

# IR Briefing Materials: The First Quarter of Year Ending December 31, 2021

May 21, 2021  
A.D.Works Group Co., Ltd.  
TSE 1st Section: 2982  
<https://www.adwg.co.jp/>

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The Company was established as the wholly-owning parent company of A.D. Works Co., Ltd. through a sole share transfer on April 1, 2020. The information provided in these materials for the fiscal period ended in March 2020 (FY2019: April 1, 2019 to March 31, 2020) and before pertains to A.D. Works Co.

In addition, the fiscal year ended in December 2020 (FY2020) was an irregular nine-month financial period lasting from April 1 to December 31, 2020.

Comparisons to the two prior fiscal years are made to the first quarter of each fiscal year (April 1 to June 30).

# I -Summary of the First Quarter of Year Ending December 31,2021

# I -1. Summary of the First Quarter of Year Ending December 31, 2021

## Topic 1

### Despite uncertain conditions, mainstay income property sales business generated results

- Acquisitions led to results, driven by large-scale properties.
- Sales neared levels marked prior to the COVID-19 pandemic.

## Topic 2

### Reorganization of Japanese subsidiaries, among other initiatives

- Japanese subsidiaries were reorganized to improve the efficiency of Group management.
- Key strategies were pursued by setting up new organizations within key subsidiaries and other measures.

## Topic 3

### Pursuit of new initiatives

- Promoted business utilizing crowdfunding
- Started joint development business in LA with local company

# I -2. Summary of the First Quarter of Year Ending December 31,2021

(Units: million yen)	FY2020 Q1		FY2021 Q1		Year over Year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Net sales	2,253	100.0%	6,262	100.0%	+177.9%	27.2%
Gross profit	586	26.0%	1,104	17.6%	+88.3%	—
SG & A	767	34.0%	824	13.2%	+7.4%	—
EBITDA	- 142	- 6.3%	317	5.1%	—	28.8%
Ordinary income	- 256	- 11.4%	218	3.5%	—	36.4%
Net income before taxes	- 256	- 11.4%	218	3.5%	—	36.4%
Net income	- 180	- 8.0%	165	2.6%	—	43.5%

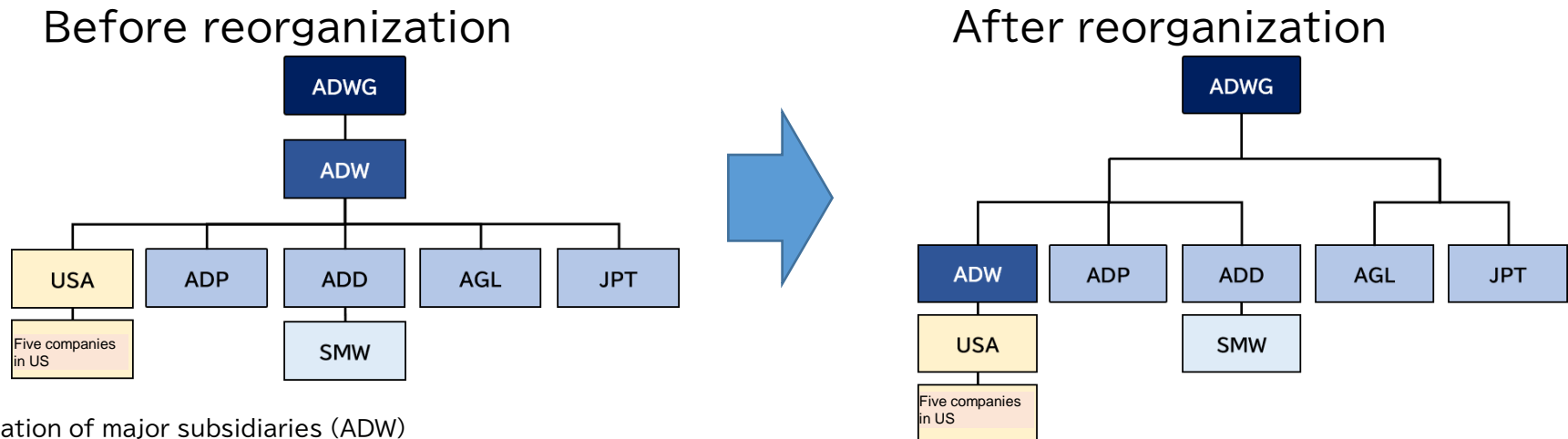
- Despite uncertain conditions during pandemic, both sales and income reached solid levels. The full-year plan progress rate exceeded the level equivalent to the first quarter (25.0%).

# ■ I-3. Reorganization of Japanese subsidiaries and other measures

## ■ Reorganization and other

### 1. Overview of reorganization of Japanese subsidiaries

Reorganization aimed at improving efficiency of Group management



### 2. Reorganization of major subsidiaries (ADW)

#### (1) Establishment of REIT Preparation Office

This office was established with the aim of entering the REIT business in the future to expand the scale of our income property sales business.

#### (2) Establishment of Asset Investment Business headquarters

ADW reorganized this as an independent headquarters so that the planning and sale of small-lot real estate products could be cultivated as a main business.

#### (3) Cultivation of development business

The existing functions were consolidated in the Investment Real Estate Business's headquarters, and business development has begun in earnest.

## ■ I-4. Pursuit of new initiatives-①

### ■ Pursue businesses utilizing crowdfunding

#### 1. Overview of subsidiary established to pursue this business

(1) Company name: Jupiter Funding Co., Ltd.

(2) Established: December 1, 2020

(3) Objective: To obtain financing using crowdfunding and other means

#### 2. Achievements for Group

(1) Run the online market “Funds” for loaned funds



In an initiative with **Funds Inc.**, the Group succeeded in raising 200 million yen in funds to buy income-earning properties.

<https://funds.jp/blog/detail/100>

(2) Run a platform for real estate crowdfunding



In an initiative with **FUEL Inc.**, the Group succeeded in raising 50 million yen in funds to invest in a US real estate fund.

<https://www.fuelgr.co.jp/list/info/2021/01/release-582/>

※(1) was implemented through Jupiter Funding and (2) was implemented through ADWorks Co., Ltd.

# ■ I -5. Pursuit of new initiatives-②

## ■ Pursuit of joint development business between local company and subsidiary

### 1. Initiatives with local company

We jointly established a local subsidiary with Avenue Homes, a local developer, to pursue a joint development business.

### 2. Overview of joint company

(1) Company name: Avenue Works Burnside LLC

(2) Objective: To develop real estate in Los Angeles, other

(3) Funding: 95% investment from A.D.Works USA, Inc. and 5% investment from Avenue Homes

### 3. Future plans

First development project was started on Burnside Ave. in Los Angeles Building is due to be completed in November 2021.

In parallel with this project, several development projects are being planned and considered.



Visualization of Burnside development project at completion



# II-Consolidated Business Plan for Fiscal Year Ending December 31,2021

## ■ II-1. Consolidated Business Plan (Published on February 10, 2021)

(Unit: million yen)	FY2020 (9 months results)	FY2020 (converted into 12 months)	FY2021 (Planned)	Change from previous year <sup>※</sup>	Year-over-year ※
Net Sales	16,840	22,453	23,000	547	102.4%
E B I T D A	759	1,012	1,100	88	108.7%
Ordinary income	427	569	600	31	105.4%
Pre-tax income	432	576	600	24	104.2%
Net income	264	352	380	28	108.0%

※FY2020 results are converted into 12months results in the calculation process.

- **This assumes that the market environment experienced in the second half of the fiscal year ended in December 2020 will continue.**
- **In the plan, we predict that all indicators will show improvements over the annualized results of the fiscal year ended in December 2020.**

# ■ II-2. Policies for Year Ending December 31,2021

I

## Strengthen growth foundation

- Focus on the acquisition of rigorously selected income-earning properties and strengthen sales of income-earning property, which is our mainstay business

II

## Expand client base

- Boost sales to business corporations and institutional investors
- Extend reach to include retail investors with small-lot products, crowdfunding and other products

III

## Diversify product strategies

- Proactively develop new products and services in Japan and overseas, including financial instruments

# ■ II-3. Policies for Year Ending December 31,2021

## IV

### Other

#### ■ Use of holding company system

- Proactive use of M&A, business and capital tie-ups
- Simultaneous pursuit of an “offense” strategy involving risk and a “defense” strategy that is solid and steady.
- Maintain an organization comprising a select few and remain flexible and quick
- Introduce an HR system and compensation system that utilize these strengths and are ahead of the times

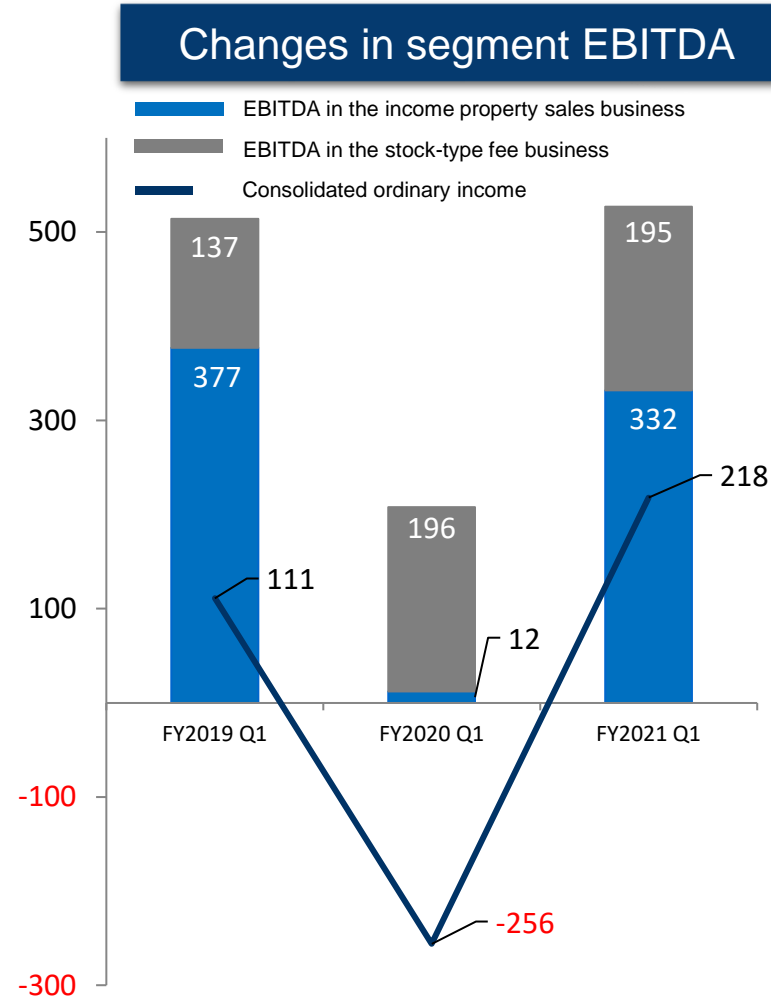
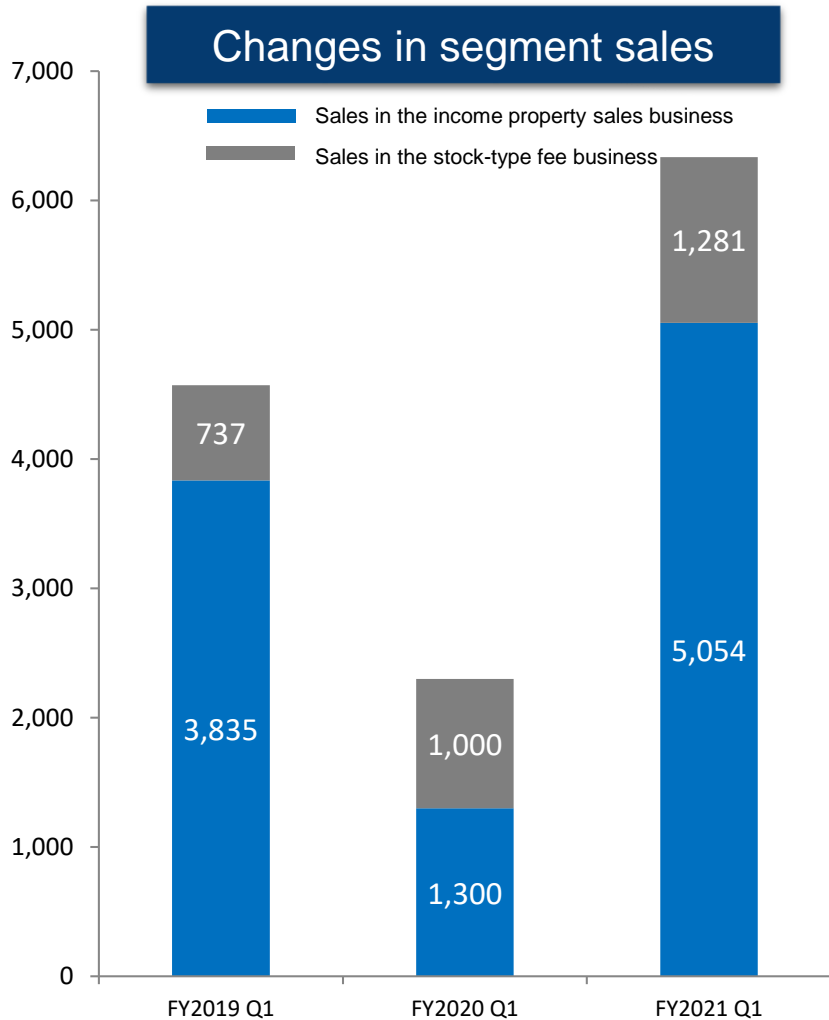
#### ■ Pursue priority businesses through reorganization

- REIT Preparation Office      Aims to enter REIT business in future
- Asset Management              Develop ARISTO, a small-lot real estate product, so that it  
Business Head Office           becomes a mainstay business
- Development &                  Consolidate existing functions in investment planning division  
Planning Section                  and begin cultivating business in earnest from a synergistic  
perspective

# III-Overview of the First Quarter of Year Ending December 31,2021

# III-1. Changes in Segment Results

(Unit: million yen)



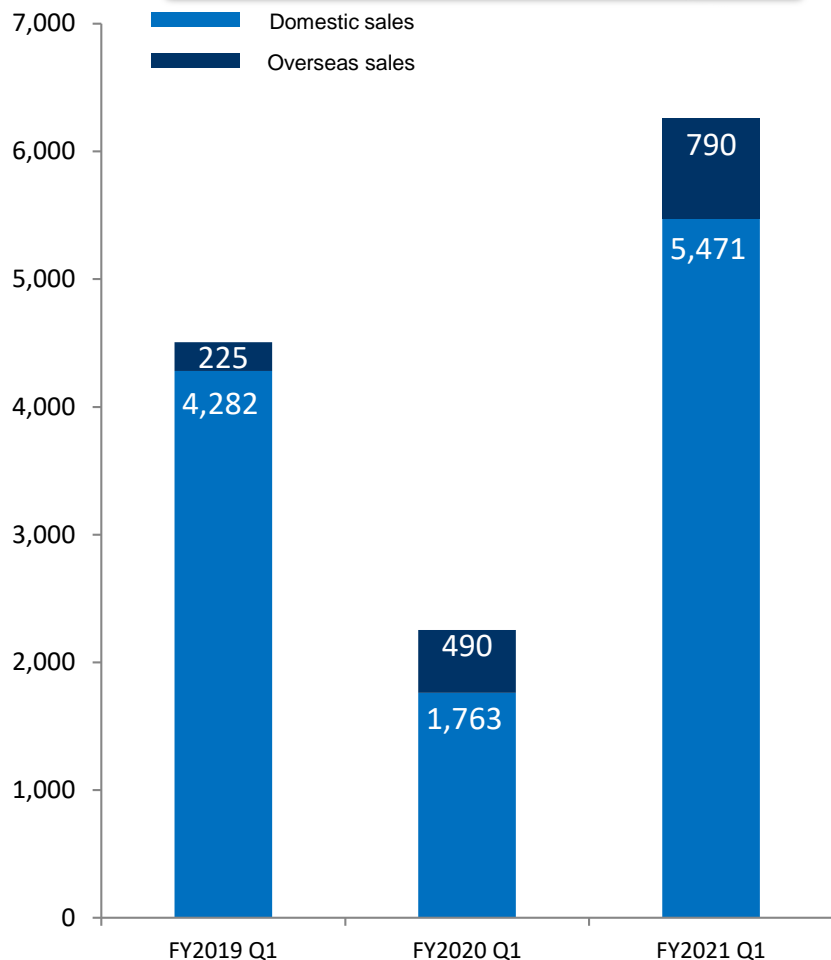
Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

- In the previous fiscal year, the income property sales business fell heavily due to the significant impact of COVID-19, and this fiscal year results are near levels marked prior to the pandemic.

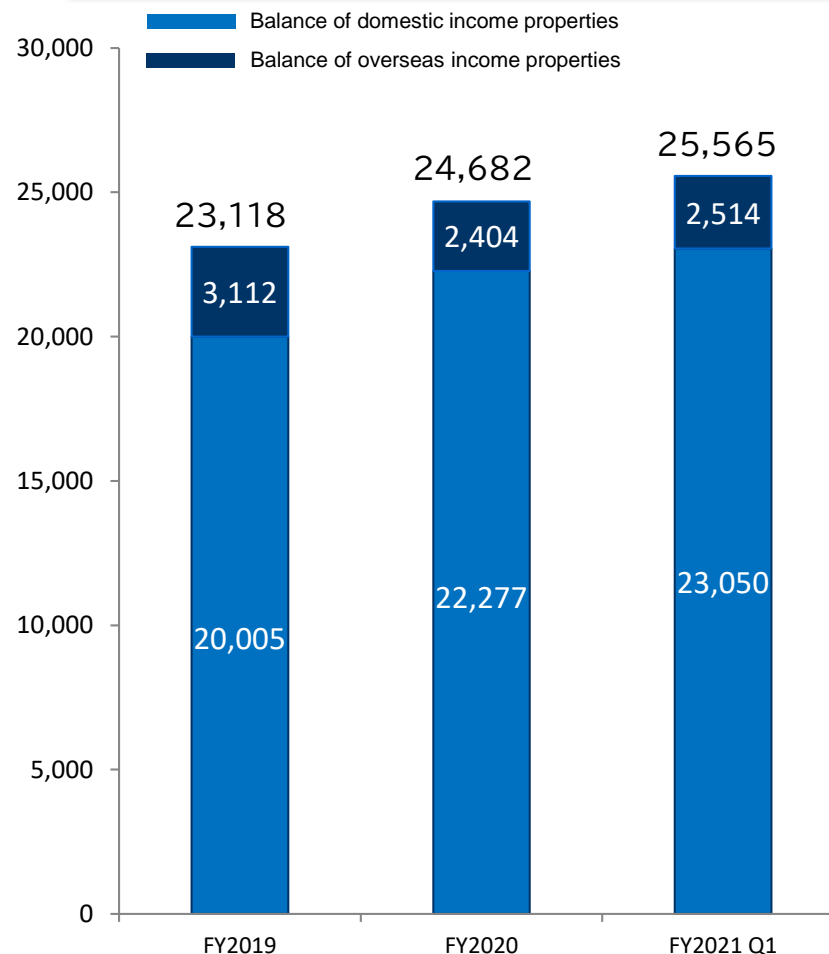
# ■ III-2. Changes in Scale of Business by Region

(Unit: million yen)

## Changes in Net sales



## Changes in balance of income properties

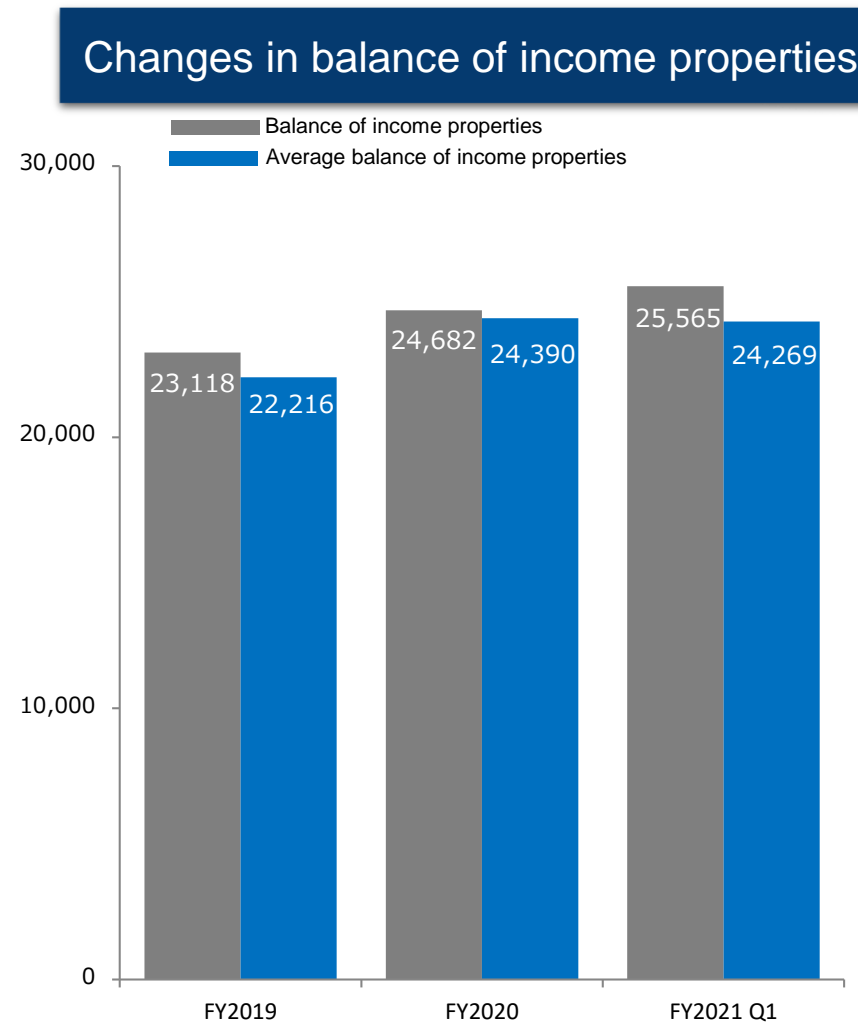
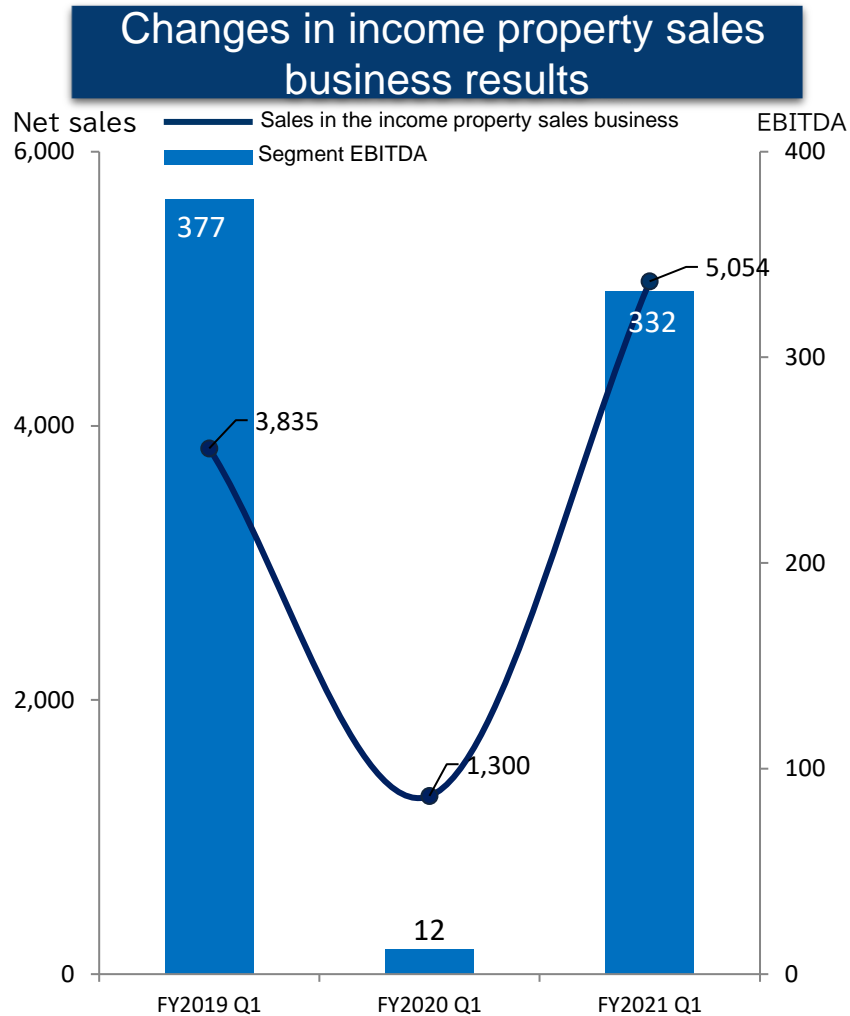


(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Sales exceeded pre-COVID 19 levels thanks to contributions from the domestic income property sales business.**

# III-3. Main Business Areas (1): Overview of the Income Property Sales Business

(Units: 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.

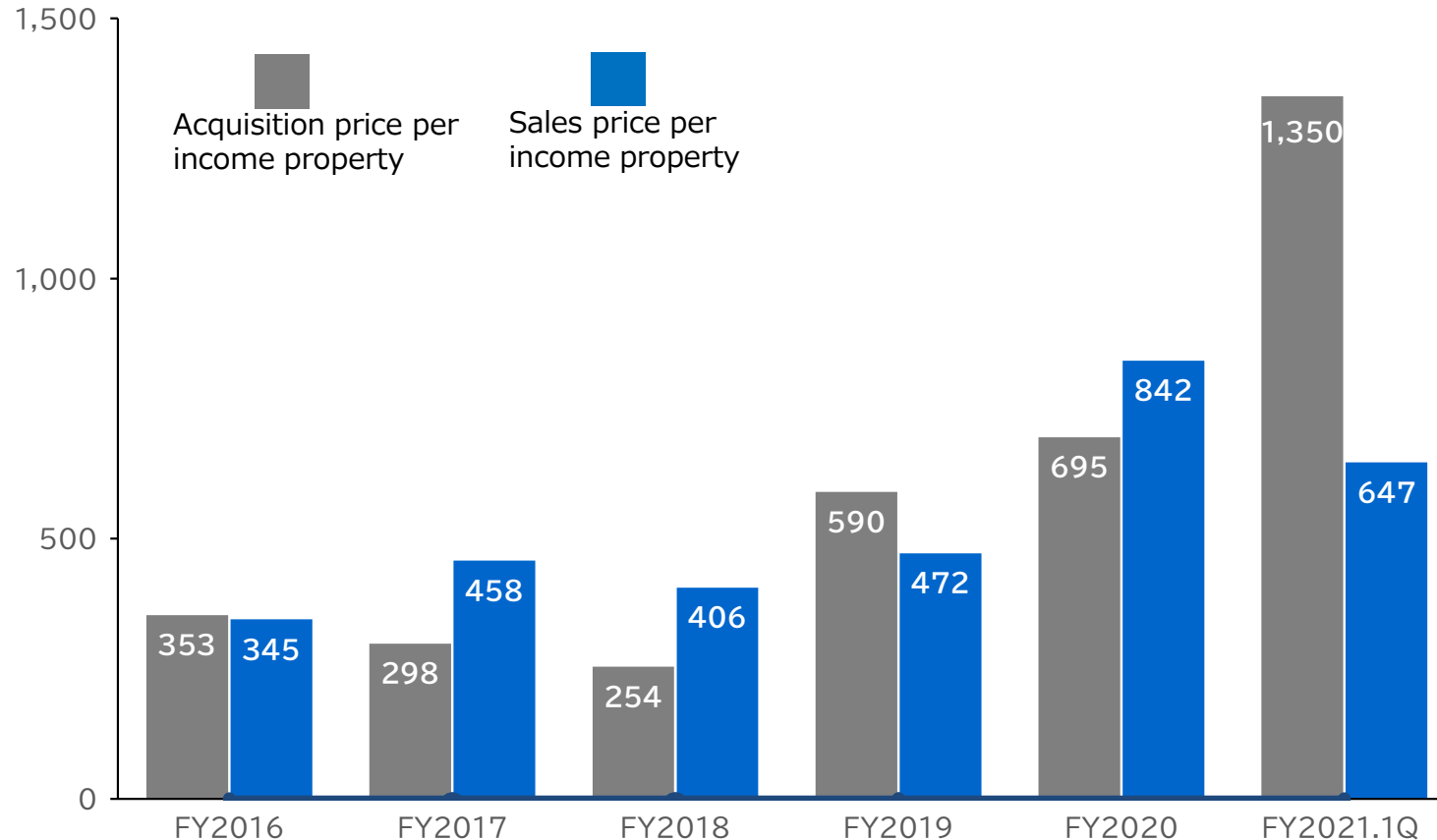
- Sales and income in the previous fiscal year were down sharply due to the effects of COVID-19, but this fiscal year, these figures improved to levels close to those marked before COVID-19.



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

### Increase of price per domestic income property

(Units: million yen)



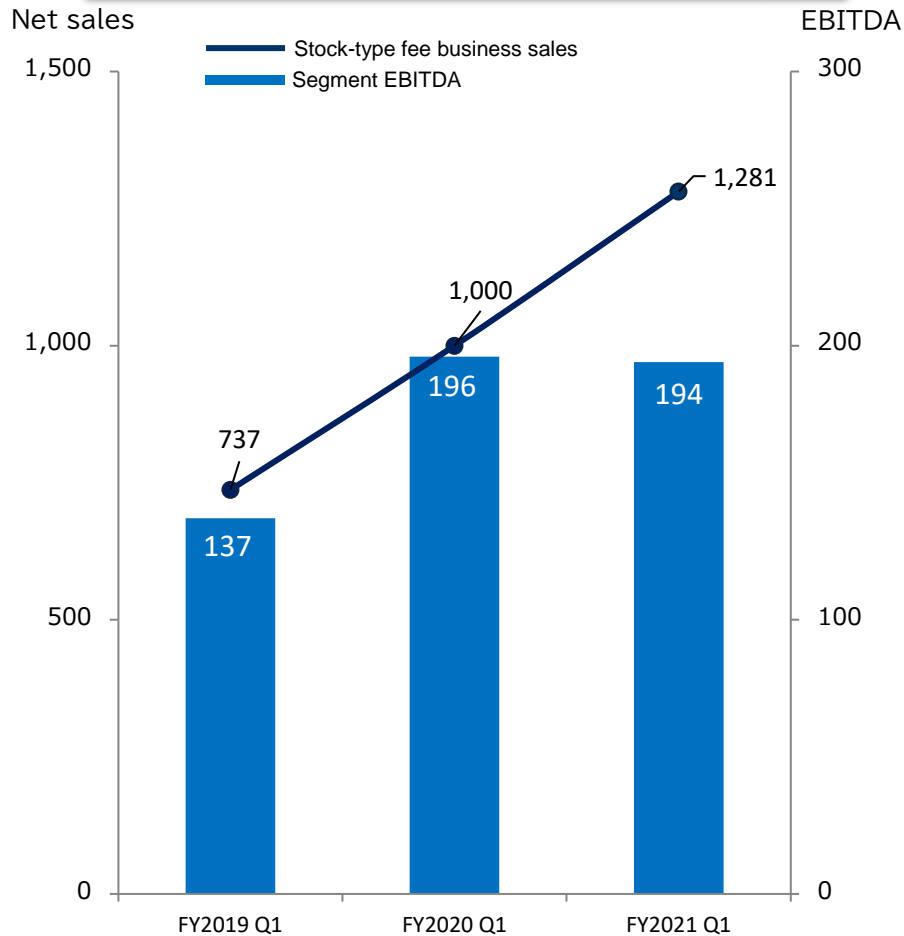
※We acquire properties first so that they can be sold after their value has been enhanced. As a result, the properties acquired and sold in a single fiscal year do not necessarily match.

➤ **Initiatives in acquisition with large-scale properties began to appear as results.**

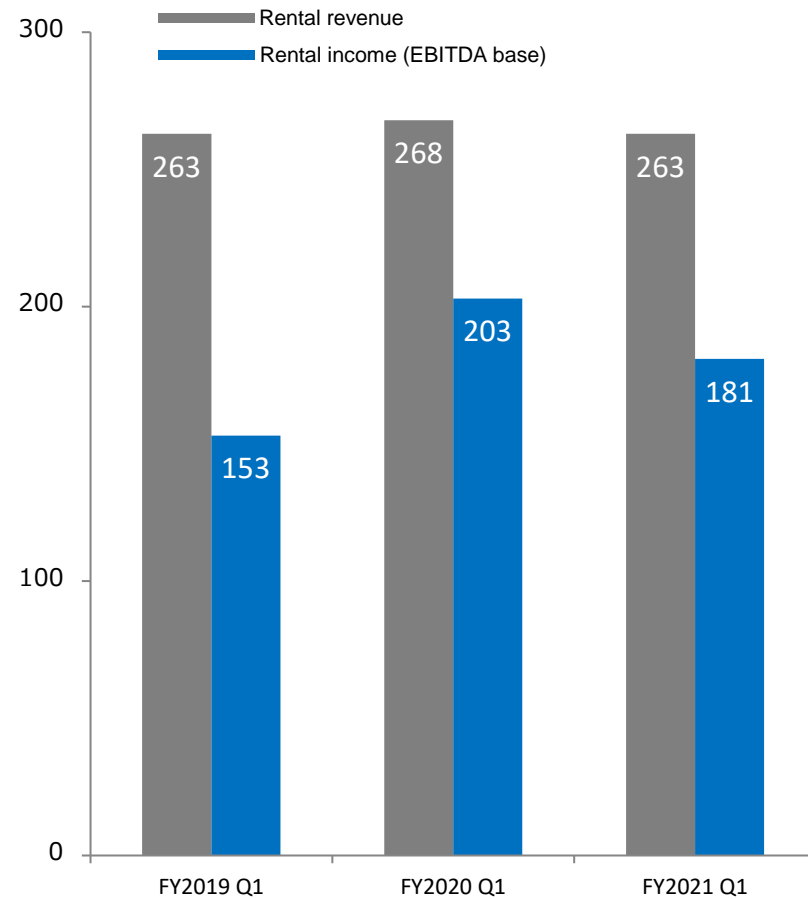
# III-5. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

### Changes in stock-type fee business results



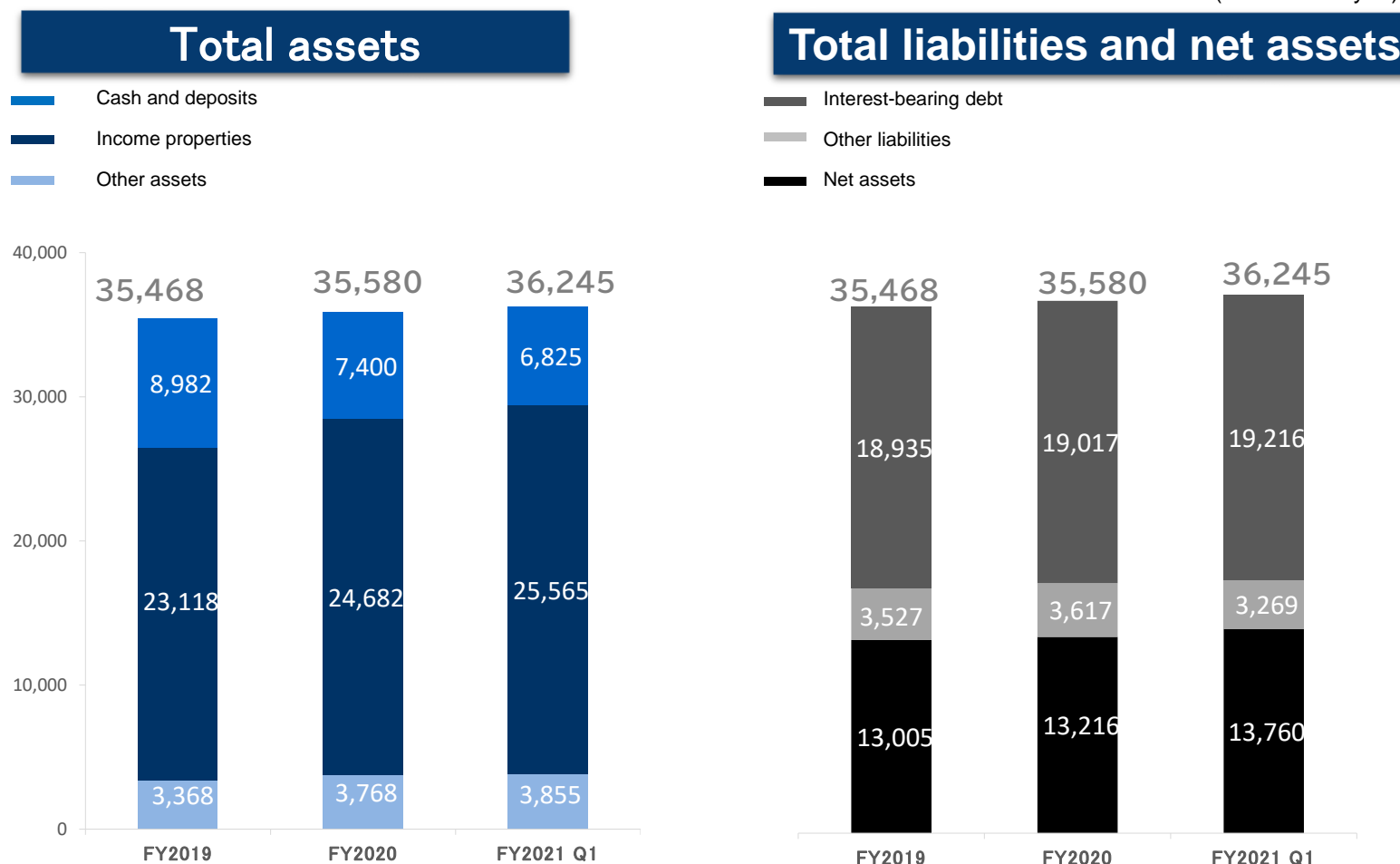
### Changes in rental revenue and income



➤ Rental revenue, which is the main source of revenue in this business, was stable with little impact from COVID-19.

# ■ III-6. Consolidated B/S Summary

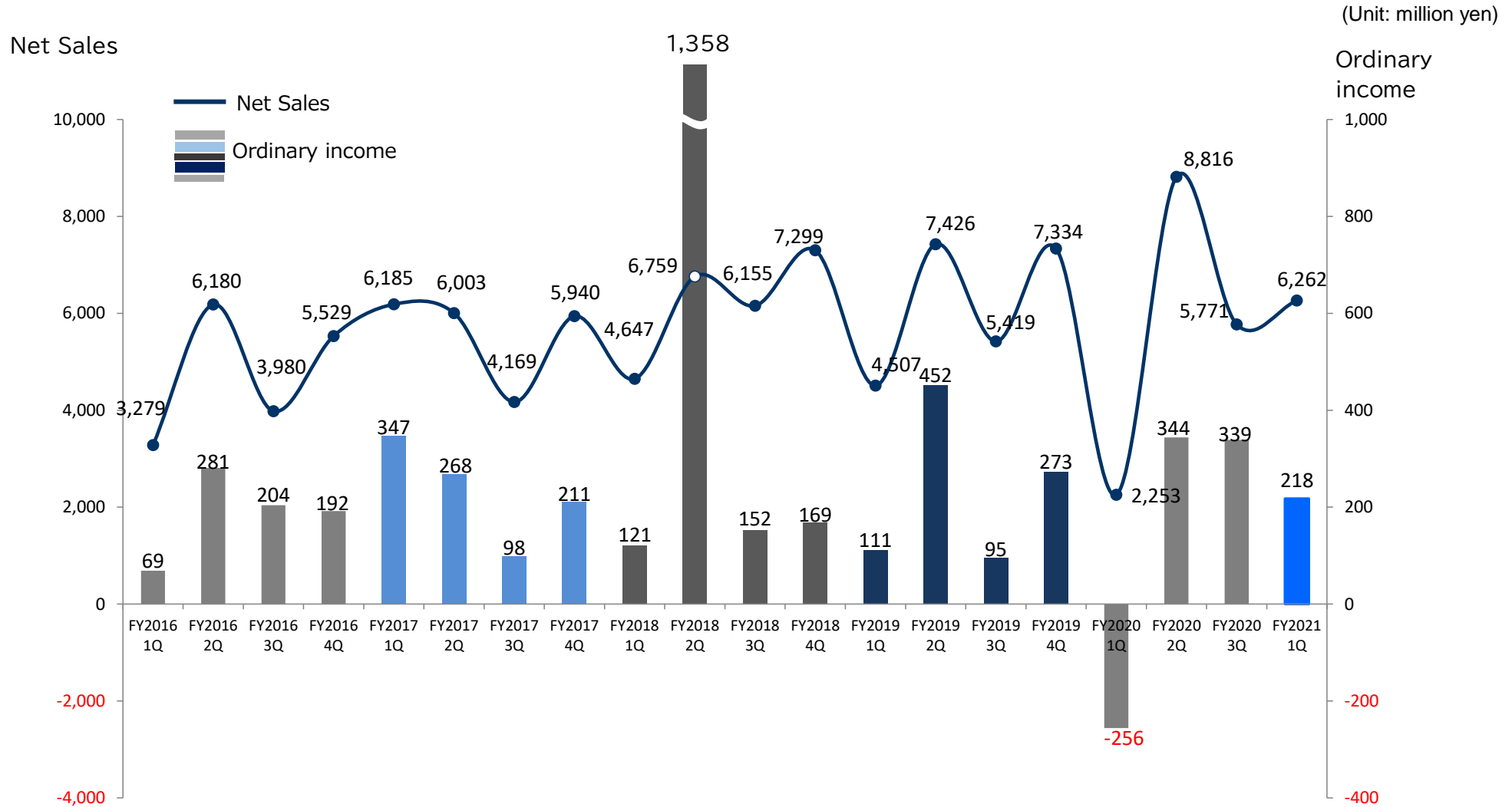
(Unit: million yen)



(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.

- **The balance of income properties increased slightly by about 882 million yen, but expanding this balance is one of our most important strategies and we must continue building up the balance.**

# III-7. Changes in Consolidated Quarterly



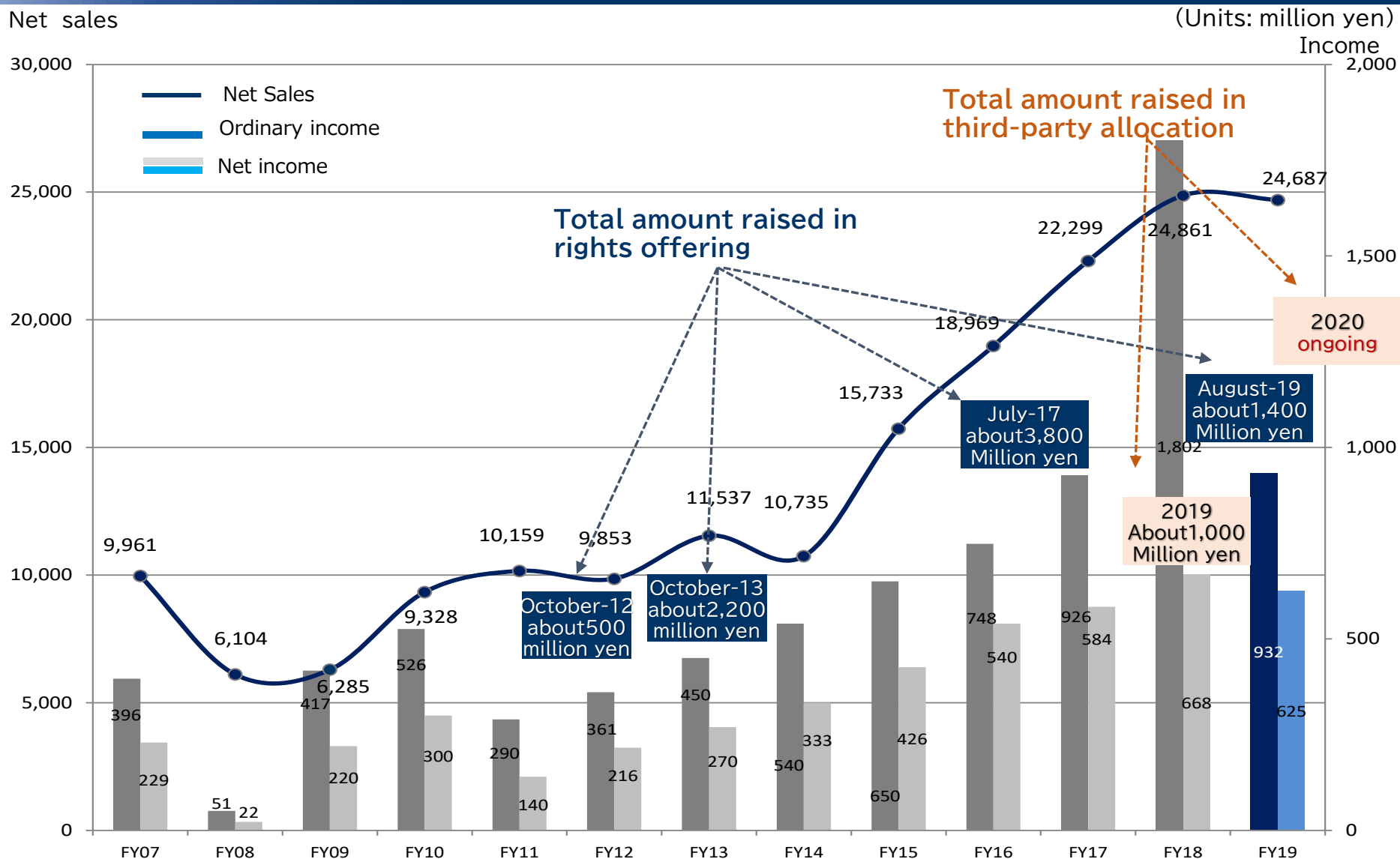
**The income property sales business accounts for about 80% of consolidated sales.  
As a result, there are large fluctuations in quarterly results.**

# IV-Reference Materials (About Equity Finance)

## ■ IV-1. Reference materials(About Equity Finance)

<b>Overview of second stock acquisition rights (third-party allocation)</b>	
Allotment date	September 18, 2020
Allotment recipient	Milestone Capital Management, LLC
Total number of stock acquisition rights	96,000 units
Number of dilutive shares resulting from this issuance	9,600,000 shares (100 shares per stock acquisition right)
Amount raised	Maximum of about 1.43 billion yen ※10 million yen in stock acquisition rights issued + 1.42 billion yen in stock acquisition rights exercised
Exercise price	148 yen per share (variable)
Exercise period	September 18, 2020 - September 17, 2022
Progress	Raised about 510 million yen (Based on information as of May 20,2021)

# IV-2. Reference Materials (About Equity Finance)



➤ We increased our balance of income properties while also raising money and achieved steady growth.

# V-Reference Materials

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



# ■ V-1. Company Profile (Based on information as of the end of March, 2021)

- **Company name:** A.D.Works Group Co.,Ltd.
- **Headquarters:** 5th Floor, Hibiya Kokusai Bldg.,2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
- **Establishment:** Incorporated April 1, 2020.  
(note) A.D.Works, the Group's predecessor, was established in February 1886 and incorporated in May 1936.
- **Capital:** 5,707 million yen
- **Listed:** Listed April 2020 on the First Section of the Tokyo Stock Exchange.(2982)  
Changed October 2015 to the First Section of the Tokyo Stock Exchange. (3250)  
Listed October 2007 on Tokyo Stock Exchange JASDAQ. (3250)
- **Subsidiaries:**
  - A.D.Works Co.,Ltd. (income property business /real estate agency)
  - A.D.Partners Co., Ltd. (property management)
  - A.D.Designbuild Co., Ltd. (construction)
  - Angel Torch Co., Ltd. (corporate venture capital)
  - Sumikawa Works Co., Ltd. (interior construction)
  - Jupiter Funding Co., Ltd. (Funding raising using crowdfunding)
  - 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)
  - ADW Hawaii LLC (Real estate-related business in Hawaii, US)
  - Avenue Works Burnside LLC (Real estate development business in USA)
- **Officials:**

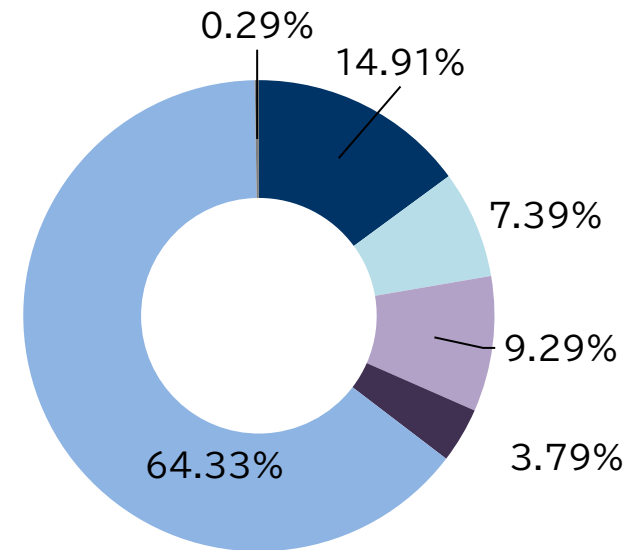
Hideo Tanaka	President and CEO
Katsutoshi Hosoya	Senior Managing Director and CFO
Mitsuo Kimura	Senior Managing Director
Koji Kaneko	Managing Director
Toshiya Suzuki	Managing Director
Tamio Harakawa	Director, Audit & Supervisory Committee Member
Mamoru Sekiyama	Director, Audit & Supervisory Committee Member
Hisashi Tanaami	Director, Audit & Supervisory Committee Member
Sachiko Awai	Director, Audit & Supervisory Committee Member

# V-2. Shareholder Composition

(Based on information as of the end of March,2021)

1. Number of issued shares: 42,061,064
2. Number of shareholders: 18,679 (With voting rights:11,404)
3. Major shareholders (As shown in the table below)
4. Allocation by owner (As shown in the graph below)

No.	Shareholder name	Share ratio
1	Hideo Tanaka (President and CEO)	9.75%
2	The Master Trust Bank of Japan, Ltd. (Trust Account )	5.61%
3	Liberty House Co., Ltd.	4.74%
4	Custody Bank of Japan, Ltd. (Trust Account )	2.84%
5	SBI Securities Co., Ltd.	2.77%
6	Milestone Capital Management Co.,Ltd.	1.89%
7	Rakuten Securities, Inc.	1.57%
8	Custody Bank of Japan, Ltd. (Trust Account ・ 5)	1.31%
9	Custody Bank of Japan, Ltd. (Trust Account ・ 6)	1.23%
10	Custody Bank of Japan, Ltd. (Trust Account ・ 1)	1.06%



- Financial institutions
- Financial instruments business
- Other corporate bodies
- Foreign corporate bodies
- Individuals, others
- Treasury stock

# ■ V-3. Changes in Consolidated Results

(Units: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended Dec.31, 2020	Year ending Dec.31, 2021 Q1
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	16,840	6,262
Ordinary income	540	650	748	926	1,802	932	427	218
Net income	333	426	540	584	663	625	264	165
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	13,760
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	36,245
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	25,565
Rental revenue	717	842	1,058	1,112	1,319	1,147	823	263
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	4.9%	4.2%
Employees	99	115	136	146	167	185	195	191



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. Group 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.

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