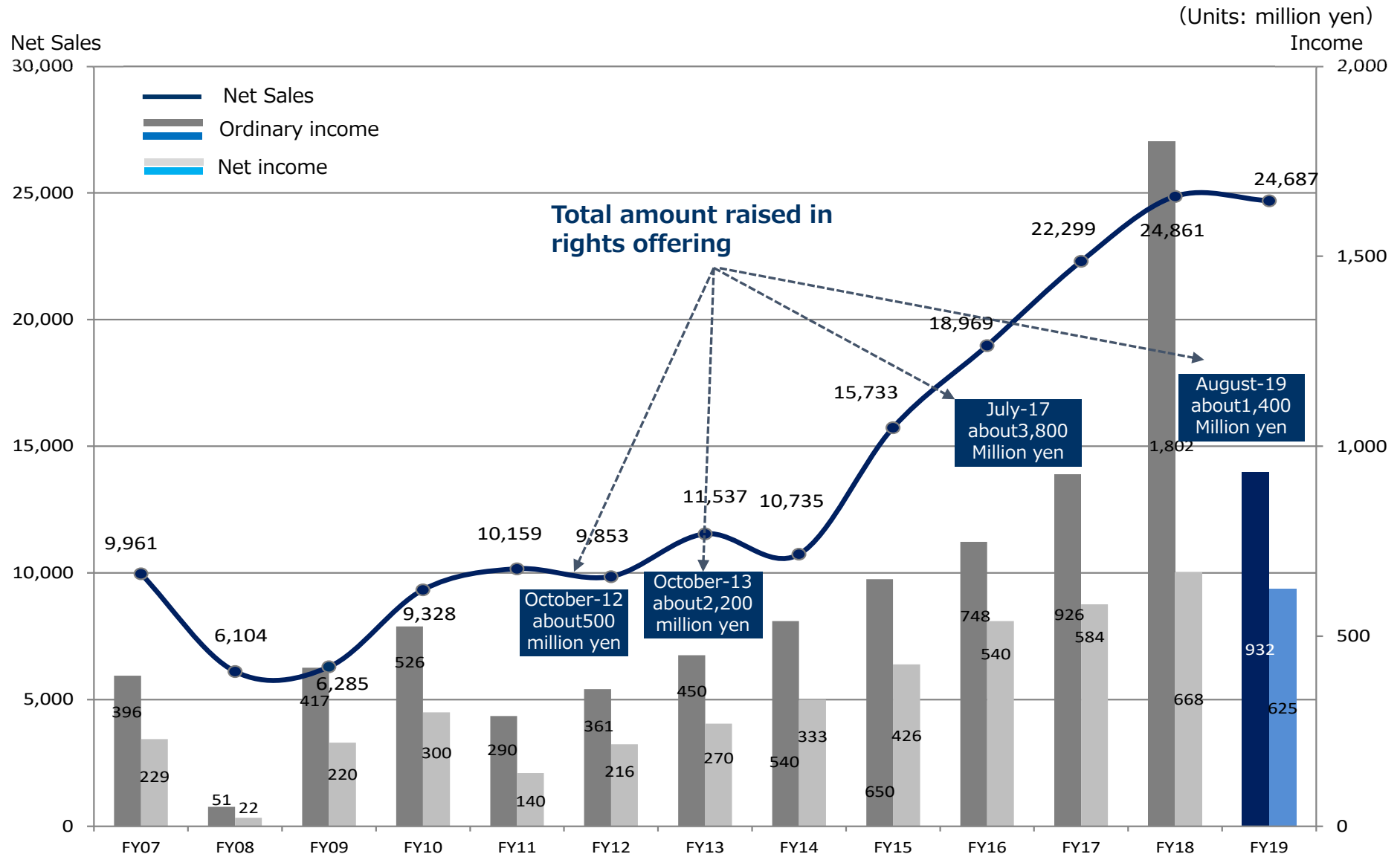


Aims of shift to holding company

- 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.

V – Reference Materials (Equity Finance)

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



➤ 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)

VI-1. Company Profile

- ❑ **Company name:** A.D.Works Group Co.,Ltd.
- ❑ **Headquarters:** 5th Floor, Hibiya Kokusai Bldg.,2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
- ❑ **Establishment:** Founded February 1886. Incorporated May 1936.
(note) A.D.Works, the Group's predecessor, was established in February 1886 and incorporated in May 1936.
- ❑ **Capital:** 5,500 million yen (as of April 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 Group 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

VI-2. Shareholder Composition (Based on information as of the end of March, 2020)

Number of issued shares / Number of shareholders

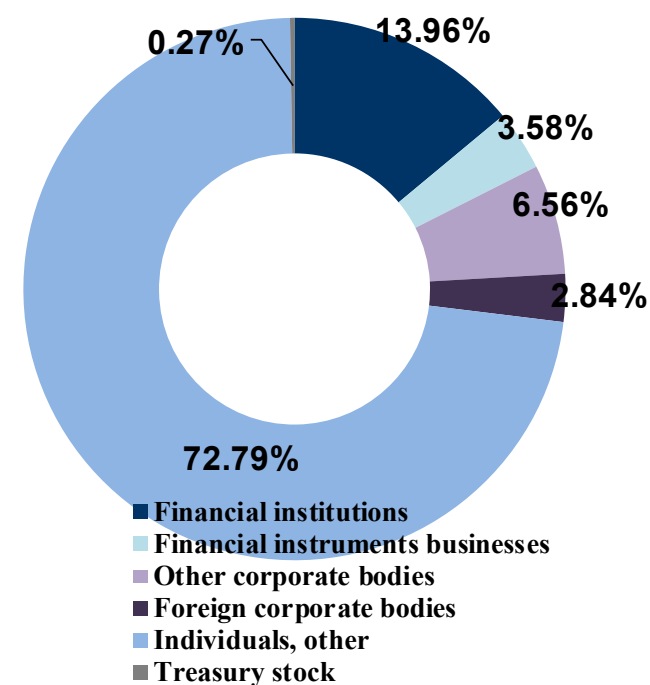
1. Number of issued shares: 392,898,648

2. Number of shareholders: 21,496

3. Major shareholders

No.		
1	Hideo Tanaka (President and CEO)	12.11%
2	Liberty House Co., Ltd.	5.01%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.44%
4	Morgan Stanley MUFG Securities Co., Ltd.	2.38%
5	Japan Trustee Services Bank, Ltd. (Trust Account)	2.07%
6	Japan Trustee Services Bank, Ltd. (Trust Account · 5)	1.84%
7	The Master Trust Bank of Japan, Ltd. (BIP Trust Account)	1.26%
8	Kazufumi Imai	1.10%
9	Japan Trustee Services Bank, Ltd. (Trust Account · 1)	1.01%
10	Yoshio Takano	0.89%

4. Allocation by owner (share ratio)



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

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 (Results)
Consolidated sales	10,735	15,733	18,969	22,299	24,861	24,687
Consolidated ordinary income	540	650	748	926	1,802	932
Consolidated net income	333	426	540	584	663	625
Net assets	5,478	5,842	6,415	10,152	11,947	13,005
Total assets	16,681	17,925	25,832	30,801	30,625	35,468
Total income property balance (at year end)	12,931	14,551	20,318	22,376	21,229	23,118
Rental revenue (sales)	717	842	1,058	1,112	1,319	1,147
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%
Employees (persons)	99	115	136	146	167	185



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