

A.D.W.
Group

SINCE 1886



SINCE 1886

おかげさまで創業130周年

A.D. Works Co., Ltd.

IR Briefing Materials:
Year Ended March 31, 2016

May 18, 2016

A.D. Works Co., Ltd.

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

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I - Summary of Year Ended March 31, 2016

1. Summary of Year Ended March 31, 2016

Results Topic

1

We achieved an increase in income and profits over the full year. In addition to the domestic business, **the U.S. income properties business also made a solid contribution to the results.** Beginning from the next fiscal year, this business will begin an expansion phase as a business that will become a new pillar of income.

Results Topic

2

We sold a total of 40 properties over the full year (36 in Japan, 4 in the U.S.). **Sales activities are proceeding at a pace exceeding the initial plan.**

Results Topic

3

As we carefully selected top-grade properties, we acquired **12.325 billion yen of properties (up 41.5% from the previous year)** and the year-end balance reached 14.551 billion yen. Acquisition results: 35 properties in Japan, 7 properties in the U.S.

Our evaluation of the level of achievement relative to the plan for the year ended March 31, 2016

Achievement rates relative to the full year plan: Sales = **126.9%**, Ordinary income = **108.4%**

During the second half of the year, contract negotiations continued until the very end of the year.

We must expand our product lineup in order to meet the diverse range of customer needs.

We recognize expanding the scale of our business as a priority business issue.

2. Business Strategy: Evolving the AD Business Model

Evolving the AD business model

Increasing the balance of income properties

Shifting to a stable profit model

Meeting the needs of high net-worth individuals

- Expanding the range of income property types
U.S. income properties, in-house development, property sizes, purposes
- Dedication to completely private consulting

Providing high added value to the owners (clients)

Creating long-term business relationships with the owners (clients)

Achieving lower owner (customer) costs based on long-term business relationships

Good cycle results of the AD business model

We can establish a unique position in the real estate industry.

II - Overview of Year Ended March 31, 2016

3. Consolidated PL summary (comparison with previous year)

(Units: Millions yen)	Year ended March 31, 2015		Year ended March 31, 2016		Change from previous year
	Amount	% of sales	Amount	% of sales	
Sales	10,735	100.0%	15,733	100.0%	+46.5%
Gross profit	2,529	23.6%	2,965	18.8%	+17.2%
SG & A	1,770	16.5%	2,097	13.3%	+18.5%
EBITDA	791	7.4%	926	5.9%	+17.1%
Operating income	759	7.1%	867	5.5%	+14.3%
Ordinary income	540	5.0%	650	4.1%	+20.3%
Net income	333	3.1%	426	2.7%	+27.9%

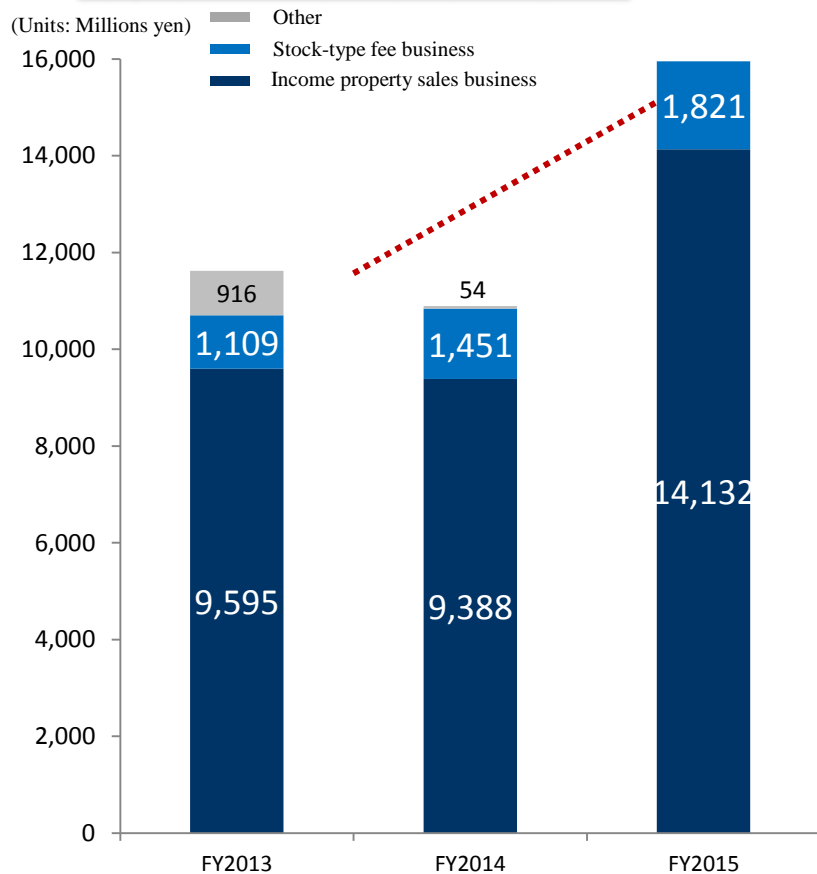
Points

- Higher sales:** Backed by strong investment needs, sales were 46.5% higher than the previous year.
- Higher income:** We were able to absorb the decline in gross profit on sales and SG&A, and achieved income growth.

* Depending on the developed property, the profit margin may be higher in some cases. The reason that the gross profit margin was down during this year is that the properties sold during the first quarter of the previous year included development properties with high profit margins.

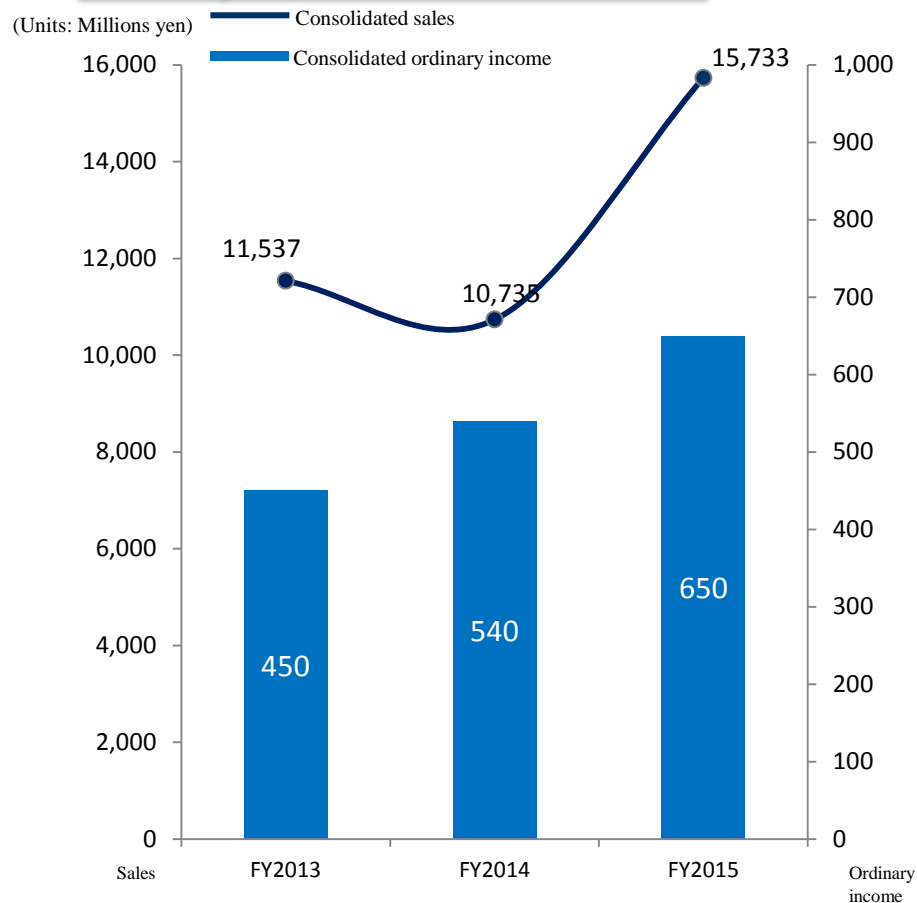
4. Consolidated results

Changes in consolidated sales (by business area)



(*1) Sales for each segment are figures that include inter-segment transfers.
As a result, the total for all segments differs from the figure for consolidated sales.

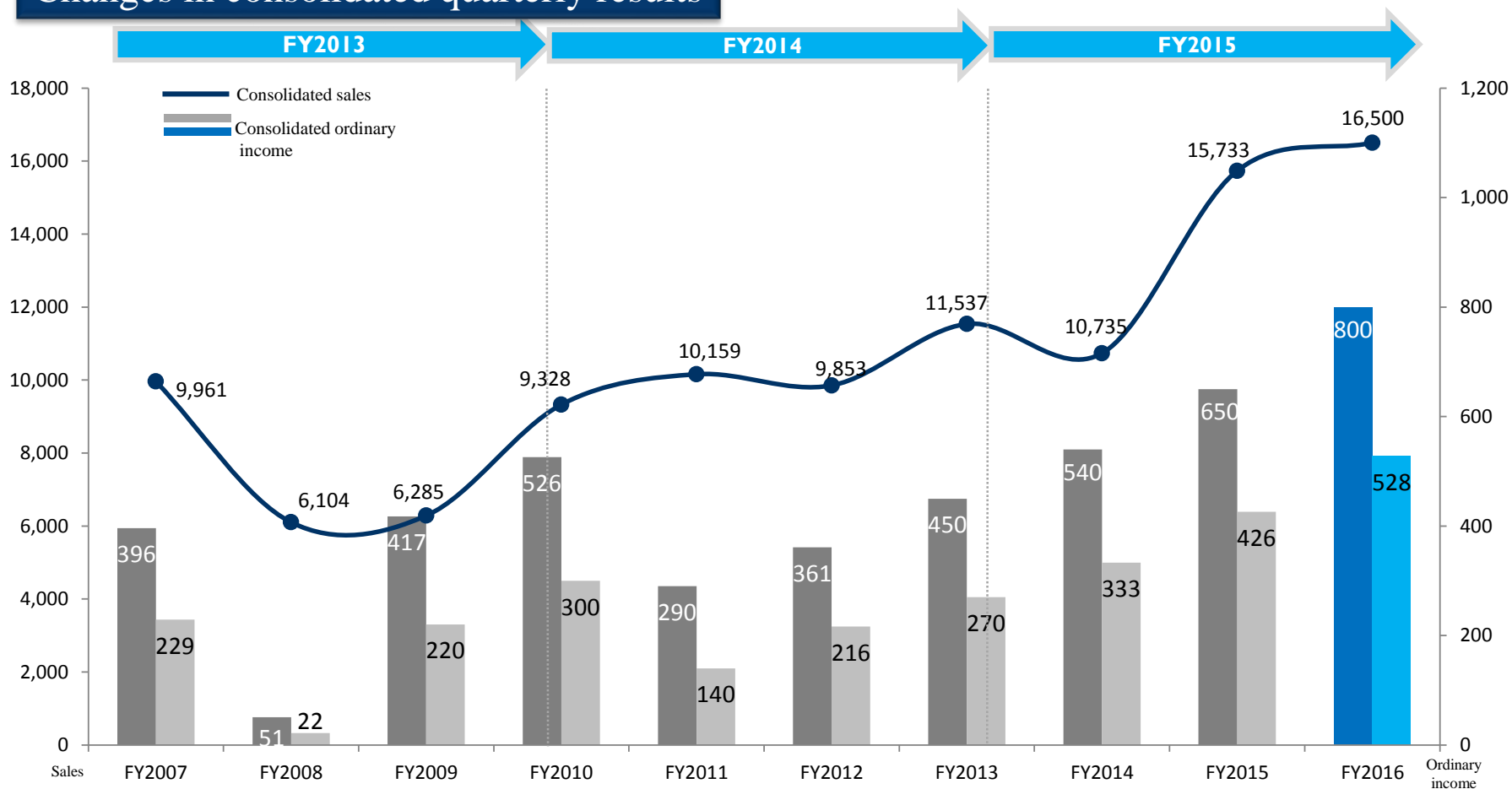
Changes in consolidated sales and ordinary income



As a result of the large growth in revenue, ordinary income and net income were also higher.

5. Changes in Consolidated Quarterly Results

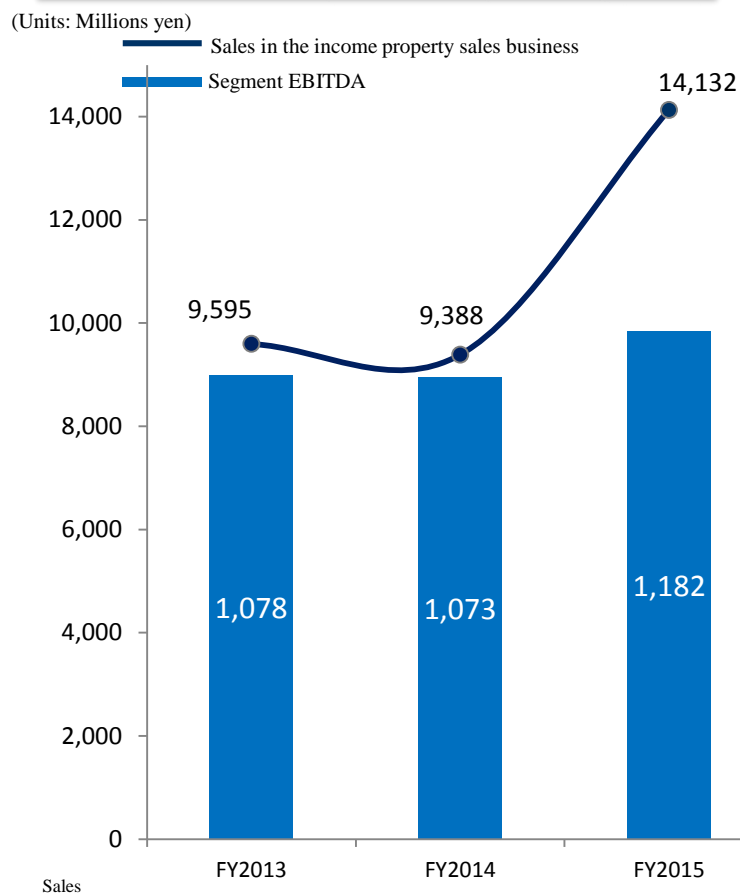
Changes in consolidated quarterly results



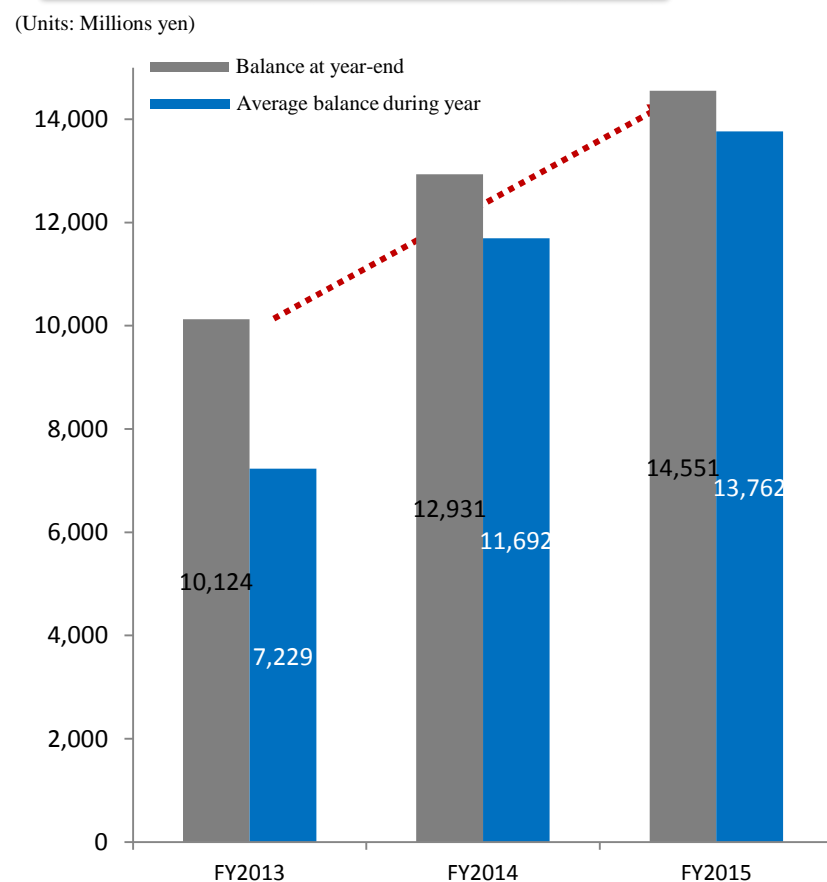
One of the characteristics of the A.D.Works business model is the large fluctuations in quarterly sales. Consequently, the quarterly and half-year figures for plan progress are approximate.

6. Main Business Areas (1): Overview of the income property sales business

Changes in income property sales business results



Changes in balance of income properties

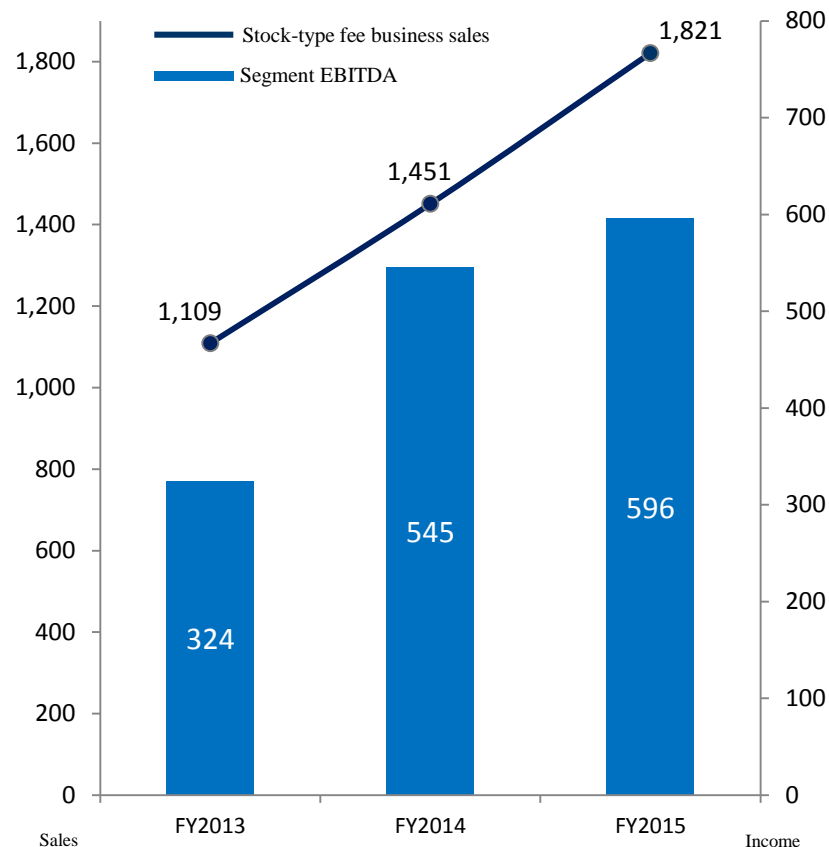


As prescribed in the policy of the Fourth Mid-Range Business Plan, we carried out active acquisition activities and steadily increased the property balance.

7. Main Business Areas (2): Overview of the stock-type fee business

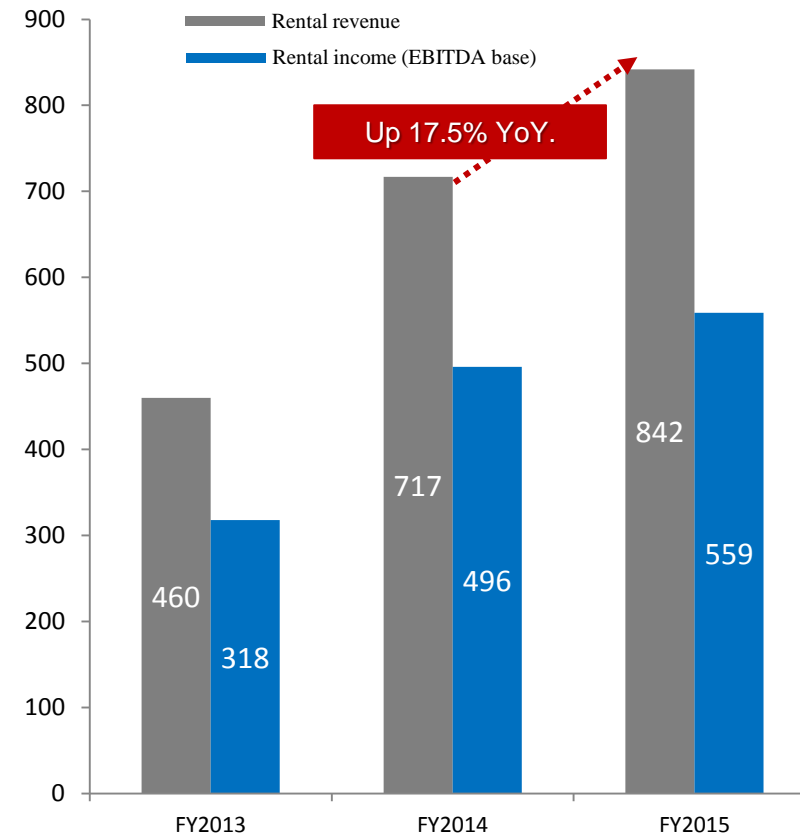
Changes in stock-type fee business results

(Units: Millions yen)



Changes in rental revenue and income

(Units: Millions yen)



Because the profit margin on rental revenue is high, a higher percentage of rental revenue contributes to company earnings.

8. Consolidated B/S Summary

Summary of main B/S item

(Units: Millions yen)

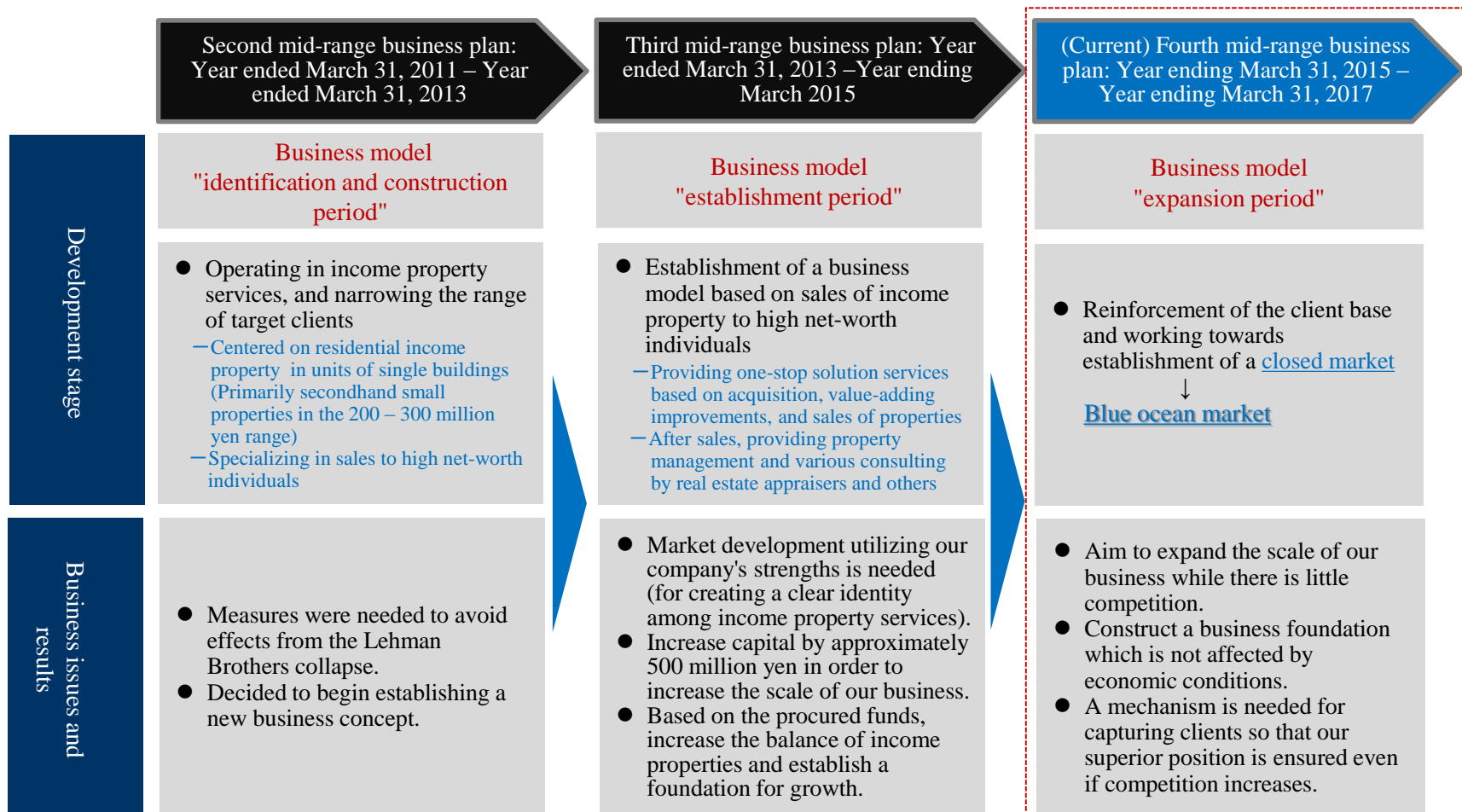
	End of fiscal year ended March 31, 2014	End of fiscal year ended March 31, 2015	End of fiscal year ended March 31, 2016
	2nd rights offering (commitment type): Procured approx. 2.2 billion yen in funds.		
Income property held for sale	10,124	12,931	14,551
Interest-bearing liabilities	7,483	9,628	10,671
Net assets	5,496	5,478	5,842
Total assets	14,274	16,681	17,925

Note: The above figure for "Income property held for sale" includes properties which are listed in the balance sheet under "properties for sale in process" and properties which are listed under "fixed assets".

III Framework of the Fifth Mid-Range Business Plan

9. Changes to the Mid-Range Business Plan

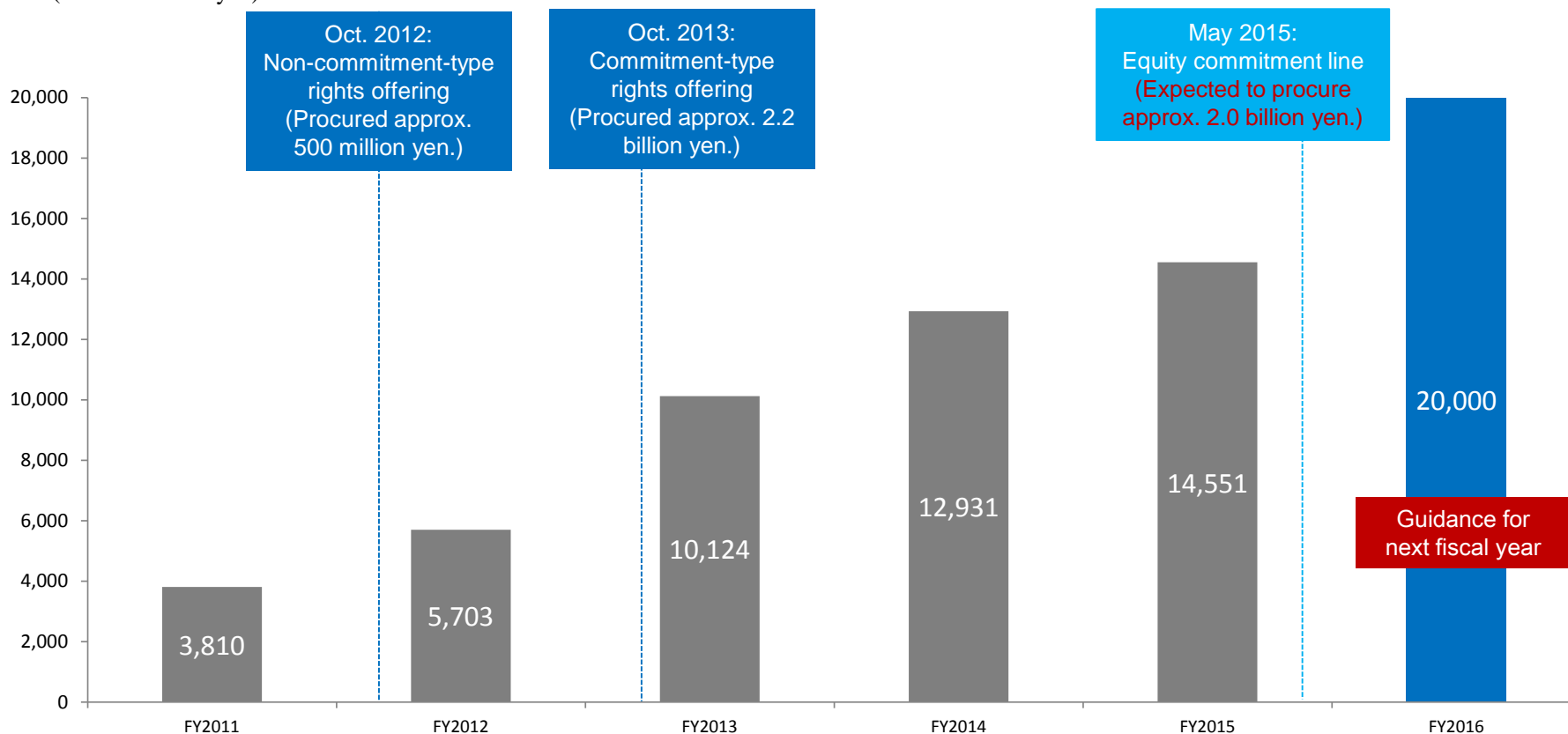
Changes from the second and third plans (summary)



10. Changes in the Balance of Income Properties (Year-end)

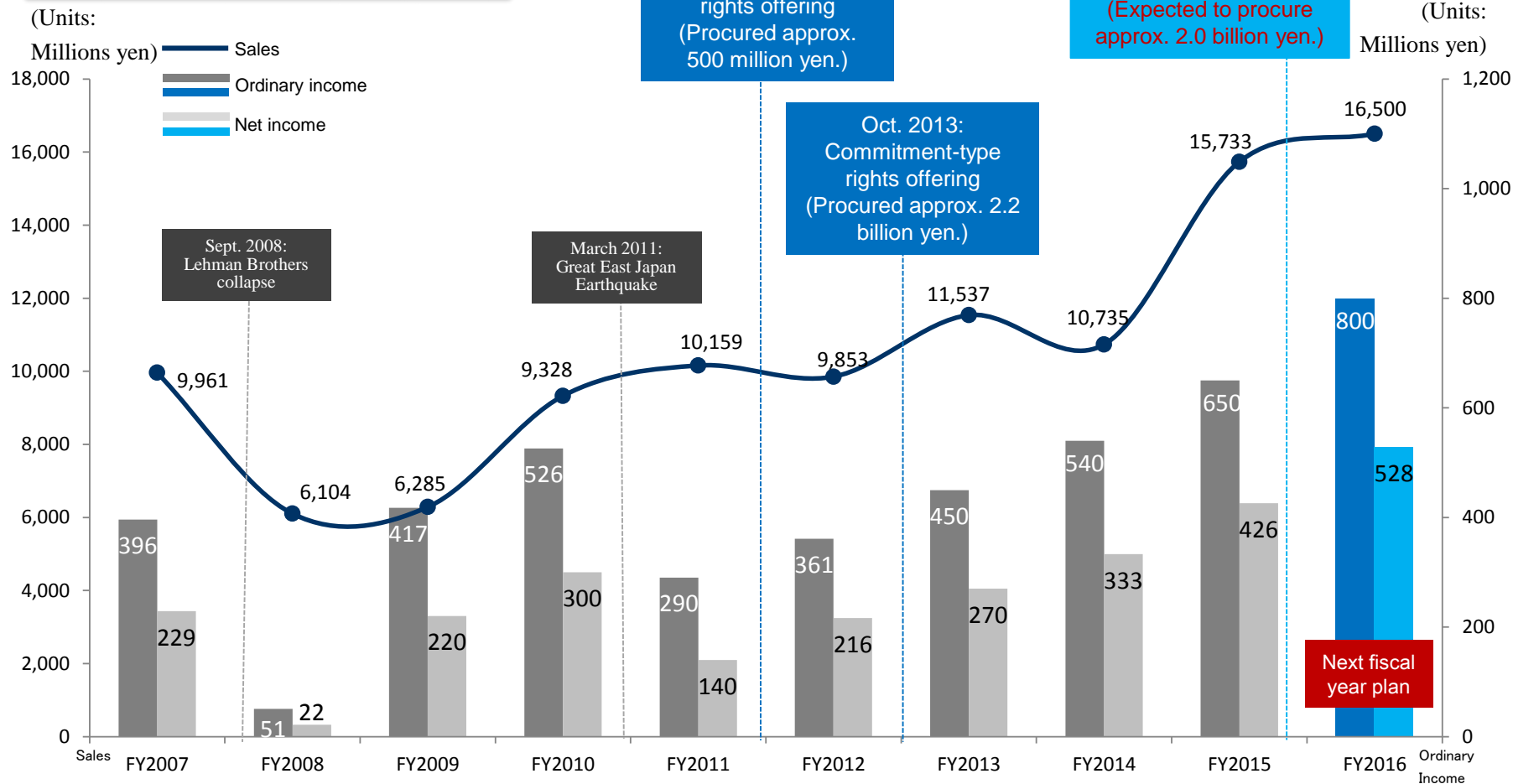
Changes in the balance of income properties (year-end)

(Units: Millions yen)



11. Trends in Past and Current Results

Consolidated result trends



Note: Because no consolidated financial statements were created for the years ended March 31, 2008 and March 31, 2009, the results shown here are non-consolidated results only.

Second Mid-Range Plan

Third Mid-Range Plan

Fourth Mid-Range Plan

Fifth Mid-Range Plan

12. Background of the Fifth Mid-Range Business Plan: Domestic Income Property Business (PES Analysis)

	Opportunities (O)	Threats (T)
Politics (P)	<ul style="list-style-type: none"> - Bold financial policies (expanding the yield gap) (Growing real estate investment needs) - Increasing property taxation (Growing needs for tax liability reduction measures among high net-worth individuals) - Surge in demand prior to the consumption tax hike (10%) - Delay in implementation of the consumption tax hike (10%) - Success in temporarily boosting the economy with fiscal stimulus 	<ul style="list-style-type: none"> - Failure of reflation policies (Rising interest rates, falling rents and land values) - Rising trend in real estate prices (Soaring real estate prices diminish yields and reduce investment-grade real estate.) - Occurrence of an unexpected overseas event (Risk of an event in China, the Middle East, or Europe; results of the U.S. presidential election) - Risk of a domestic change in political administration (Slowdown of Bank of Japan monetary easing policies) - Rebound after surge in demand prior to the consumption tax hike (10%)
Economy (E)	<ul style="list-style-type: none"> - Expected rise in real estate prices and rents resulting from the 2020 Olympics (Awakening of potential needs for real estate investment) - Increasing real estate investment as a hedge against inflation (Growing real estate investment needs) - Active approach to lending by financial institutions (Boost to expanding the balance of income properties) 	<ul style="list-style-type: none"> - More cautious investment approach and stagnating real estate market in view of the post-Olympic period (Declining real estate liquidity, limited effect on high net-worth individuals) - Cooling of investment sentiment due to bond devaluation or rising interest rates (Limited effect on high net-worth individuals) - Intensifying competition for acquisitions due to more companies entering the market (More individuals and companies targeting smaller properties where economic risk is low) - Rising construction costs (Higher costs for new construction and large-scale renovations, insufficient construction personnel) - Slowing of the economic recovery and return of deflation
Society (S)	<ul style="list-style-type: none"> - Population growth in the Tokyo metropolitan area (continuing to 2020) (Essential for investment and also advantageous for leasing) - Inflow of overseas real estate investment money (Overseas valuation of Japan, prosperity of the domestic real estate market) - Increase in foreign residents in Japan (Growing need for rental properties) - Construction and redevelopment of city center infrastructure (Increasing hiring increases the need for rental properties among both corporations and individuals.) - Growing number of high net-worth households due to rising stock prices and IPOs (Growing number of high net-worth individuals increases the customer base.) 	<ul style="list-style-type: none"> - Long-term aging of the population and population decline (Effects on rental real estate due to population decline) - Rapid rise in real estate prices caused by inflow of overseas money (Lower yields, reduction of investment-grade real estate, intensifying competition for acquisitions) - Risk of an earthquake directly below the Tokyo metropolitan area (Severe reduction in attitude toward real estate investment) - Increase in numbers of large-scale IPOs (Downward pressure on stock prices due to negative effects on stock market demand)

We have concluded that advance preparation is necessary for potential changes in the real estate market.

13. Background of the Fourth Mid-Range Business Plan: Income Property Business in the U.S. (PES Analysis)

U.S. income property business environment (PES analysis)

		Opportunities (O)	Threats (T)
Politics (P)	Japan	<ul style="list-style-type: none"> - Continuation of the BoJ large-scale monetary easing policy (Further advantages from the weak yen) - Revision of domestic taxation policy (Growing need for measures to reduce tax liability among high net-worth clients) 	<ul style="list-style-type: none"> - Stricter monitoring of overseas assets / Tax system revision (Possibility of an increase in taxes on overseas assets)
	U.S.	<ul style="list-style-type: none"> - Soft landing for monetary easing policy by the FRB (Stable forecast for the U.S. economy, growing real estate management needs in the U.S.) 	<ul style="list-style-type: none"> - Rise in interest rates due to monetary tightening by the FRB (Risk of stagnation in the U.S. economy, concerns about a global economic slowdown) - Stricter regulation of U.S. real estate owners (Rising barriers to U.S. real estate investment)
Economy (E)	Japan	<ul style="list-style-type: none"> - Active approach to lending by Japanese financial institutions (Lower interest cost, advantageous loan terms) - Increase in real estate investment needs due to changes in the inheritance tax and gift tax (Investment by high net-worth individuals, increased use of real estate for asset formation) 	<ul style="list-style-type: none"> - Overseas entry by Japanese companies (Increased entry into the market by competitors)
	U.S.	<ul style="list-style-type: none"> - Continued economic growth in the United States (An investment environment with good future prospects, even compared to other advanced nations) 	<ul style="list-style-type: none"> - Stagnation of the U.S. economy (Global deflationary crisis)
Society (S)	Japan	<ul style="list-style-type: none"> - Exhausting of suitable investment properties as a result of declining domestic population (Demand for overseas real estate investment, promotion of diversified investment) - Presence of persons who have lived in the U.S. (Persons with an affinity for the U.S., low barriers) 	<ul style="list-style-type: none"> - Sudden changes in exchange rates due to changes in the international situation (Search for risk hedge currencies, review of weaker yen policies)
	U.S.	<ul style="list-style-type: none"> - Continuing U.S. population growth / Insufficient supply of new properties (Stable and increasing rental income) 	<ul style="list-style-type: none"> - Further inroads into the U.S. by Chinese high net-worth individuals (Rise in real estate prices) - Geopolitical risks (Safety concerns resulting from higher conflict risk) - Manifestation of U.S. earthquake risk (Diminished advantage to diversification of investment from Japan)

In addition its own business potential, the U.S. business also functions as a risk hedge for the domestic business.

14. Positioning and Basic Policy of the Fifth Mid-Range Business Plan

Positioning of the Fifth Mid-Range Business Plan

Preparation period
for the next **leap forward**



<i>Basic Policy</i>	I	Strategic expansion of the balance of income properties in order to establish a solid business foundation and achieve a stable profit base
	II	Development and expansion of business which will become a new pillar of future earnings
	III	Restructuring of capabilities so that they can support the larger scale of our business

15. Fifth Mid-Range Business Plan: Key Measures

Key measures of the Fifth Mid-Range Business Plan

*Specific
measures*

Continually expanding the scale of income property business in Japan

Expanding the balance of income properties in the United States (= start of the business expansion phase)

Development of business that will become a new pillar of future earnings

Restructuring of capabilities

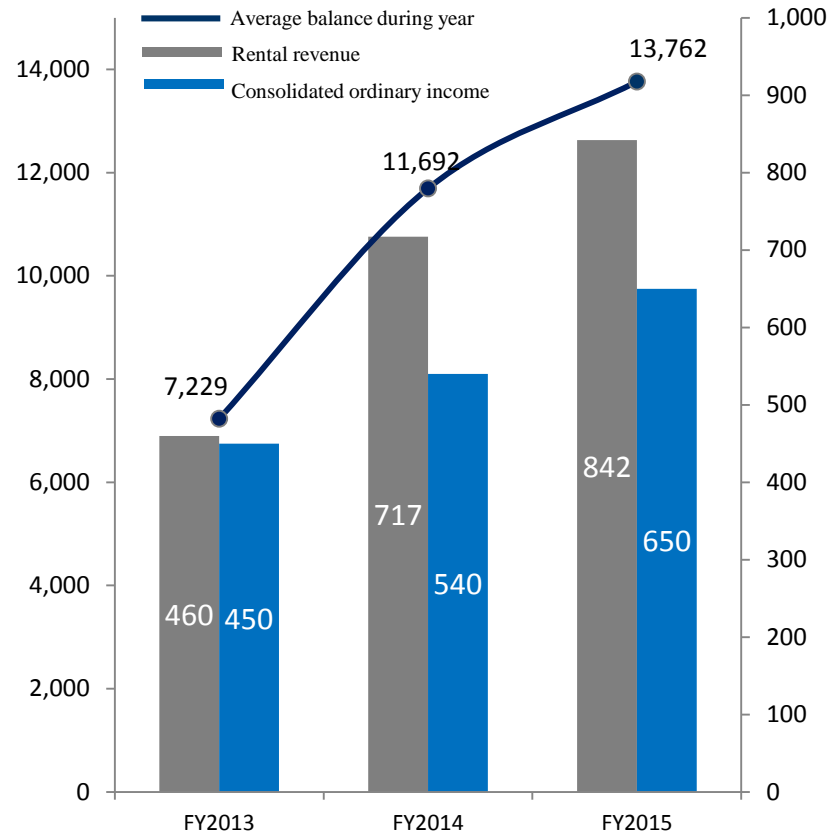
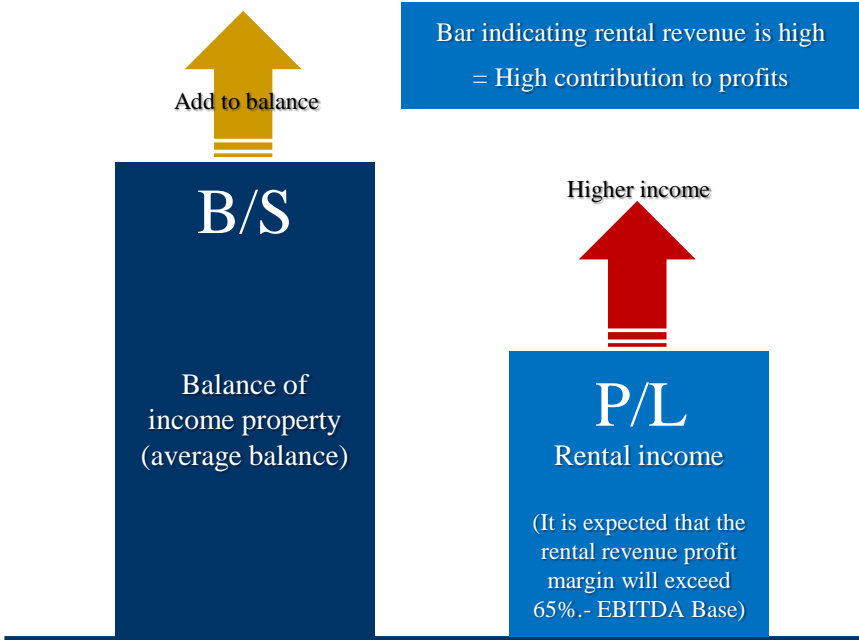
- Restructuring of the mechanism/system for achieving both quality and quantity in property management
- Strengthening of asset management functions
- Expansion of the "Royaltorch" owners' club that is operated by our company

...more

Create a stronger business foundation, profit base, and financial base.
During the period of the Fifth Mid-Range Business Plan, construct a business foundation that provides a sense of stability.

16. Business Strategy: Expanding the Scale of Business and Shifting to a Stable Profit Model

Relationship between balance of income properties and rental income



When **more properties are added to the balance of income properties**, rental income increases, **increasing the contribution to overall income.**

The impact of rental revenue on profits is growing.
We are steadily transitioning to a stable profit model.

17. Business Strategy: Benefits of Increasing the Balance of Income Properties

2 benefits of increasing the A.D.Works property balance

$$\text{ROE} = \text{Financial leverage (A)} \times \text{Asset turnover rate (B)} \times \text{Profit margin from sales of income properties (C)}$$

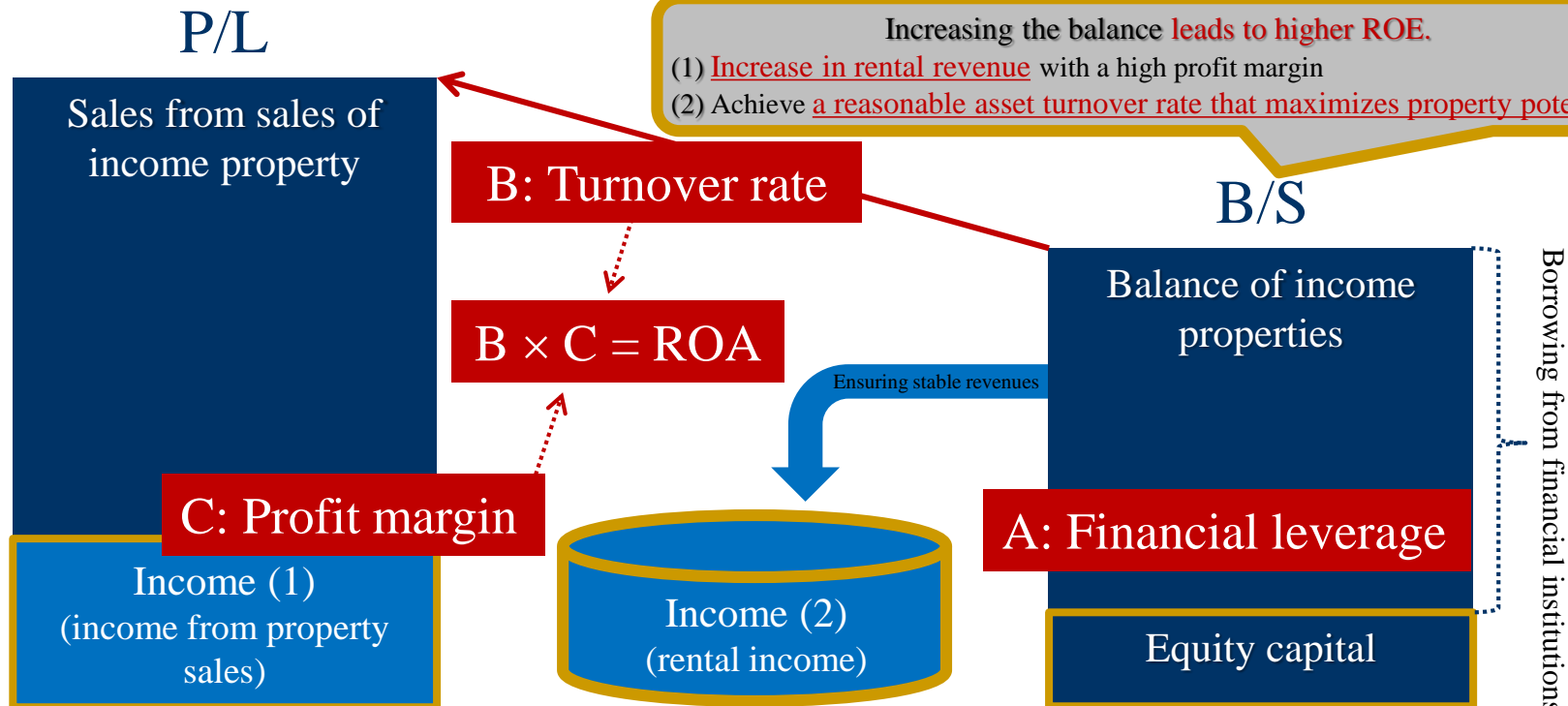
<Balance of income properties / Equity capital>

<Sales / Balance of income properties>

<Income from sales of income properties / Sales>

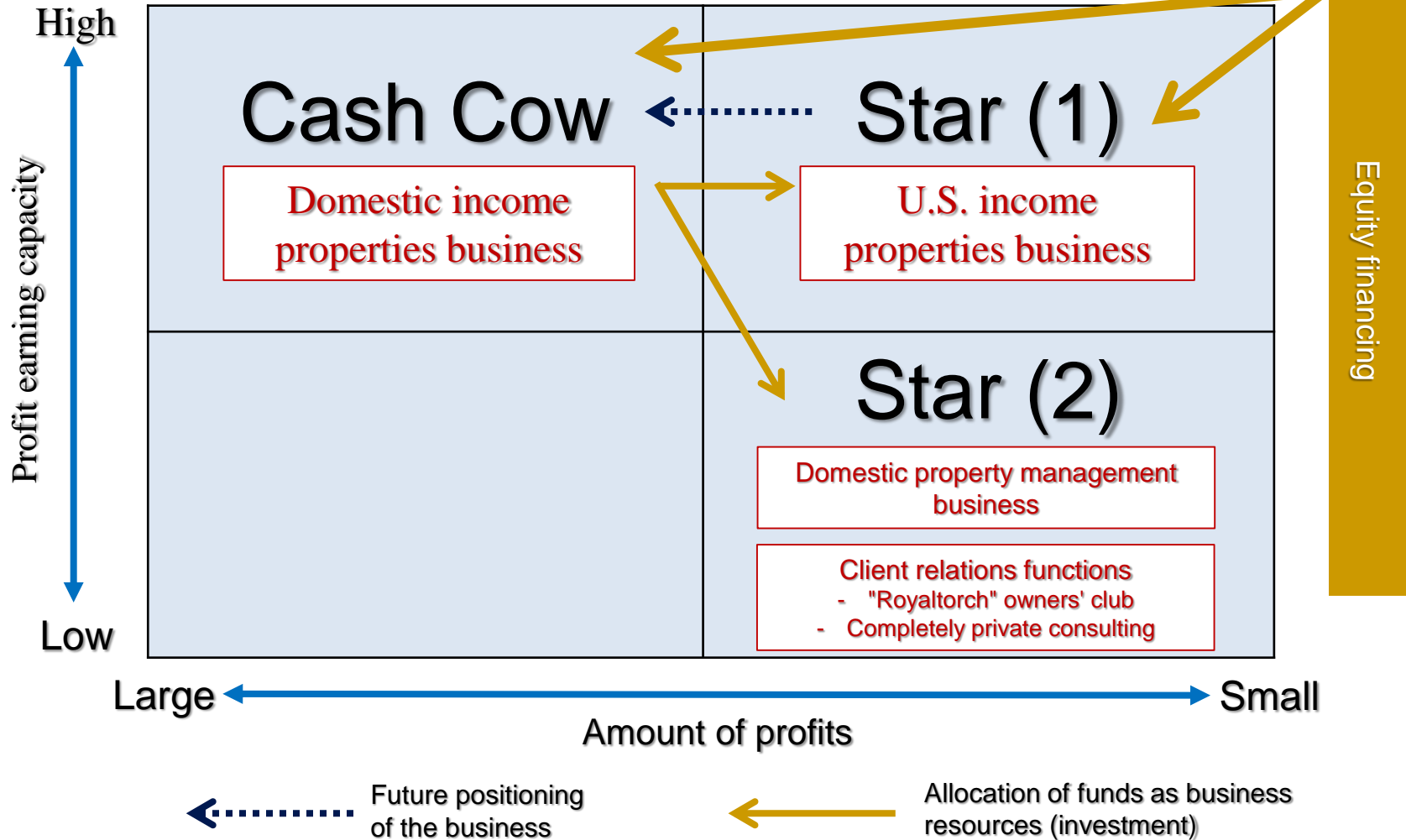
$$\text{ROA (\%)} = \text{Income from sales of income properties} / \text{Balance of income properties}$$

(Image showing relationships of announced figures)



18. Business Strategy: Investment Positioning Matrix

A.D.W. Group investment positioning matrix



19. Fifth Mid-range Business Plan (FY2016 – FY2018)

Fifth Mid-range Business Plan (FY2015 – FY2017)

(Units: millions yen)

	Year ended March 31, 2016 (Results)	Year ending March 31, 2017 (Planned)	Year ending March 31, 2018 (Planned)
Consolidated sales	15,733	16,500	18,000
Consolidated EBITDA	926	1,200	1,600
Consolidated ordinary income	650	800	1,000
Consolidated net income	426	528	660
Consolidated ROE (at year end)	7.3%	6.4%	7.4%

■ Consolidated ROE growth

The equity financing that was announced on May 12 is expected to reduce the planned ROE for the year ending March 31, 2017 by 0.9% from the previous year, **however the plan calls for subsequent growth of 0.5 points each year.**

Note 1: Consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is calculated as the sum of consolidated operating income and depreciation, amortization, etc. Depreciation and amortization, etc. includes depreciation, software amortization, amortization of goodwill, and other expenses which do not involve cash disbursement. A portion of the income properties in Japan that are held for long-term sale are categorized as fixed assets, and income from sales of these income properties will be recorded in the PL as extraordinary income. In this case, this extraordinary income will also be added to the result value for consolidated EBITDA.

Note 2: A.D.Works has announced that we will conduct equity financing by the issue of share subscription rights (equity commitment line) based on the conclusion of a third party allocation agreement with commitment provision. The calculation of the planned value for consolidated ROE includes the amount of these procured funds (upper limit amount).

20. Fifth Mid-range Business Plan: Guidance

Guidance of Fifth Mid-range Business Plan

(Units: Millions yen)

		Year ended March 31, 2016 (Results)	Year ending March 31, 2018 (Planned)
Guidance	Balance of U.S. income properties held for sale (average)	1,773	5,000
	Balance of domestic income properties held for short- or medium-term sale (average)	9,116	12,000
	Balance of domestic income properties held for long-term sale (average)	2,872	10,500
	Total balance of income properties (end of year)	14,551	30,000
	Rental income (EBITDA base)	559	1,246
	ROA for income property sales business	11.6%	6.9%

IV Purpose of the Equity Financing

21. Conduct of Equity Financing

Overview of the equity commitment line (announced May 12)

Overview of the 19th share subscription rights (third party allocation)

Allocation date	May 30, 2016
Allocation to	Milestone Capital Management LLC
Total share subscription rights	450,000
Issue price	Total 18,000,000 yen (40 yen per share subscription right)
Potential number of shares resulting from this issue	45,000,000 (fixed at 100 shares per share subscription right)
Amount of capital procurement	2,043,000,000 yen (net 2,029,208,000 yen)
Exercise price	45 yen per share (fixed)

Note: The "amount of capital procurement" is the total of the 18,000,000 yen payment for the share subscription rights and the 2,029,208,000 yen in funds invested when these share subscription rights are exercised.

Reason that an equity commitment line was selected as the method for this procurement of funds

Although exercise of the issued share subscription rights will result in some level of dilution (maximum 20.2% on a voting rights base), by setting an exercise price that includes a premium added to the current price, we can reduce the effect on share price.

22. A.D.Works Approach to Capitalization Strategy

A.D.Works approach to capitalization strategy

- Expanding business resources is essential in order for A.D.Works to achieve further growth.
- We recognize that strengthening of the financial base is an urgent and necessary issue for this purpose.

It is important to select from all available financing methods including direct and indirect financing.

Current financing methods are limited (for reasons including the resulting inability to obtain a suitable rating and the elimination of bond issue as a choice).

The environment under the low-interest/negative-interest policy is not being utilized effectively.

We have concluded that expanding the scale of our business is essential.

Scale our company is aiming for
(guidance)

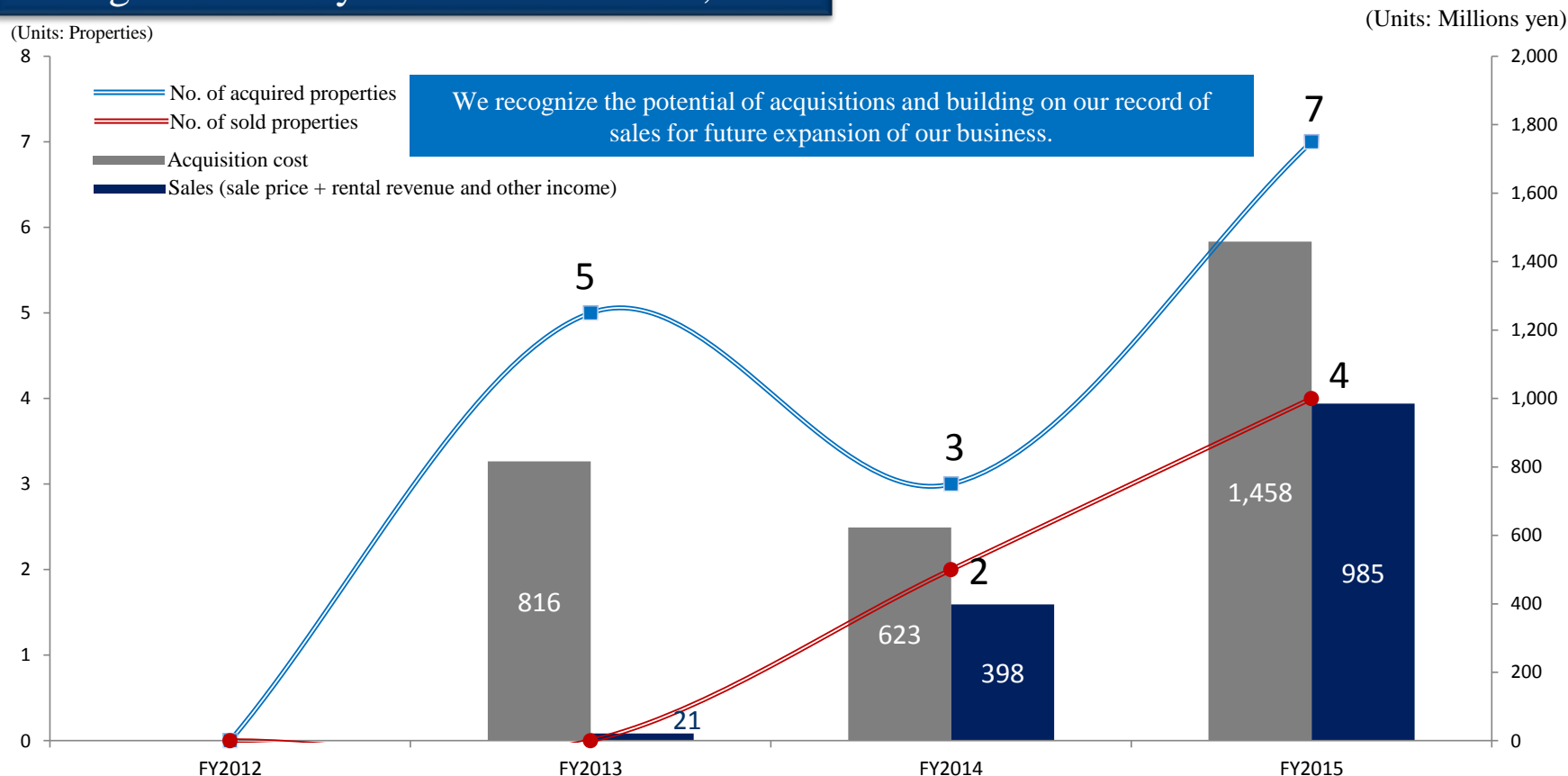
	Target value
Consolidated net assets	25.0 billion yen
Consolidated employees	200
Market capitalization	35.0 – 40.0 billion yen

* Announced in "Notice Regarding Establishment of Company Guidelines (Policy and Action) for Corporate Governance" on December 17, 2015.

V New Income Business: Strategy for the U.S. Income Property Business

23. U.S. Income Property Business: Changes since the Beginning

Changes from the year ended March 31, 2013



Preparation began from April 2013, and the business began full-scale operation from the year ended March 31, 2014.

We have established acquisition information routes and accumulated knowledge about business practices and other matters involved in U.S. real estate dealings.

24. U.S. Real Estate Market Environment (1)

Current conditions of the U.S. real estate market making it suitable for investment

■ 1 ■ Rents are continuing to rise (= higher profit earning capacity)

- Stable rise in U.S. rents (Source: U.S. Department of Commerce)
- Rents at the properties we own have risen by approximately **10% or more** since the time of acquisition (based on our company's results).
- A future continued rise of **approximately 4% annually** is forecast. (Source: Reis, Inc. forecast)

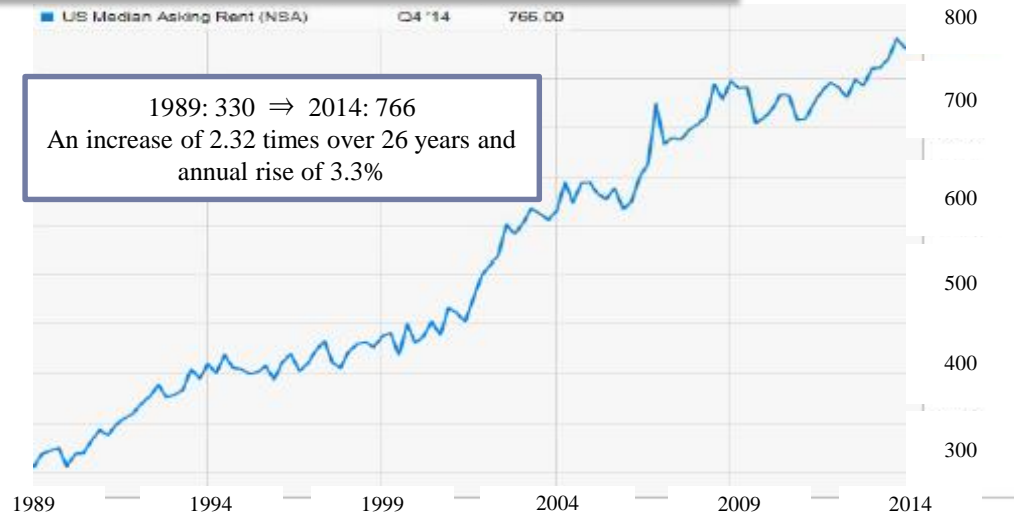
■ 2 ■ Low U.S. vacancy rate (= effect on operating rate)

- The vacancy rate in Japan is 13.5% (**10.9% for Tokyo when owner-occupied homes are included**).
- The rate in the U.S. is 7.0% (**approximately 3.7% in Los Angeles**).
- (Sources: Japan = Ministry of Internal Affairs and Communications 2013 Housing and Land Survey / US = Census Bureau CBRE data)
- The housing vacancy rate is lower in the U.S. than in Japan.

25. U.S. Real Estate Market Environment (1): Materials 1

Changes in U.S. nationwide median rents

Source: :U.S. Census Bureau

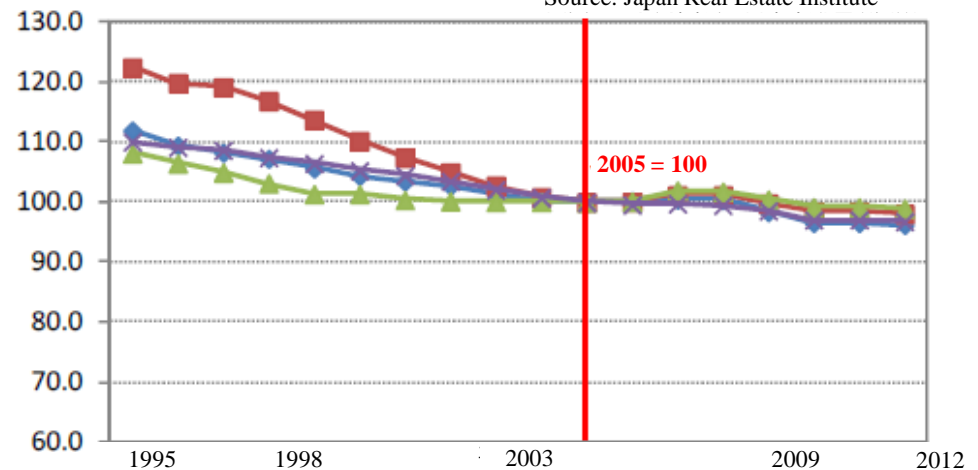


U.S. rents are continuing on an upward trend.

On the other hand, rents in Japan have remained mostly flat.

Changes in Japan nationwide rents

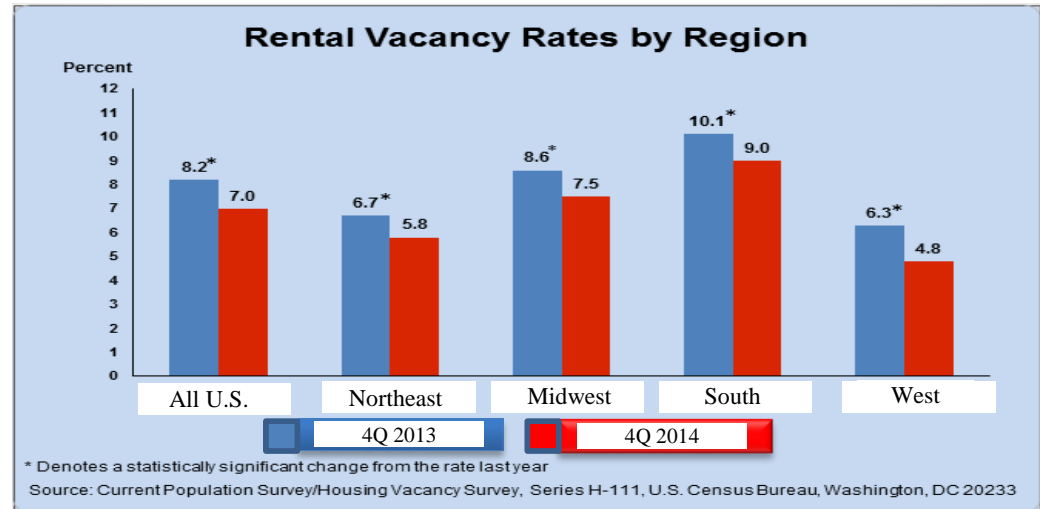
Source: Japan Real Estate Institute



26. U.S. Real Estate Market Environment (1): Materials 2

Source: U.S. Census Bureau

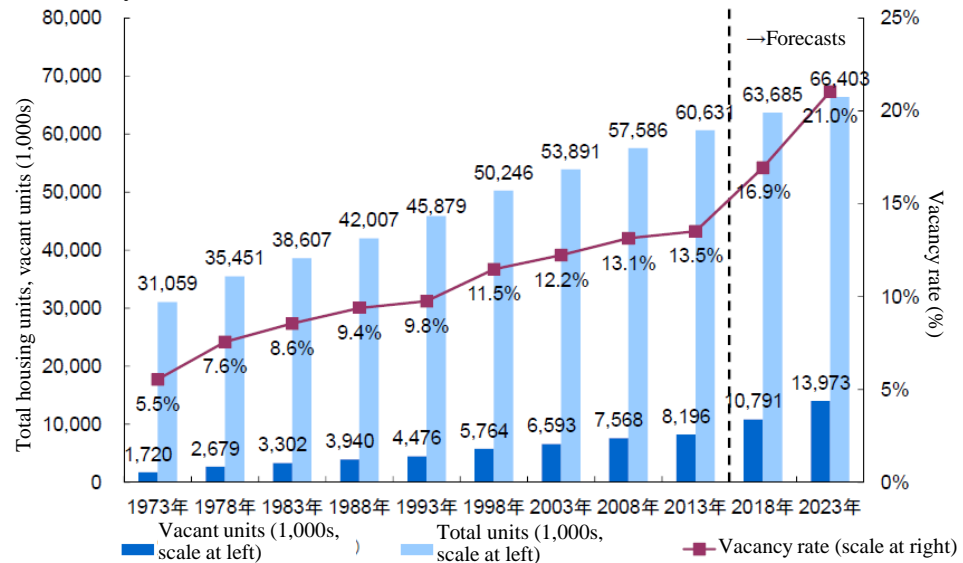
■ Changes in U.S. rental housing vacancy rates ■



■ Past changes in and forecast for Japan vacant housing units and vacancy rate ■

Past changes in and forecast for Japan vacant housing units and vacancy rate

Source: Nomura Research Institute



27. U.S. Real Estate Market Environment (2)

Current conditions of the U.S. real estate market making it suitable for investment

■ 3 ■ Operating rates that are not dependent on years since construction

- Average years since construction is **27** in Japan and **66.6** in the U.S.
(Sources: Japan = Ministry of Internal Affairs and Communications Housing and Land Survey / US = Census Bureau)
- Due to differences in weather and climate, the durability of wooden houses in the U.S. is high. Sales are numerous and liquidity is high.
- **Approximately 75%** of the apartment stock in urban Los Angeles was constructed prior to the 1980s.
- Newer buildings are either poorly located or the rents are set high, and consequently the operating rate of older buildings is higher.

■ 4 ■ Strong owner rights

- **Absence of a Leased Land and House Lease Law such as there is in Japan**
- Changing the rent after the end of the contract period is done by unilateral notice.
- Tenants can be forcibly evicted for non-payment of rent.
- Owners can enter the premises when advance notice is provided.

28. U.S. Real Estate Market Environment (2): Materials 3

■ Stock by year of construction ■

Year Build	Percent
Before 1970	30.0%
1970-1979	23.0%
1980-1989	22.0%
1990-1999	6.0%
2000-2009	13.0%
After 2009	6.0%
All	100%

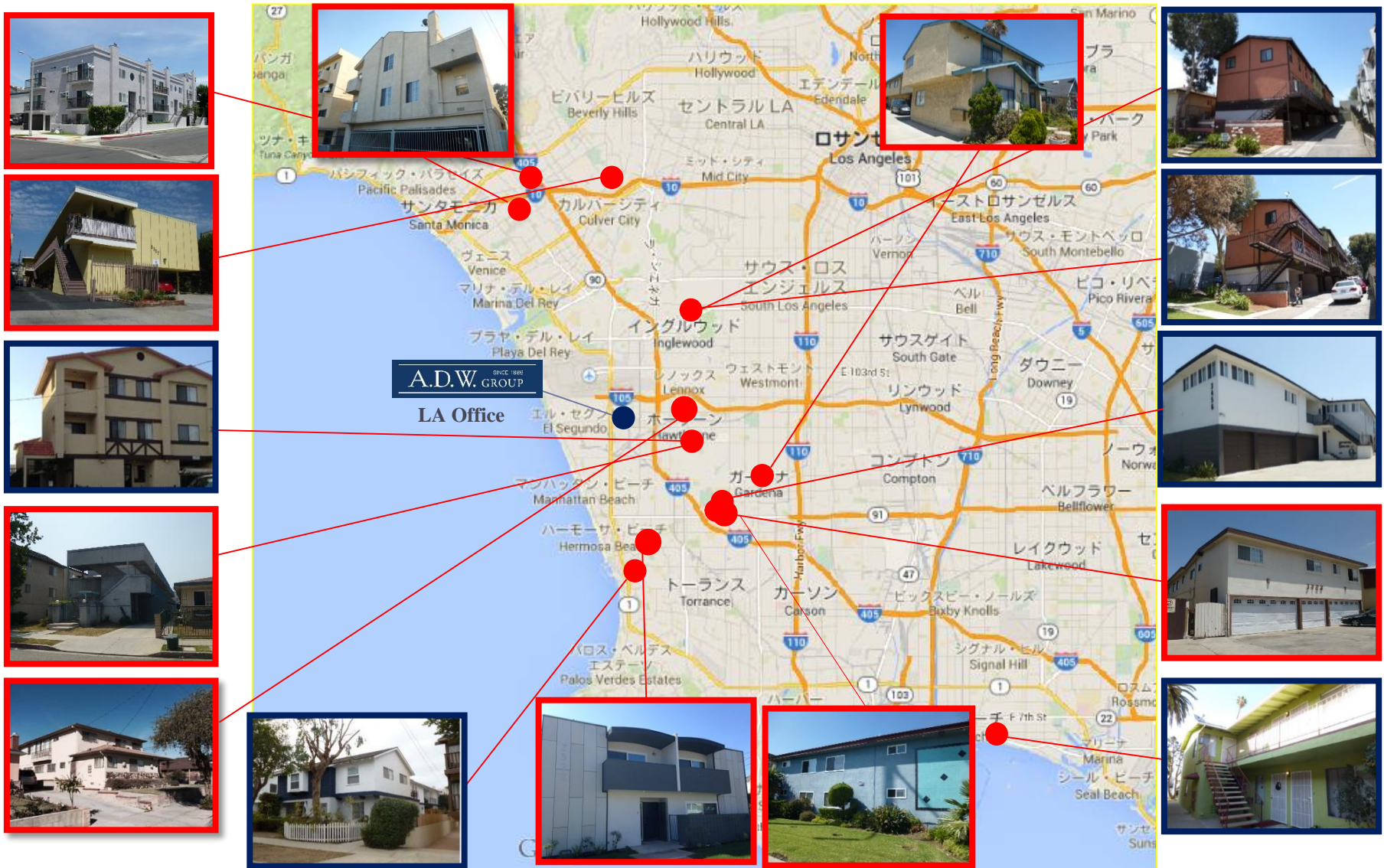
75%

■ Stock by year of construction ■

Year Build	Vac. Rate
Before 1970	2.3%
1970-1979	2.7%
1980-1989	2.9%
1990-1999	3.2%
2000-2009	3.8%
After 2009	14.0%
All	3.2%

Source: Reis, Inc. (Sept. 30, 2014)

29. List of U.S. Income Properties Owned or Managed by A.D.W. (as of March 31, 2016)



30. Future Business Strategies

*Business
Strategy*

1

Strengthening of sales abilities

*Business
Strategy*

2

Strengthening of acquisition abilities

*Business
Strategy*

3

Strengthening of value-adding abilities

VI - Reference Materials (Company Profile, Shareholder Composition, Trends in Consolidated Results)

V-1. Company Profile

- Company name:** A.D.Works Co., Ltd.

- Headquarters:** 13th Fl., NBF Hibiya Bldg., 1-1-7, Uchisaiwai-cho, Chiyoda-ku, Tokyo

- Establishment:** Founded February 1886. Incorporated May 1936.

- Capital:** 1,937,740,000 yen (as of the end of March 2016)

- 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.Estate Co., Ltd. (property development, etc.)
 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)

- Employees:** 99 consolidated (as of the end of March 2015)

- Officials:**

Hideo Tanaka	President and CEO
Syogo Yonetsu	Executive Vice President
Katsutoshi Hosoya	Senior Managing Director and CFO
Nobuhiko Toji	Managing Director
Masanori Honda	Managing Director (outside)
Tamio Harakawa	Statutory Auditor (full-time, outside)
Takashi Ebina	Statutory Auditor (part-time, outside)
Ryosuke Suzuki	Statutory Auditor (part-time, outside)
Kanji Iguchi	Statutory Auditor (part-time, outside)

V-2. Shareholder Composition (as of March 31, 2016)

Number of issued shares / Number of shareholders

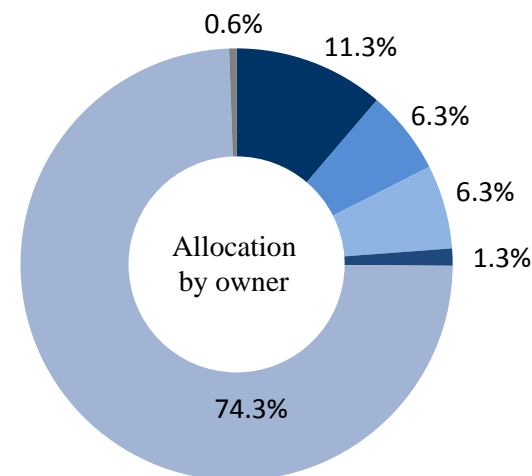
Number of issued shares: 223,876,000

Number of shareholders: 12,762

Major shareholders

		Number of shares	Share ratio (%)
1	Hideo Tanaka (Our company President and CEO)	47,756,248	21.33%
2	Liberty House Co., Ltd.	9,416,000	4.20%
3	The Master Trust Bank of Japan, Ltd. (BIP Trust Account*75695)	6,931,238	3.09%
4	Japan Securities Finance Co., Ltd.	5,065,800	2.26%
5	SBI Securities Co., Ltd.	4,467,700	1.99%
6	Rakuten Securities, Inc.	2,752,100	1.22%
7	Matsui Securities Co., Ltd.	2,005,100	0.89%
8	Japan Trustee Services Bank, Ltd. (Trust Account)	1,941,400	0.86%
9	The Master Trust Bank of Japan, Ltd. (Trust Account)	1,794,600	0.80%
10	Individual shareholder	1,510,000	0.67%
10	Homma Co., Ltd.	1,510,000	0.67%

Allocation by owner (share ratio)



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

V-3. Changes in Consolidated Results (Summary)

(Units: Millions yen)

	Year ended March 31, 2011 (Results)	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)
Consolidated sales	9,328	10,159	9,853	11,537	10,735	15,733
Consolidated ordinary income	526	290	361	450	540	650
Consolidated net income	300	140	216	270	333	426
Net assets	2,132	2,205	2,896	5,496	5,478	5,842
Total assets	8,537	6,258	9,117	14,274	16,681	17,925
Total income property balance (at year end)	6,114	3,810	5,703	10,124	12,931	14,551
Rental revenue (sales)	407	380	416	460	717	842
Rental revenue / sales ratio (%)	4.4	3.7	4.2	4.0	6.7	5.4
Employees (persons)	44	53	59.5	68	99	115

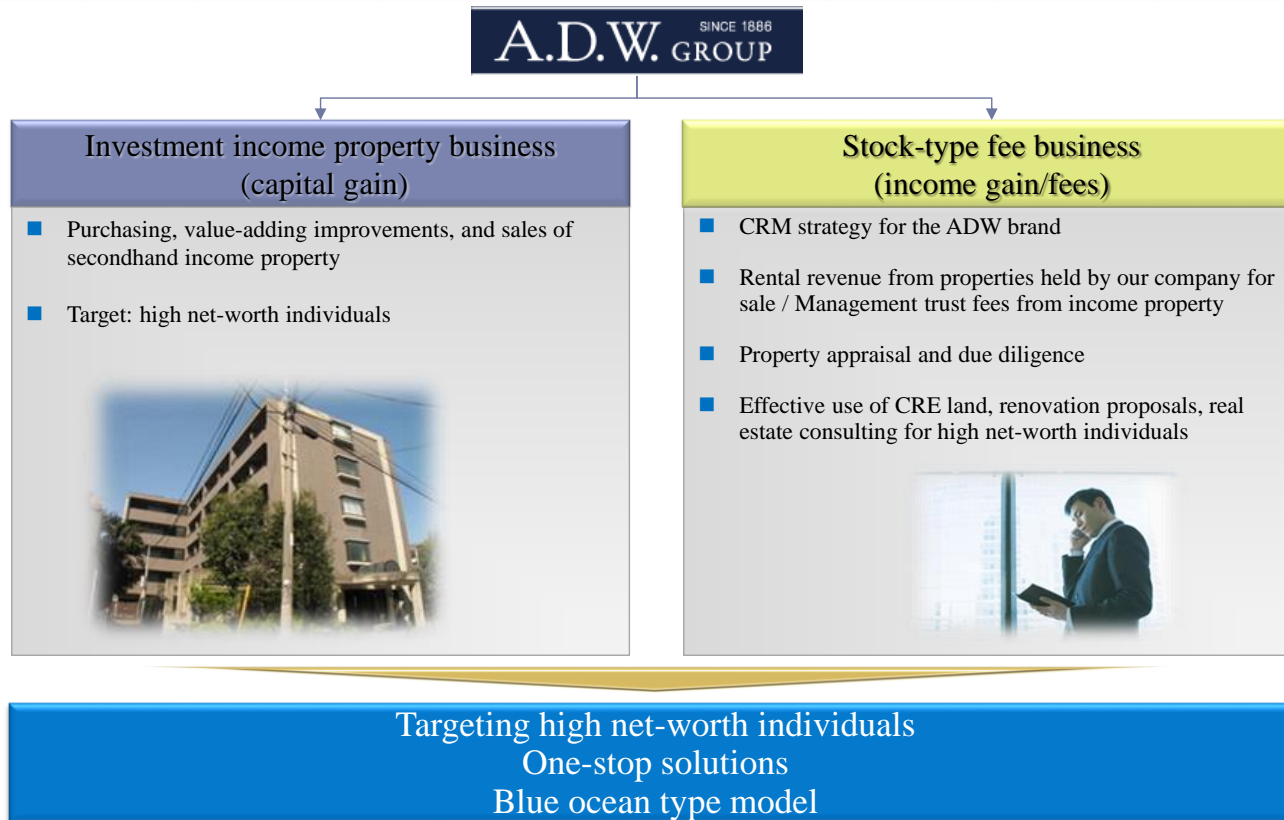
VII - Reference Materials

(Characteristics of the A.D.W. Group Business Model)

VII-1. Business Segments

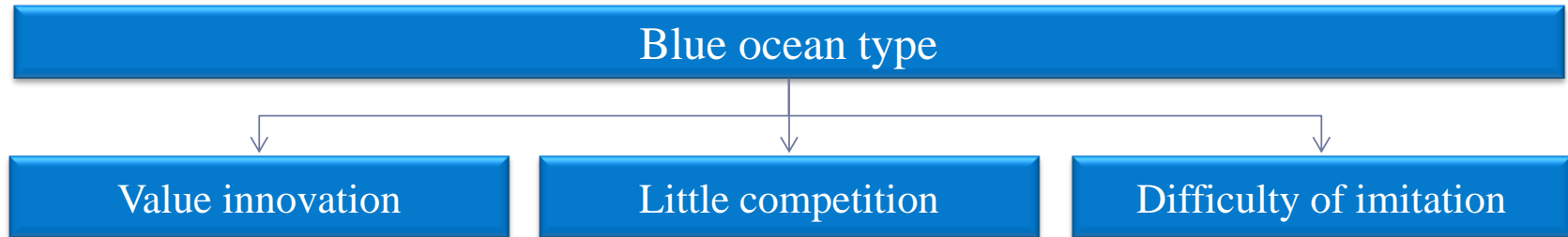
Main business foundation of the A.D.W. Group

Business related to **investment income property for high net-worth individuals** – an area of high liquidity, stable rental revenue, and relatively low risk of a decline in value



VII-2. Organization of the A.D.W. Group Business Model

Business model characteristics



Characteristics

(1) One-stop solutions

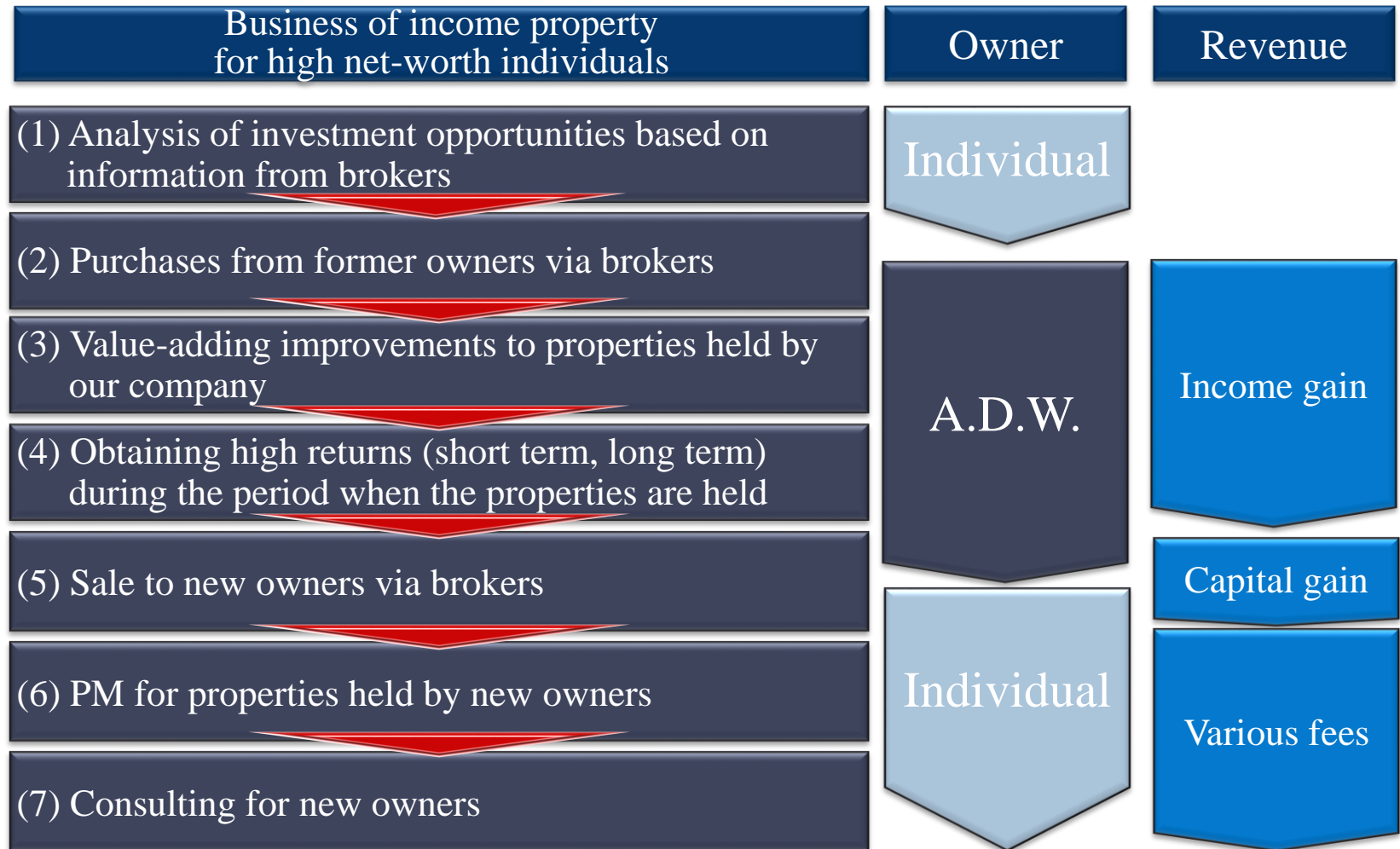
(2) Broad-ranging competitive superiority and social significance

(3) Expected to pursuit of a stable profit structure

Aiming to create an **"only-one business model"** that is completely different from the conventional property-focused real estate concept

VII-3. Business Model Characteristics (1)

(1) One-stop solutions



VII-4. Business Model Characteristics (2)

(2) Broad-ranging competitive superiority and social significance

Information strength	<ul style="list-style-type: none"> • Direct access to approximately 3,000 persons engaged in brokerage • Preferential supply of information from brokers due to the trustworthiness that comes from being a listed company
Dependable exit	<ul style="list-style-type: none"> • Existence of a dependable exit provided by high net-worth individuals
Value-adding strength	<ul style="list-style-type: none"> • Renovation strength for enhancing product value aimed at increasing rents and lowering vacancy rates • Improvement in property value through regeneration as legally compliant properties
Rapid decision-making	<ul style="list-style-type: none"> • Quick decision-making for early monetization
High reliability	<ul style="list-style-type: none"> • Eliminating the problem of asymmetrical information which is often an issue with secondhand properties
Strong relationships with owners	<ul style="list-style-type: none"> • Because our company is involved as a one-stop service, new owners are able to buy with a high degree of trust. We provide PM and consulting after sales (CRM strategy).

Social significance

VII-5. Target Clients: High Net-Worth Individuals

From before the Lehman Brothers collapse to the present

Before Lehman Brothers collapse

- Business for high net-worth individuals
- Business for funds and other professionals

After Lehman Brothers collapse

- Focus on business for high net-worth individuals

Reasons why A.D.W. is focusing on business aimed at high net-worth individuals

- Existence of demand for buying income property that are not affected by changes in economic conditions
- Banks' financing approach for high net-worth individuals is relatively unaffected even under poor economic conditions
- Because rents from residential income property are stable, price collapse is unlikely.
- Small (approx. 300 million yen or less) residential income property can be easily converted to cash even under poor economic conditions.

The stability of our business is high because A.D.W. specializes in business targeting high net-worth individuals – a market where a certain level of transaction demand exists even in difficult business environments and regardless of the economic conditions.

VII-6. Business Model Characteristics (3)

(3) Pursuit of a stable profit structure

Acquisition

Due to the 12 trillion yen stock of income property in the Tokyo Metropolitan Area, the potential of the market is not being fully utilized and there are many opportunities for acquiring properties.

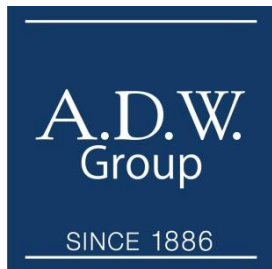
*Source: Size of the income properties market in the Tokyo Metropolitan Area was calculated by our company based on the "Overview of the Japan Real Estate Investment Market 2012" from Nomura Research Institute, "Land Assets by Prefecture (FY 2011)" from the Economic and Social Research Institute (Cabinet Office, Government of Japan), and "Urban Area Price Indexes" from the Japan Real Estate Institute.

Holding

We can establish a stable profit base by increasing our balance of income property.

Sale

The nature of income property ensures liquidity even under poor economic conditions, allowing assets to be quickly monetized.



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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