

A.D.W.  
Group

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繋ぎ高める。変わり続ける。

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

November 15, 2019

A.D.Works Co., Ltd.

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

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# **0 -The Sixth Mid-Range Business Plan and Progress**

Overview of Sixth Mid-range Business Plan released on June 4, 2019

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

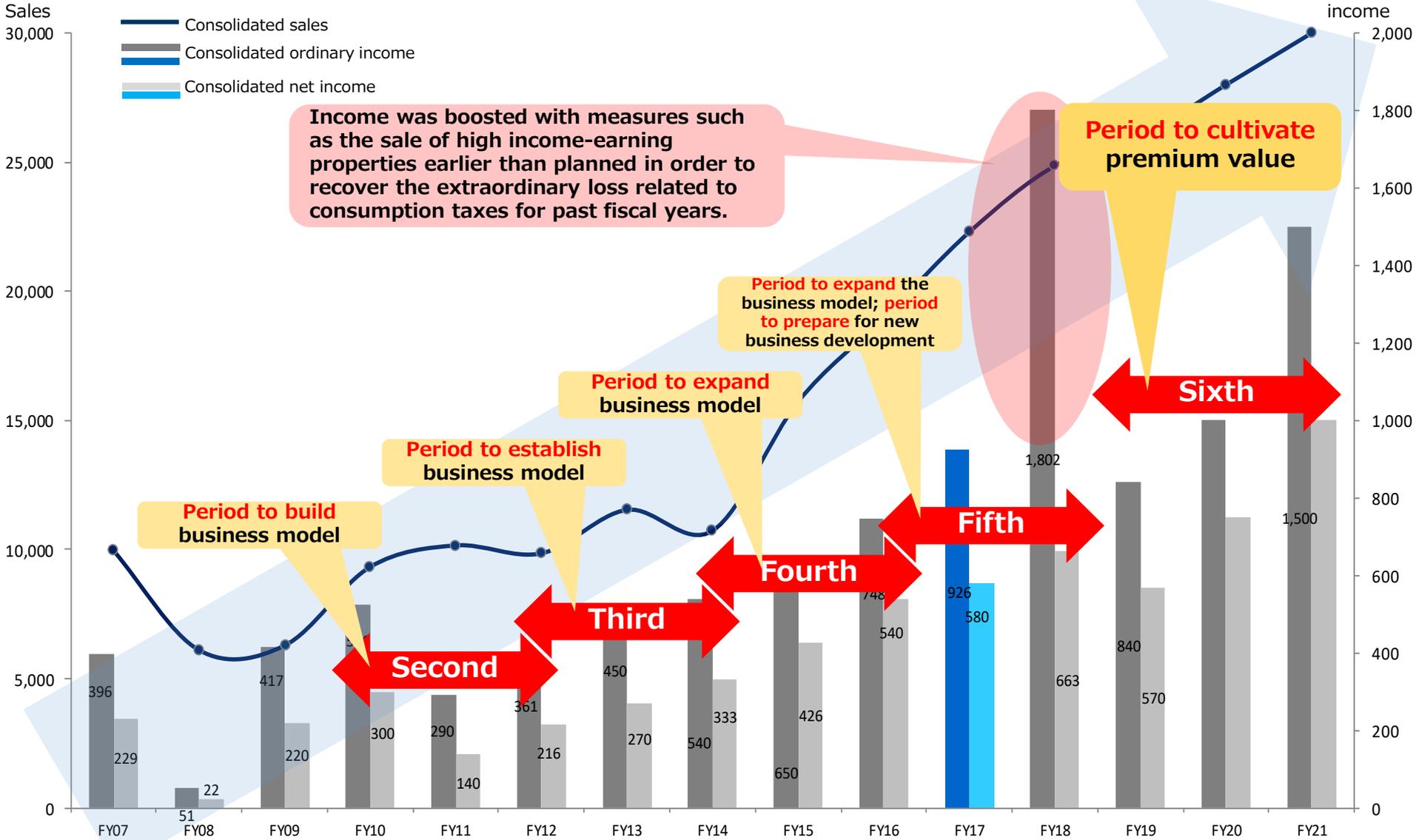
## 5. Consolidated earnings forecasts

(Unit: Million yen)

P/L	FY2018 (Results)	FY2019 (Planned)	FY2021 (Planned)
Sales	24,861	26,000	30,000
EBITDA	2,324	1,330	2,200
Ordinary income	1,802	840	1,500
Income before income taxes	1,043	890	1,500

# 0-2. Progress with Sixth Mid-range Business Plan

(Unit: Million yen)



## Themes in Sixth Mid-range Business Plan

### Real estate business

#### ■ Focus on products and service

- Fostering a value chain
- Origins of growth, future focal points

### High-net-worth individuals business

#### ■ Focus on customer needs

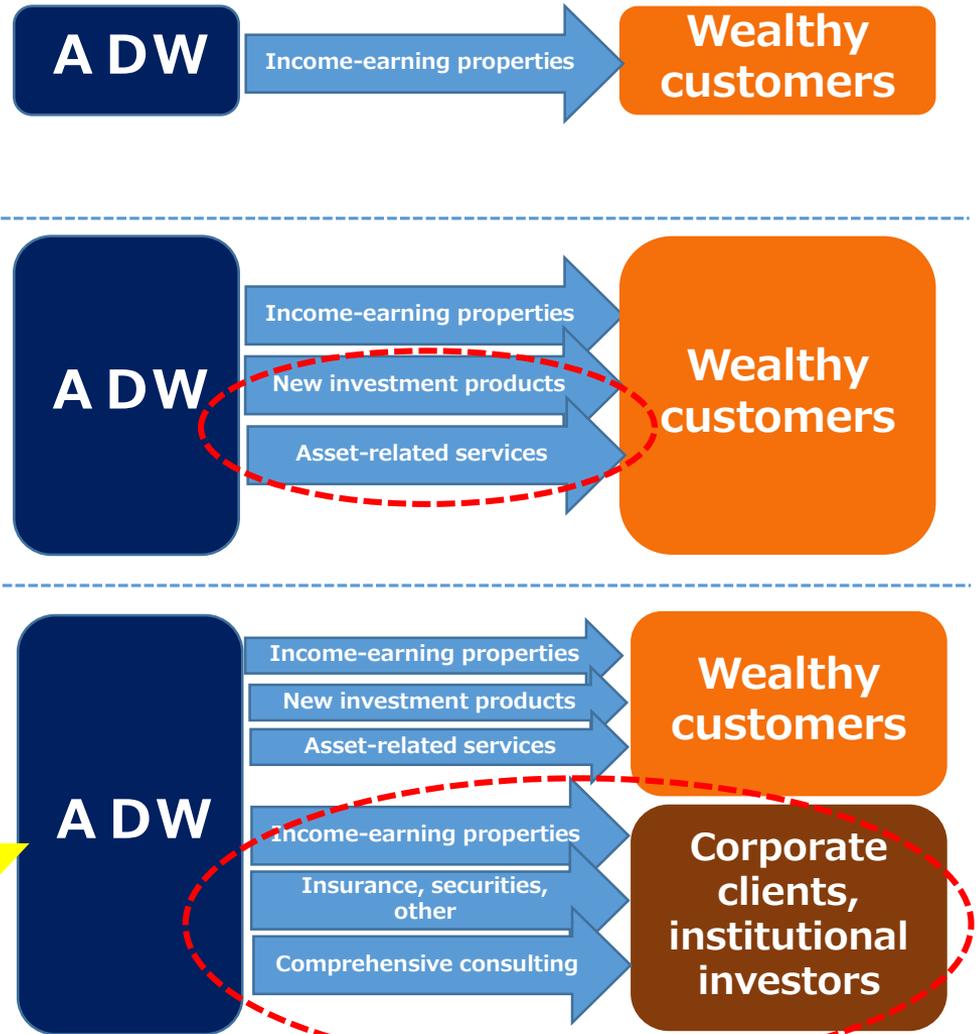
- Diversification of service
- Expansion of wealthy client base
- Development of marketing network

### Premium business

#### ■ Focus on value offered

- Expand targeted clients to BtoB
- Provide a value chain
- Protect/Increase customers' assets

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



## Start of new business expansion

### **1. Use of operating leases for airplanes and other**

Expand investment targets to products other than real estate as part of asset management services, and address the needs of asset management companies of business corporations and wealthy clients.

### **2. Enter real estate investment fund business**

#### **(1) Participate in management of real estate asset fund**

Comprehensive consultation on property acquisition, leasing, value-adding construction projects, and property management using skills built up in the income-earning property sales business.

#### **(2) Investment in real estate investment funds**

A.D. Works itself invests in funds and builds up expertise on running real estate investment funds in the future.

Purpose of plan to shift to holding company structure to be presented at the Extraordinary General Meeting of Shareholders on November 29

## 1. Purpose of shift to holding company

**This move aims to accelerate flexible business development and achieve the following effects:**

- 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”;
- Look ahead to workplace reforms.

## 2. Overview of shift to holding company structure

- Method of change: Sole share transfer
- Share transfer ratio: For every one stock in A.D. Works, shareholders will receive 0.1 share in the newly established holding company

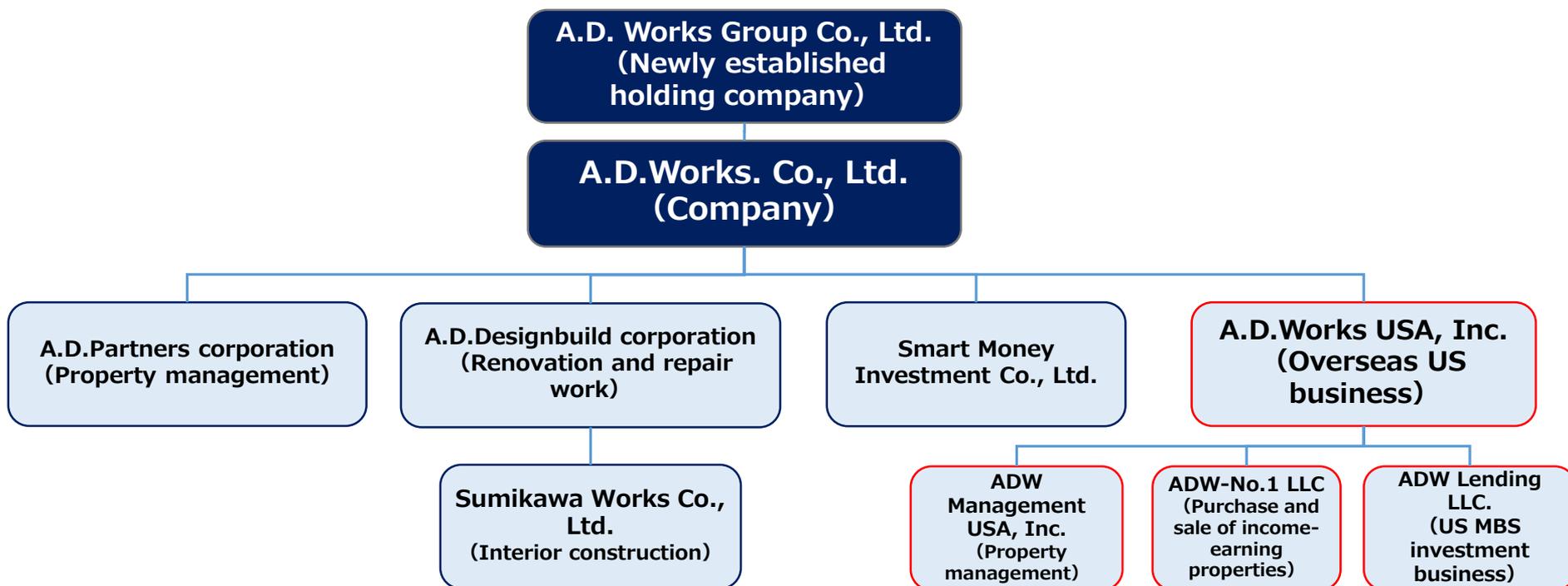
## 3. Schedule for shift to holding company structure (planned)

November 29, 2019 (Friday)	Approval of holding company structure at extraordinary general meeting of shareholders
March 30, 2020 (Monday)	Delisting of shares
April 1, 2020 (Wednesday)	Date of registration of the establishment of the holding company (effective date)  Listing of holding company’s shares (technical listing*)

※This is a system whereby following the share transfer, the newly established holding company is listed at the same time that the Company’s shares are delisted.

# 0-6. Progress with Sixth Mid-range Business Plan

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



## Overview of holding company

Name	: A.D. Works Group Co., Ltd.
Location	: Hibiya Kokusai Building, 2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
Representative	: Hideo Tanaka, President and CEO
Business	: Operation and management of Group companies and ancillary operations
Capital	: 5,500 million yen
End of financial period	: December 31

# 0-7. Progress with Sixth Mid-range Business Plan

Consolidate and reorganize customer base built up in all businesses ⇒  
Become a service company for the wealthy

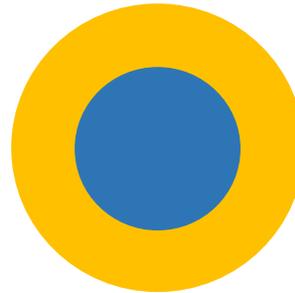
**Consolidation as Group's  
"management asset" (Royaltorch)**

Ties exceeding  
generations



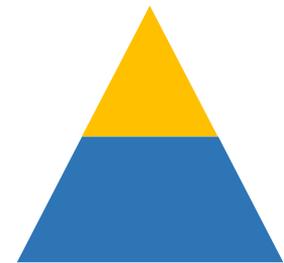
**Domestic business**  
(Sale of single buildings)

Marketing network such as certified tax  
accountants and financial institutions



**Domestic business**  
(Small-lot sales, ARISTO)

Ultra-wealthy



**Overseas  
business**

# 0-8. Progress with Sixth Mid-range Business Plan

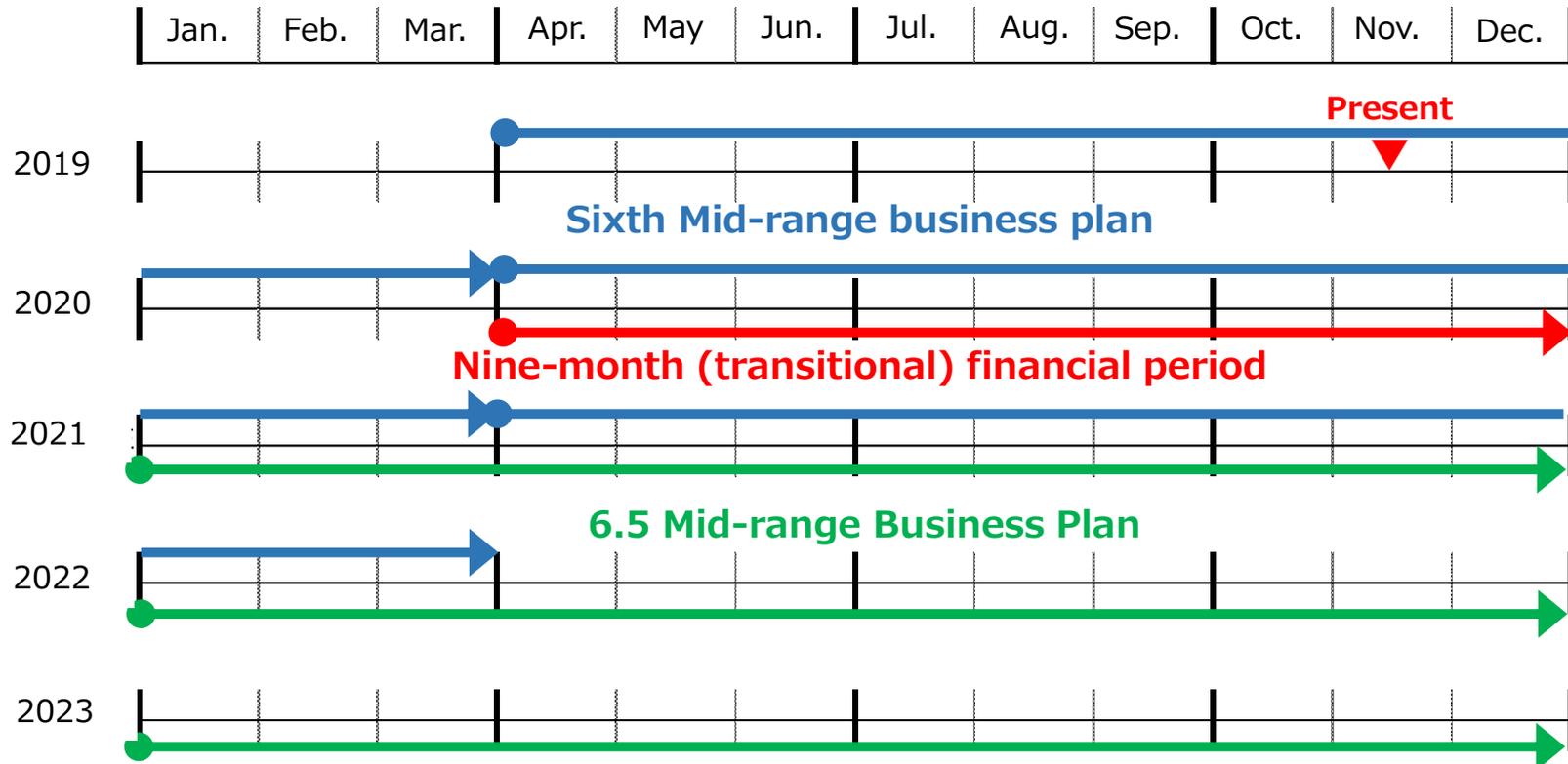
End of financial period changed to December ⇒ Establishment of 6.5 Mid-range Business Plan

## 1. Change to financial period

Since the holding company's financial period ends in December, Group companies plan to align their financial periods to a December close as well.

## 2. 6.5 Mid-range Business Plan

We will announce the release date later.



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

## Topic 1

- **Steady progress in achieving income targets**
- Despite uncertain market conditions, over 60% of the income target has been achieved.

## Topic 2

- **Increase in balance of income-earning properties**
- Focus on acquiring large properties and contribute to increase in balance of income-earning properties

## Topic 3

- **Lay the groundwork for new customers**
- In addition to expanding the network of certified tax accountants and financial institutions, establish a “next-generation club” that will provide future customers. Begin customer marketing.

## **II - Overview of the First Half of the Year Ending March 31, 2020**

### 【Consolidated Business Plan for Fiscal Year Ending March 31, 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.

## Ⅱ-2. Changes in Consolidated Quarterly

(Unit: 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.**

## II -3. Consolidated P/L Summary

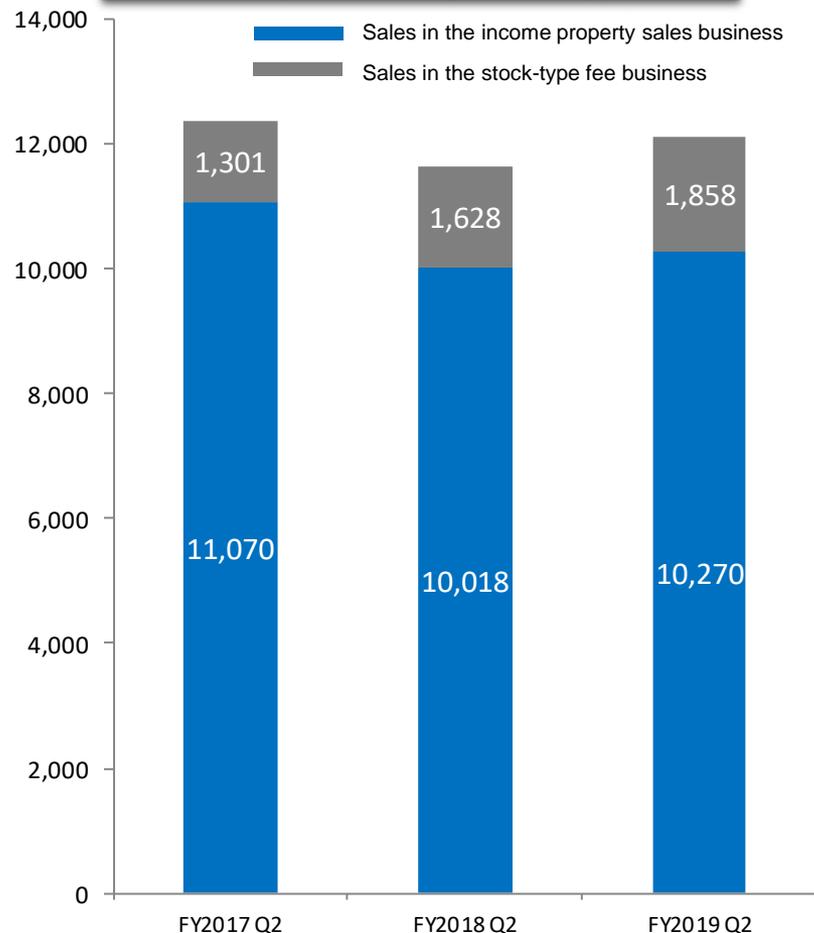
(Units: million yen)	FY2018 2Q (ended Sept.30, 2018)		FY2019 2Q (ended Sept.30, 2019)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Sales	11,406	+100.0%	11,934	+100.0%	+4.6%	45.9%
Gross profit	3,086	+27.1%	2,374	+19.9%	- 23.1%	—
SG & A	1,439	+12.6%	1,633	+13.7%	+13.5%	—
EBITDA	1,750	+15.3%	844	+7.1%	- 51.8%	63.5%
Operating income	1,479	+13.0%	563	+4.7%	- 61.9%	67.1%
Ordinary income	722	+6.3%	563	+4.7%	- 22.0%	63.3%
Net income	615	+5.4%	390	+3.3%	- 36.6%	68.5%

- **In the previous fiscal year, we bolstered income with measures such as the sale of high income-earning properties earlier than planned in order to recover the extraordinary loss related to consumption taxes for past fiscal years. As a result, income was down this year over the previous fiscal year. At the same time, on the income side, progress in achieving the full-year target has been steady.**

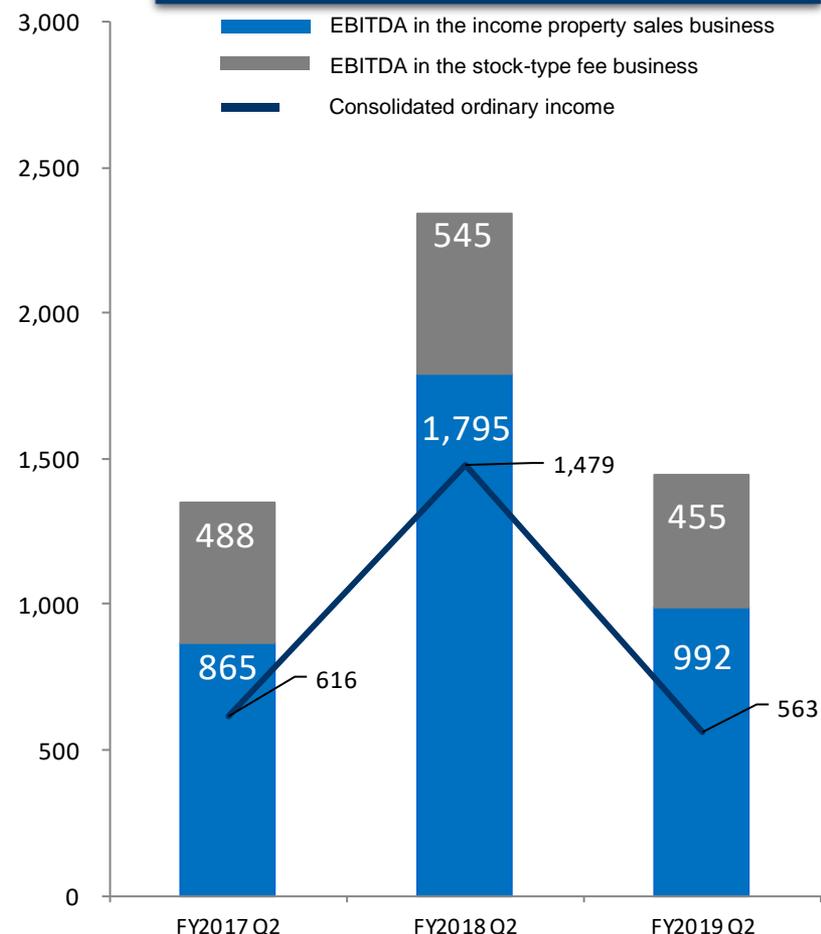
## II -4. Changes in Segment Results

(Unit: million yen)

### Changes in segment sales



### Changes in segment EBITDA

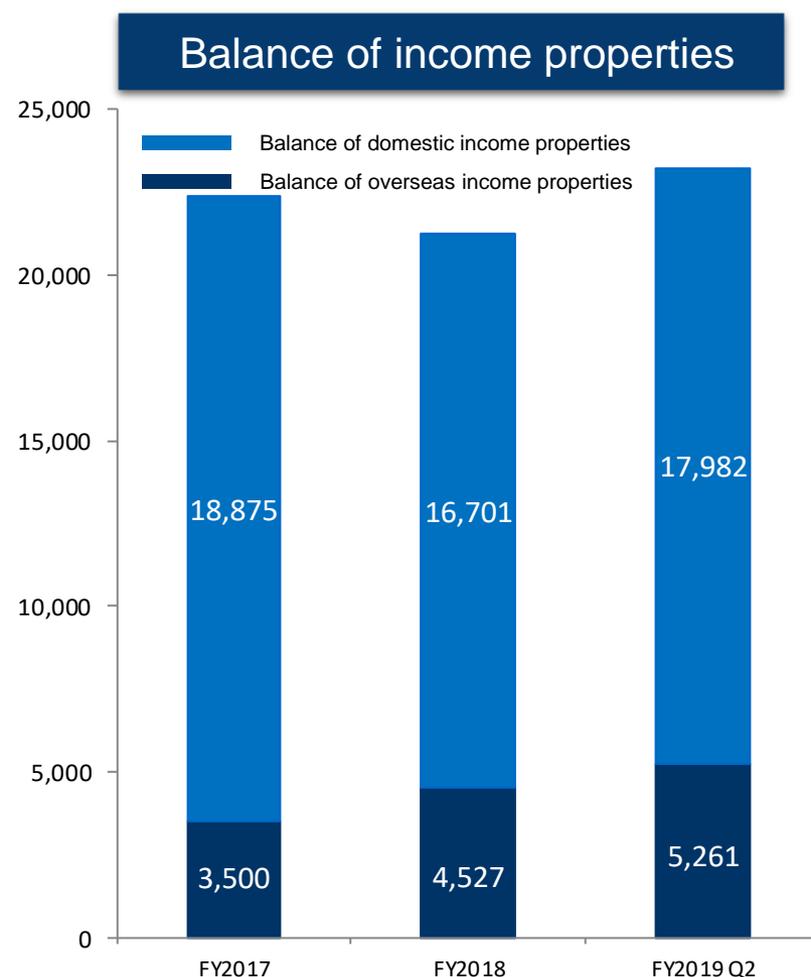
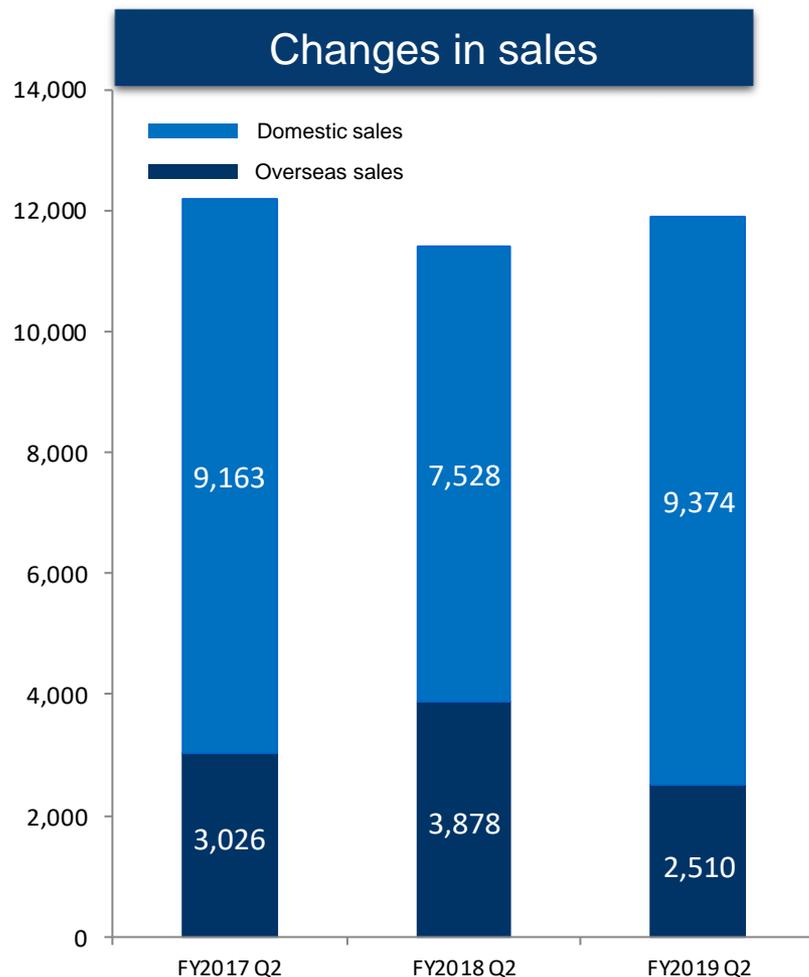


Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

➤ **In the previous fiscal year, income was boosted due to special factors, but this year it is generally within forecast.**

## II -5. Changes in Scale of Business by Region

(Unit: million yen)



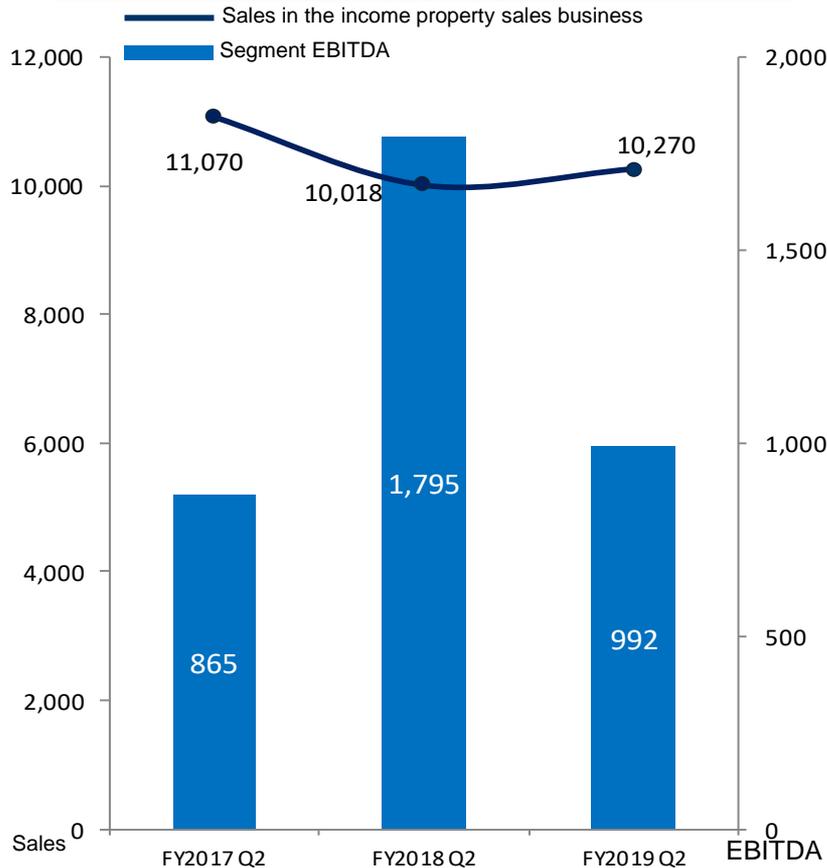
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **Sales were solid in Japan, and declined overseas compared to the previous year due to the Q1 sales schedule.**
- The balance of income-earning property increased steadily in both Japan and overseas.**

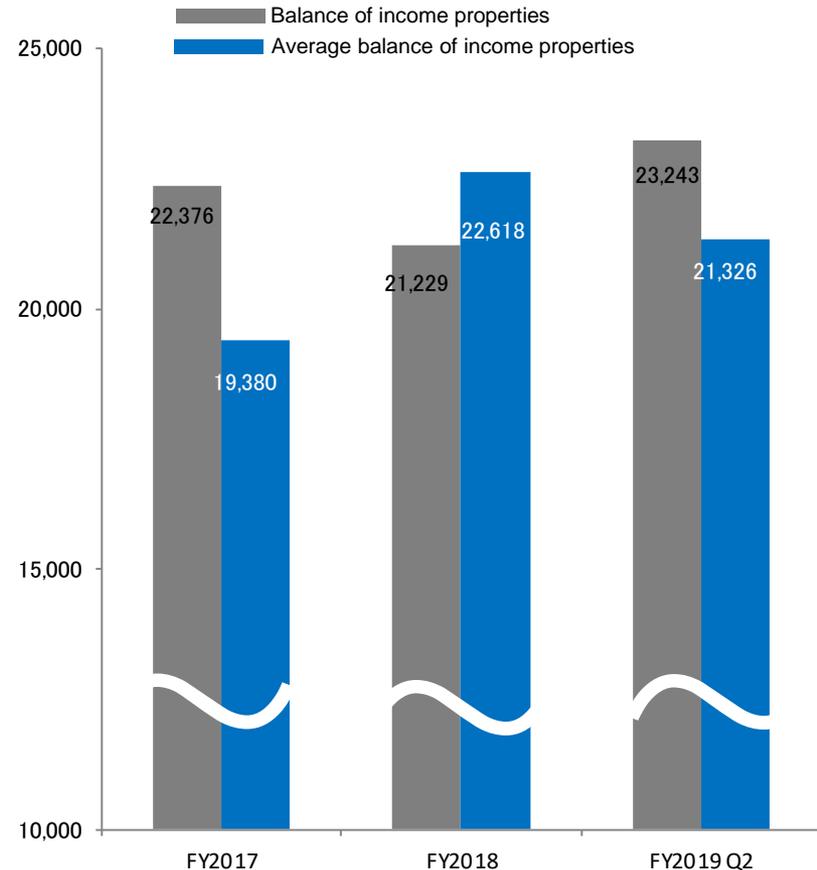
## II -6. Main Business Areas (1): Overview of the Income Property Sales Business

(Units: million yen)

### Changes in income property sales business results



### Changes in balance of income properties



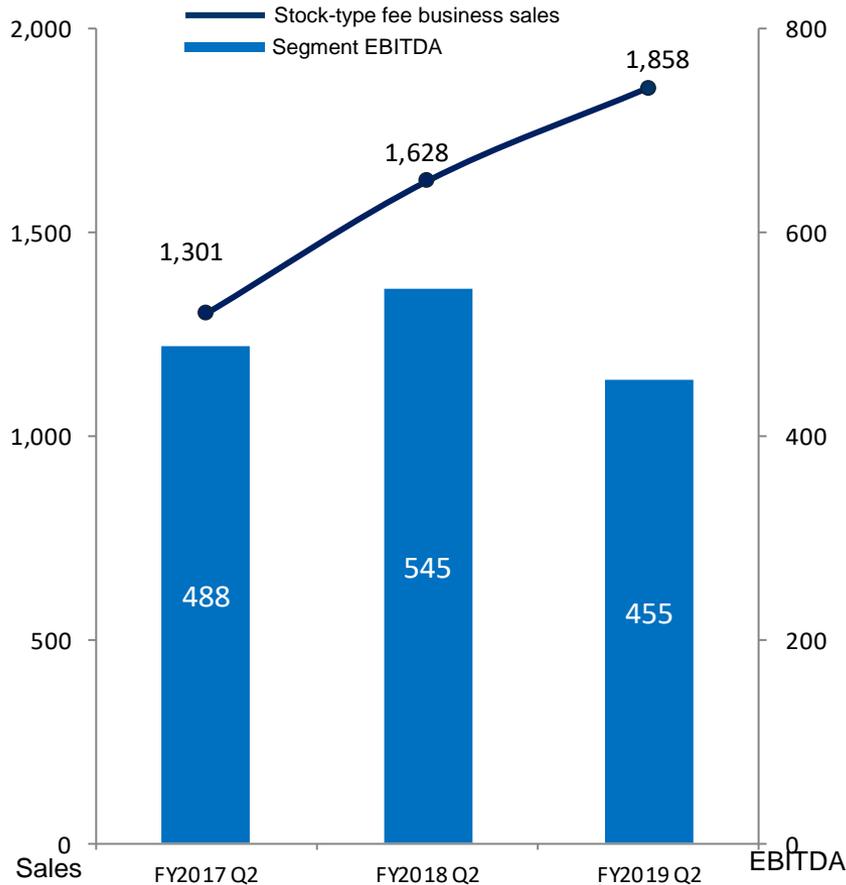
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **Results were generally in line with expectations when excluding special factors in the previous fiscal year.**

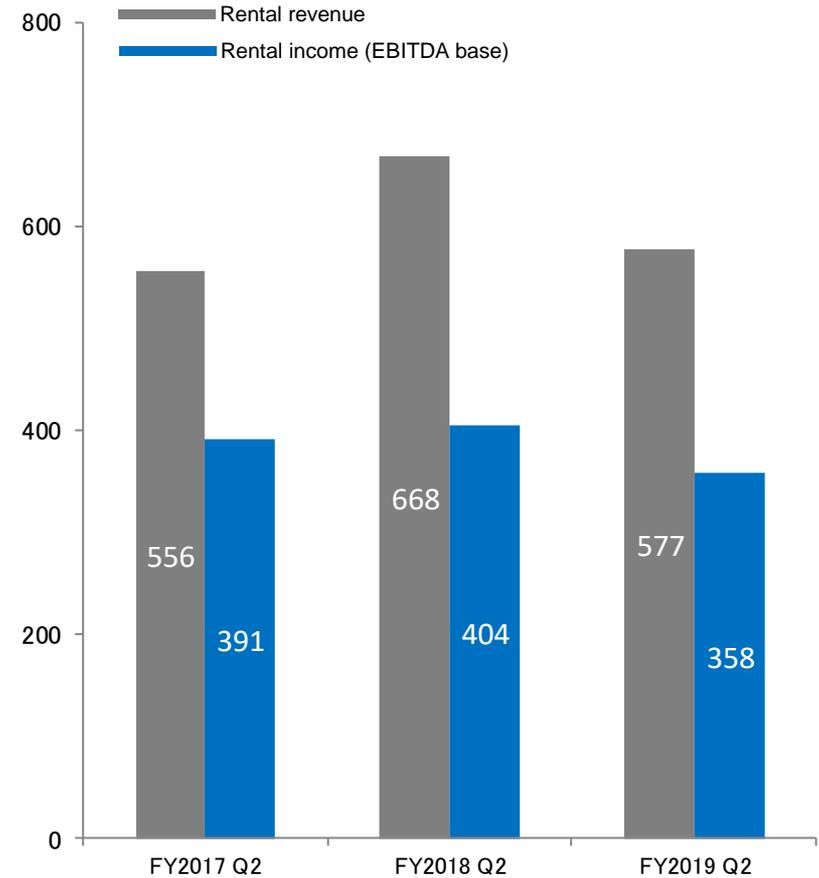
## II -7. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

### Changes in stock-type fee business results



### Changes in rental revenue and income

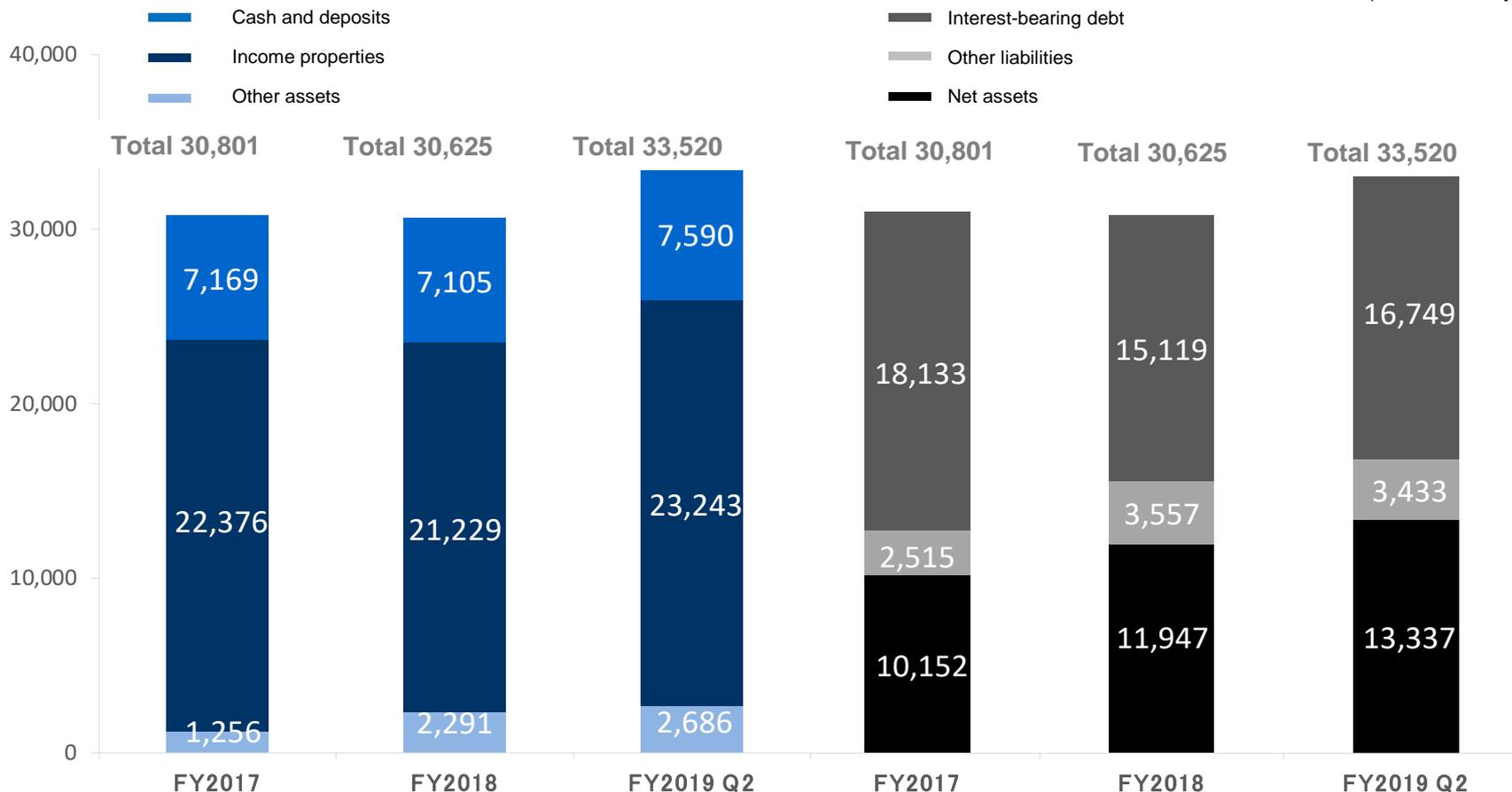


- In the previous fiscal year, the balance of income-earning properties fell because we sold properties earlier than expected and were cautious in acquisitions. Although the balance of income-earning properties is increasing this fiscal year, the contribution to rent revenue will be delayed and thus income is down.

# II -8. Consolidated B/S Summary

## 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.

➤ **Focus on acquiring prime properties and increasing the balance of income-earning properties.**

**Net assets rose due to an increase in capital resulting from a rights offering.**

## **III. Reference Materials (The Sixth Mid-Range Business Plan)**

## 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)

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EBTDA	2,324	1,330	2,200
Ordinary income	1,802	840	1,500
Net income before taxes	1,043	890	1,500

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

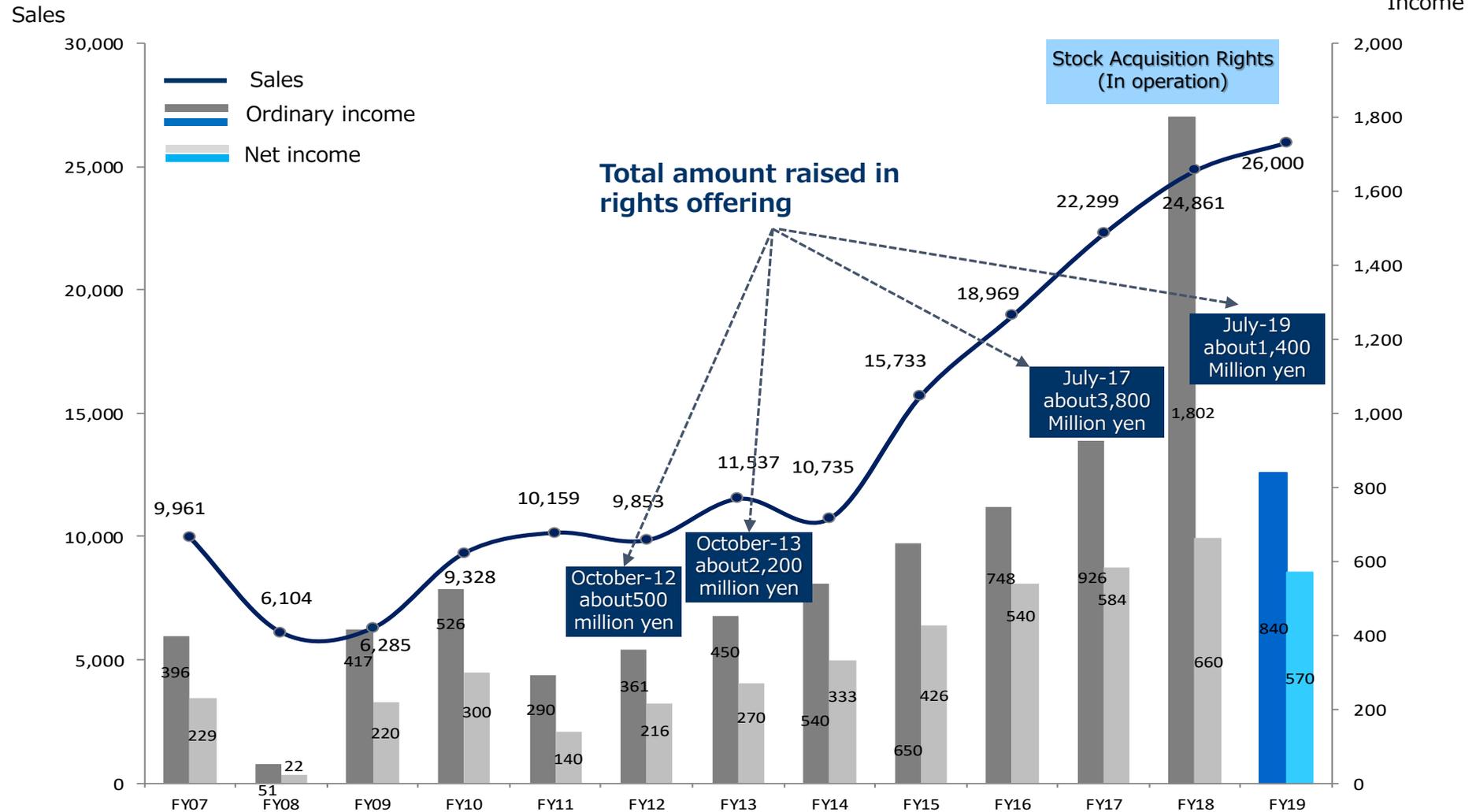
(Unit: Million yen)

(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
<b>Total</b>	<b>21,229</b>	<b>36,500</b>
(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

## **IV – Reference Materials (Equity Finance)**

# IV-1. Reference Materials (About the Equity Finance)

(Units: million yen)



### 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
<b>Result</b>	<b>About 1.4 billion yen in capital was raised (12.16% of total market capitalization)</b>

# V - 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:** 5,092 million yen (as of the end of September 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

## V-2. Shareholder Composition (Based on information as of September, 2019)

### Number of issued shares / Number of shareholders

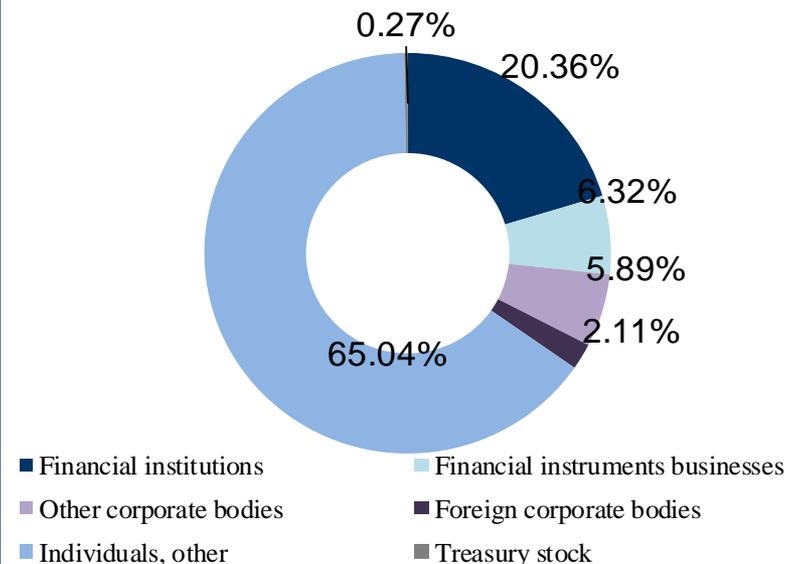
Number of issued shares: 392,898,648

Number of shareholders: 20,068

### Major shareholders

		Number of shares	Share ratio %
1	Hideo Tanaka (President and CEO)	51,108,620	13.00%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	17,057,500	4.34%
3	Liberty House Co., Ltd.	16,216,000	4.12%
4	Japan Trustee Services Bank, Ltd. (Trust Account)	14,071,900	3.58%
5	Japan Trustee Services Bank, Ltd. (Trust Account · 5)	12,300,000	3.13%
6	Morgan Stanley MUFG Securities Co., Ltd.	10,154,057	2.58%
7	Japan Trustee Services Bank, Ltd. (Trust Account · 1)	8,408,200	2.14%
8	Japan Trustee Services Bank, Ltd. (Trust Account · 2)	7,631,500	1.94%
9	JPMorgan Securities Japan Co., Ltd.	6,101,248	1.55%
10	The Master Trust Bank of Japan, Ltd. (BIP Trust Account)	5,784,300	1.47%

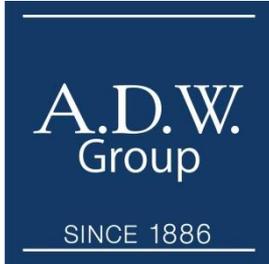
### Allocation by owner (share ratio)



## V-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 Q2 (Results)
Consolidated sales	10,735	15,733	18,969	22,299	24,861	11,934
Consolidated ordinary income	540	650	748	926	1,802	563
Consolidated net income	333	426	540	584	663	390
Net assets	5,478	5,842	6,415	10,152	11,947	13,337
Total assets	16,681	17,925	25,832	30,801	30,625	33,520
Total income property balance (at year end)	12,931	14,551	20,318	22,376	21,229	23,243
Rental revenue (sales)	717	842	1,058	1,112	1,319	577
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.8%
Employees (persons)	99	115	136	146	167	190



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.

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**E-mail: [ir@re-adworks.com](mailto:ir@re-adworks.com)**