

A.D.W.
Group

SINCE 1886

A.D.Works Co., Ltd.

IR Briefing Materials: The First Half of the Year Ending March 31, 2015

November 5, 2014

A.D.Works Co., Ltd.

TSE JASDAQ: 3250 <http://www.re-adworks.com/>

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I - Overview of the First Half of the Year Ending March 31, 2015

1. Summary of the First Half of the Year Ending March 31, 2015

Topic
1

Sales of 14 properties were completed according to plan in the first half of the year.

⇒ Sales were 36.2% and ordinary income was 44.2% relative to the targets in the full-year consolidated performance plan.

Topic
2

During this 2Q, **the average balance of revenue-generating real estate was 10.699 billion yen.**

⇒ As a result of steady acquisitions, the balance increased by 96.5% from the balance during the previous 2Q.

Topic
3

We completed the sale of our first revenue-generating real estate property in the U.S.

⇒ We are working to strengthen our U.S. business by applying expertise gained from business in Japan and by reconfirming customer needs.

2. Consolidated PL Summary (Year-on-Year Comparison)

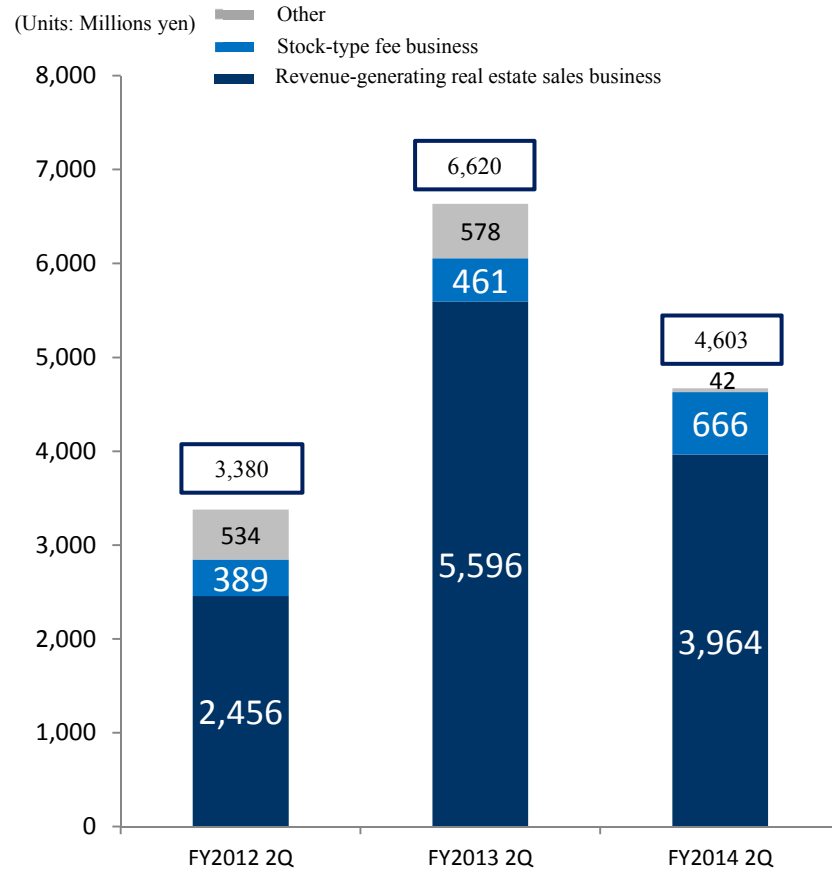
| (Units: Millions yen) | FY2013 2Q (ended September 30, 2013) | | FY2014 2Q (ended September 30, 2014) | | Change from previous year |
|-----------------------|---|------------|---|------------|------------------------------|
| | Amount | % of sales | Amount | % of sales | |
| Sales | 6,620 | 100.0% | 4,603 | 100.0% | -30.5% |
| Gross profit | 1,167 | 17.6% | 1,101 | 23.9% | -5.6% |
| SG & A | 680 | 10.3% | 795 | 17.3% | +16.8% |
| EBITDA | 497 | 7.5% | 320 | 7.0% | -35.5% |
| Operating income | 486 | 7.3% | 305 | 6.6% | -37.1% |
| Ordinary income | 400 | 6.1% | 220 | 4.8% | -44.9% |
| Net income | 241 | 3.7% | 135 | 2.9% | -43.9% |

Points

- 1- Sales were down 30.5% YoY, however the drop in gross profit on sales was limited to 5.6% **as a result of contributions from growing rental revenue.**
- 2- We are moving ahead with advance investment for hiring costs and personnel costs as we work to rapidly reinforce our system in preparation for future growth.

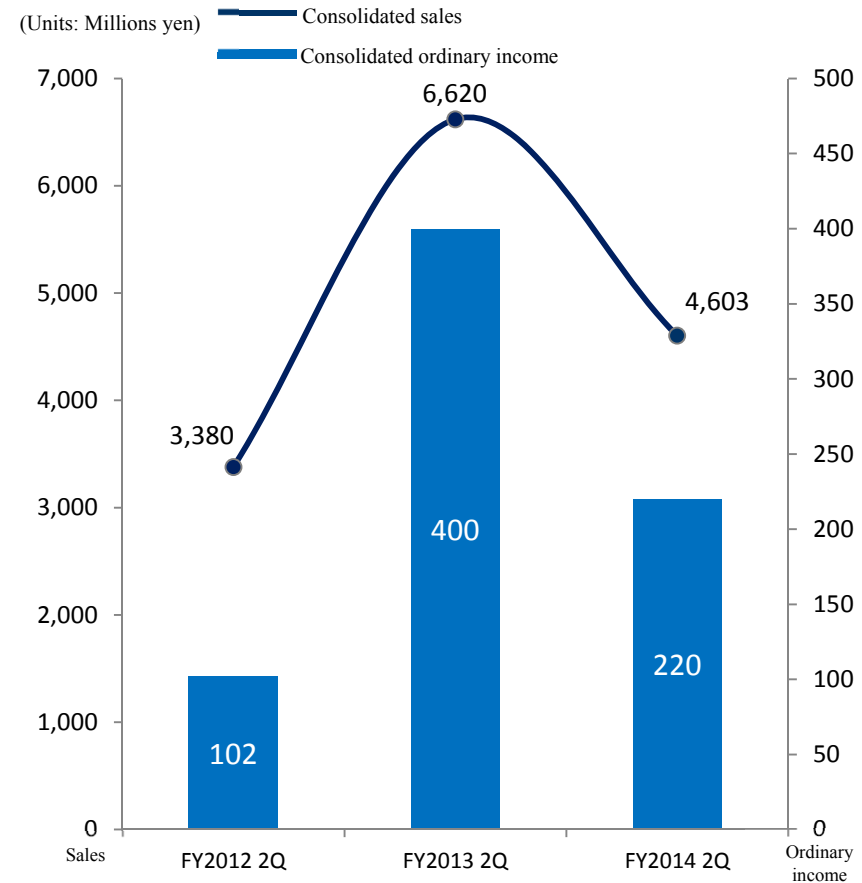
3. Consolidated Results

Changes in consolidated sales (by business area)



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

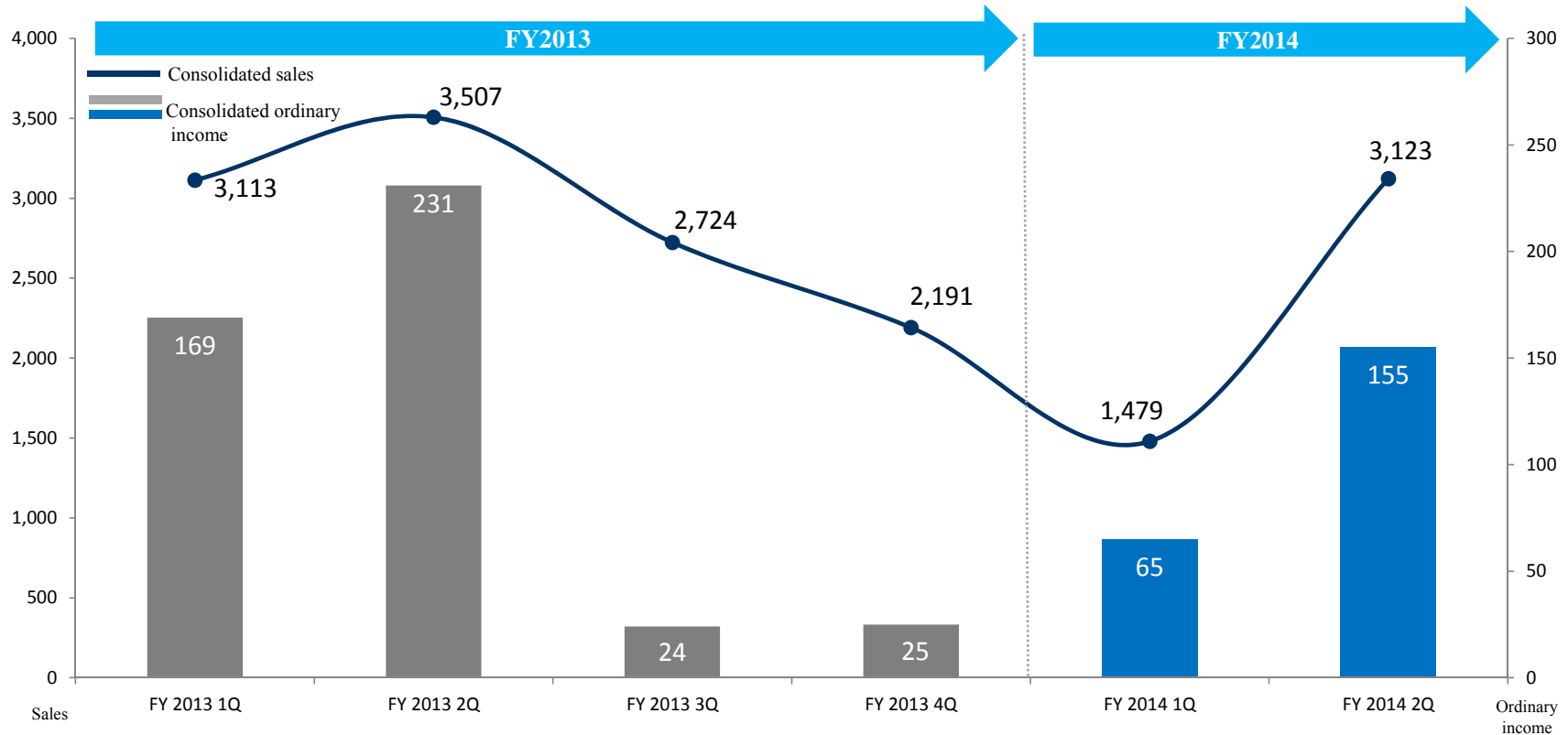
Changes in consolidated sales and ordinary income



We are carrying out sales according to plan and focusing on building up our balance of revenue-generating real estate.

4. Changes in Consolidated Quarterly Results

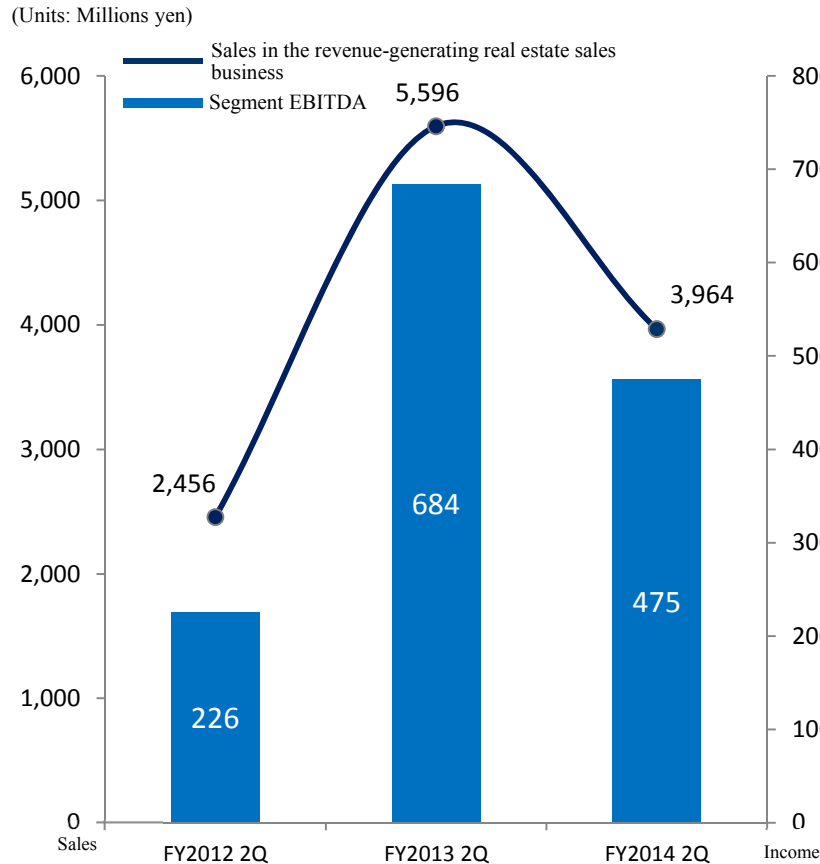
Changes in consolidated quarterly results



Income during the previous fiscal year was concentrated primarily in the first half. For the current fiscal year, the results in the first and second halves are expected to be generally equal (4:6). One characteristic of this business is that quarterly results will fluctuate largely depending on the timing of property sales.

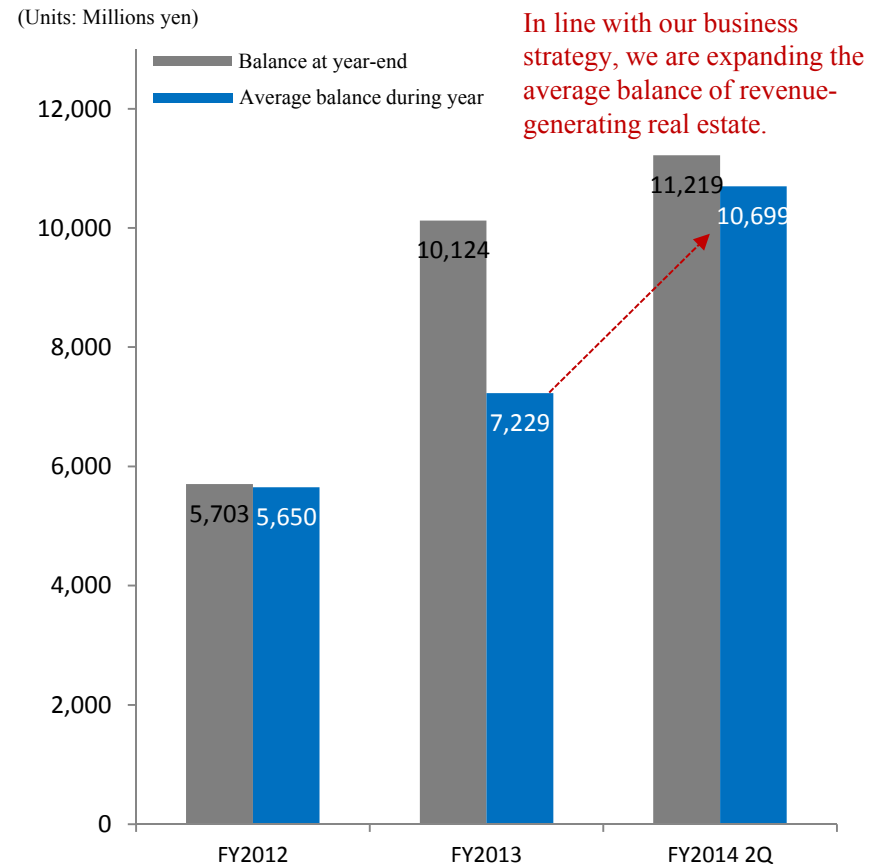
5. Main Business Areas (1): Overview of the revenue-generating real estate sales business

Changes in revenue-generating real estate sales business results



*1: Beginning from this 1Q, segment income was changed from ordinary income to operating income. It was also decided to publish EBITDA for each business.

Changes in balance of revenue-generating real estate

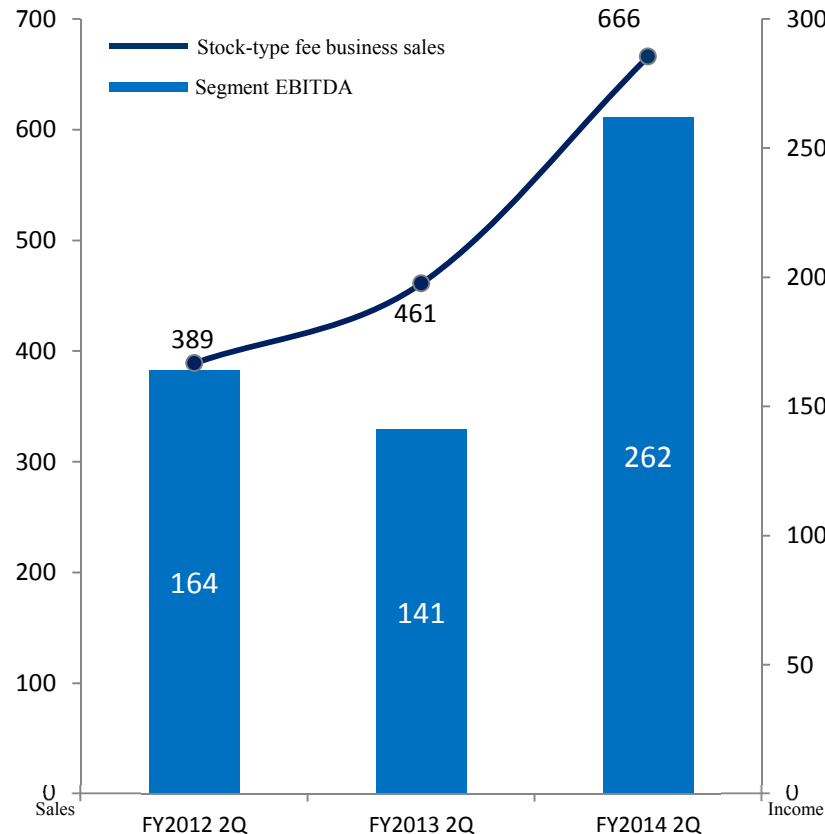


Sales activities are proceeding according to the plan, and there has been a large increase in the (average) balance of revenue-generating real estate.

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

Changes in stock-type fee business results

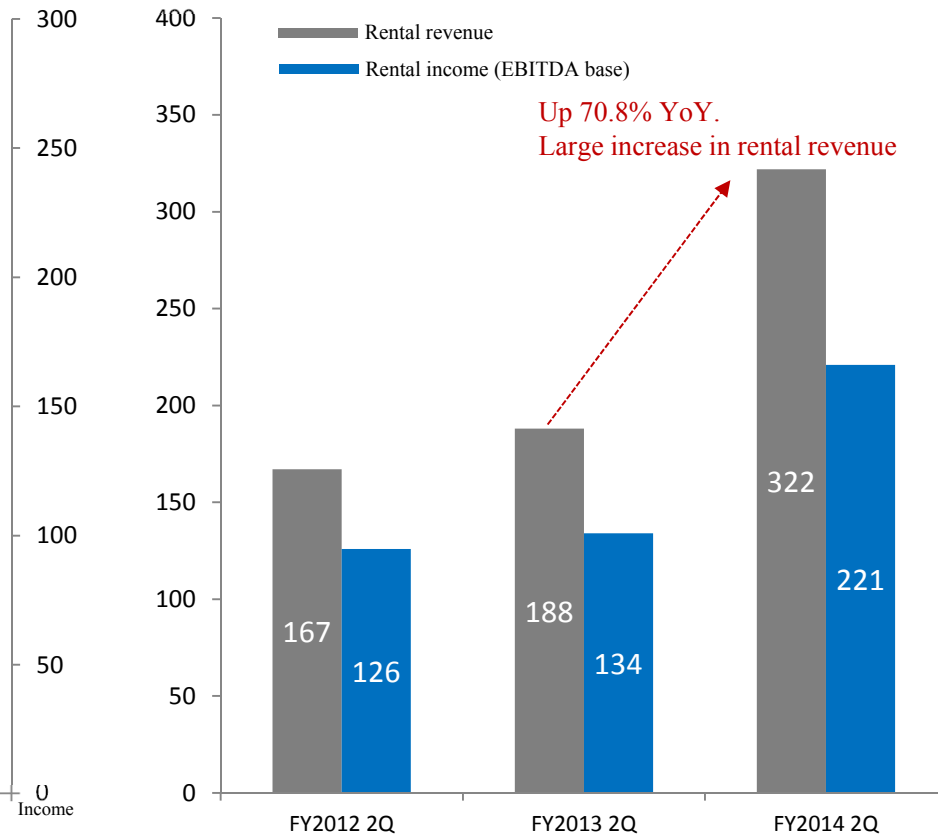
(Units: Millions yen)



*1: Beginning from this 1Q, segment income was changed from ordinary income to operating income. It was also decided to publish EBITDA for each business.

Changes in rental revenue and income

(Units: Millions yen)



*2: Rental income is shown on an ordinary income base up to the previous year, and is shown on an EBITDA base beginning from this 1Q.

Due to the increase in rental income, income from the stock-type fee business is growing steadily.

7. Consolidated B/S Summary

Summary of main B/S item

(Units: Millions yen)

| | End of fiscal year ended March 31, 2013 | End of fiscal year ended March 31, 2014 | End of 2Q ended Sept. 30, 2014 |
|--|---|---|--------------------------------|
| | 1st rights offering (non-commitment type): Procured approx. 500 million yen in funds. | 2nd rights offering (commitment type): Procured approx. 2.2 billion yen in funds. | |
| Revenue-generating real estate held for sale | 5,703 | 10,124 | 11,219 |
| Interest-bearing liabilities | 5,006 | 7,483 | 8,455 |
| Net assets | 2,896 | 5,496 | 5,254 |
| Total assets | 9,117 | 14,274 | 14,918 |

II - Consolidated Results Plan (Fiscal Year Ending March 31, 2015)

8. Consolidated Results Plan (Fiscal Year Ending March 31, 2015)

Fourth Mid-range Business Plan(FY2015-FY2017)

(Units: Millions yen)



| | Year ended March 31, 2014 (Results) | Year ending March 31, 2015 (Planned) | Year ending March 31, 2016 (Planned) | Year ending March 31, 2017 (Planned) |
|-----------------------------------|--|---|---|---|
| Consolidated sales | 11,537 | 12,700 | 13,910 | 15,120 |
| Consolidated EBITDA | 813 | 787 | 935 | 1,170 |
| Consolidated ordinary income | 450 | 500 | 600 | 800 |
| Consolidated ROE (at year end) | 4.9% | 5.3% | 6.0% | 7.5% |

Note: 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.

Progress up to the end of this second quarter has proceeded steadily according to the plan.
There are no changes to the full-year consolidated results plan for the year ending
March 31, 2015.

9. Fourth Mid-range Business Plan: Guidance

Guidance concerning the (average) balance of revenue-generating real estate

| | | 2Q of the year ending March 31, 2015 (Results) | Year ending March 31, 2017 (Planned) | |
|----------|--|---|---|--|
| Guidance | Balance of revenue-generating real estate held for short-term sale (average balance) | 4,525 | 6,500 |  |
| | Balance of revenue-generating real estate held for mid- and long-term sale (average balance) | 4,968 | 8,500 |  |

We are making steady progress with regards to the guidance for the balance of revenue-generating real estate 3 years in the future.

We will continue to focus on building up the balance of revenue-generating real estate.

III – Progress of the U.S. Revenue-Generating Real Estate Business

10. Investment Environment (1): Comparison with the Japanese Real Estate Market

Characteristics of the Japanese real estate market

■ 1 ■ Stagnating GDP, declining population, and growing stock of new rental housing

- The problem of population decline in Japan is also affecting the investment environment.
- Risk of stagnant rents and vacant units

■ 2 ■ Short rebuilding cycle

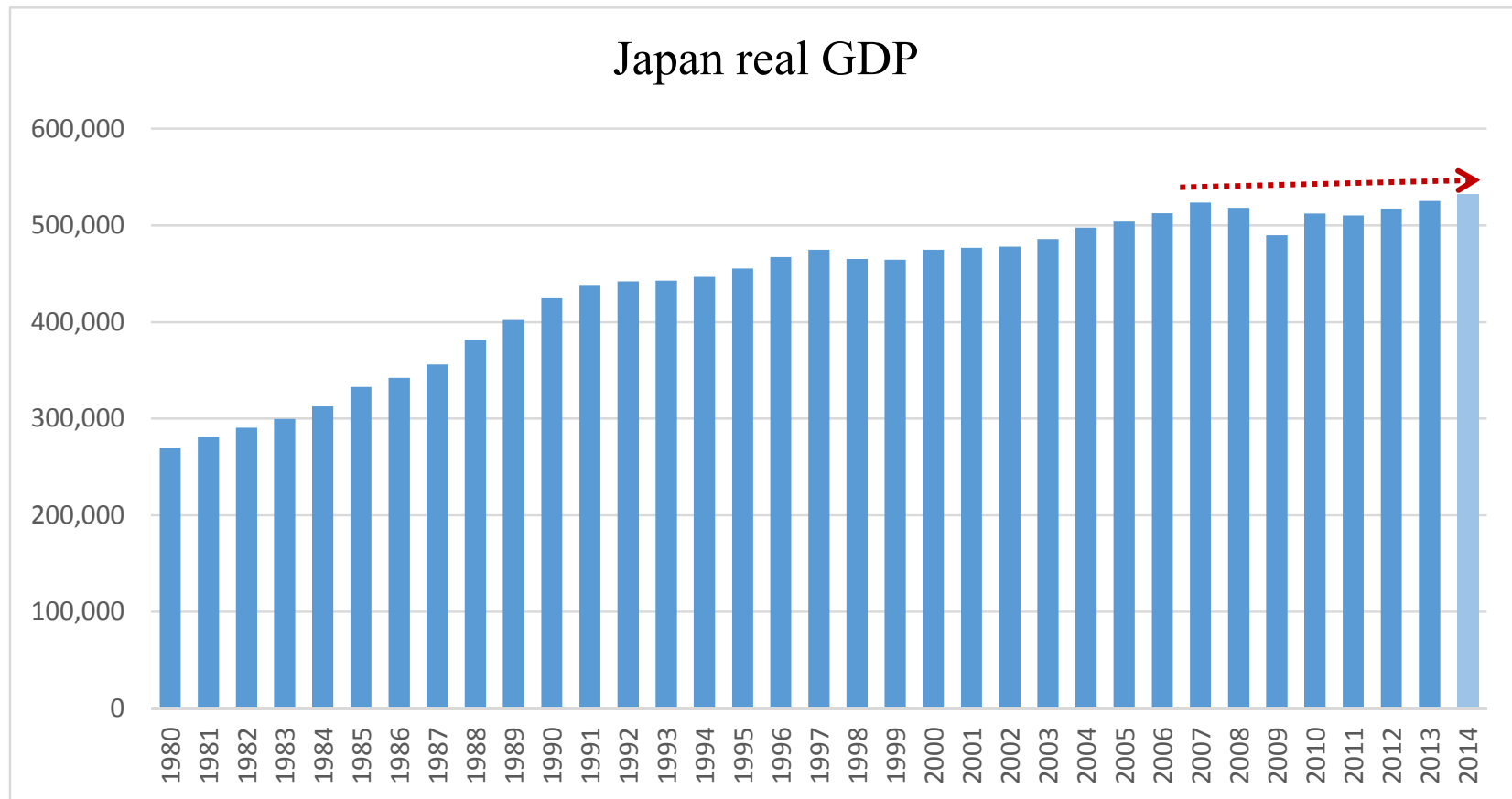
- Average age after construction in Japan is **27 years**, while in the U.S. it is **66.6 years**.
- <Sources: Housing and Land Survey, Ministry of Internal Affairs and Communication (Japan); Census Bureau (U.S.)>
- Weather, taxation system, and other trends in Japan promote rebuilding.
 - Risk of buildings rapidly becoming obsolete

■ 3 ■ Tenant rights for protection of renters

- Strong renter rights are guaranteed by laws including the Leased Land and House Lease Law.

10. Investment Environment (1): Material 1

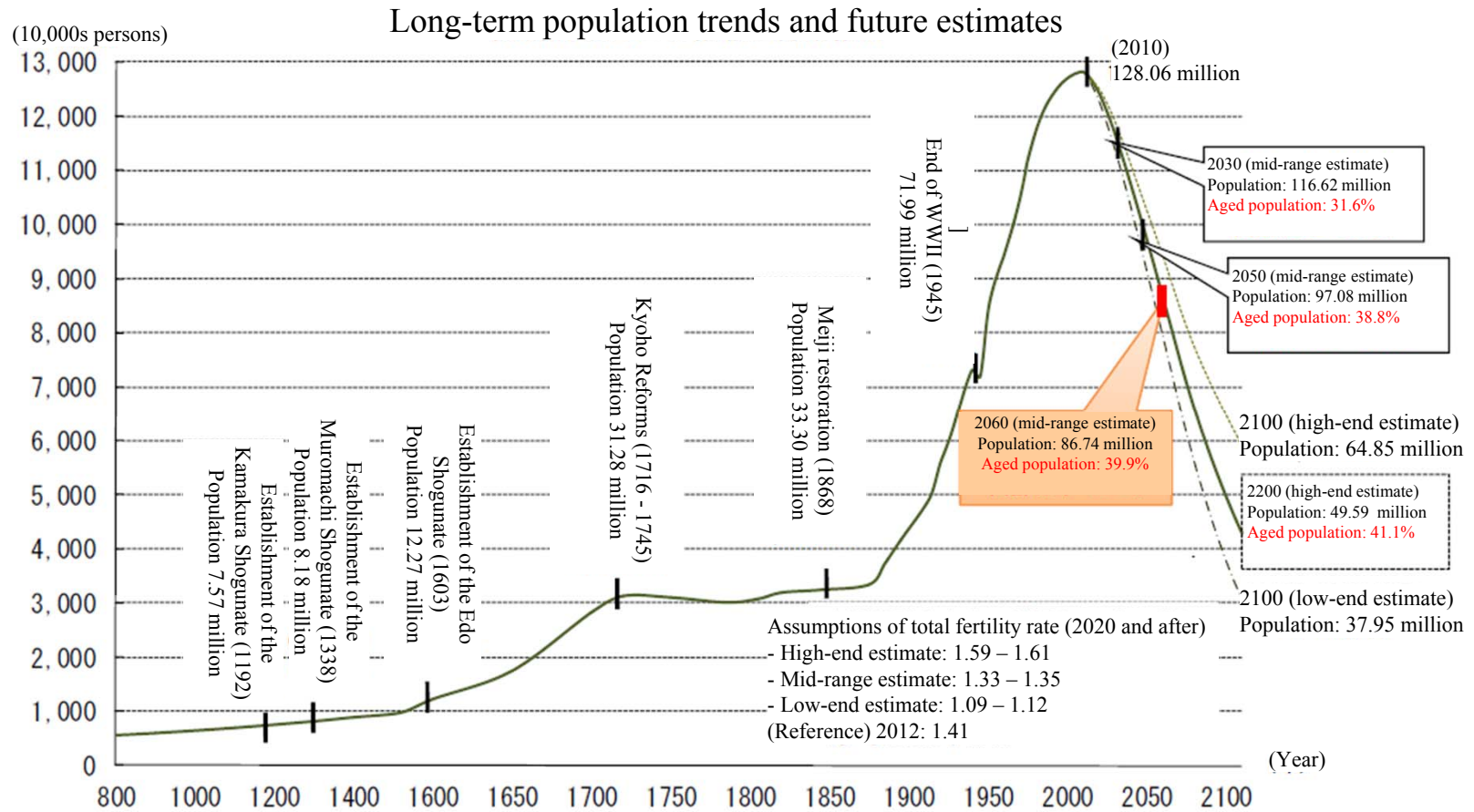
Japan GDP forecast



Source: IMF

10. Investment Environment (1): Material 2

Japan population forecast

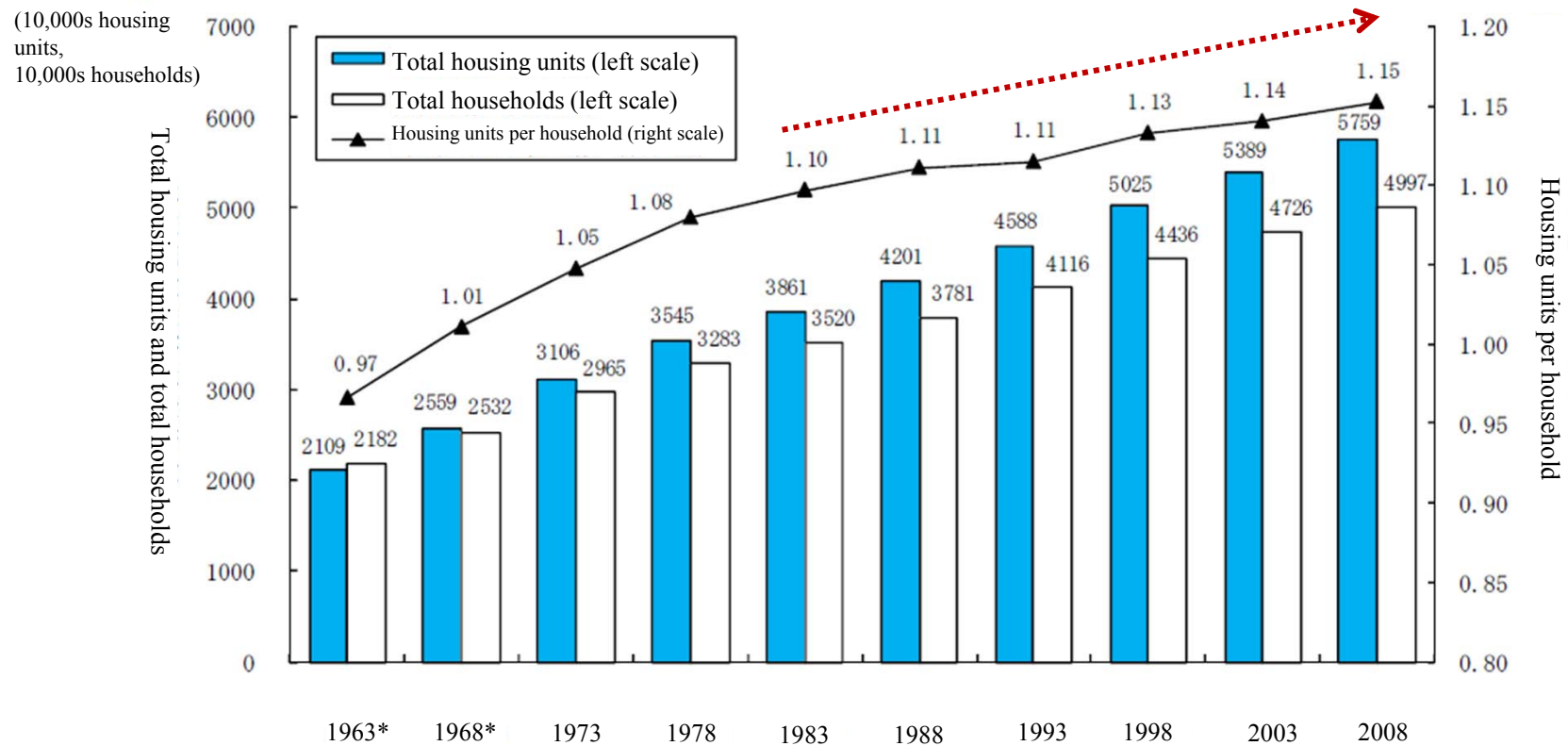


Source: *Population Considerations*, published February 14, 2014 by the Cabinet Office

10. Investment Environment (1): Material 3

Changes in housing stock and numbers of households

Fig. 1-1: Changes in total housing units, total households, and housing units per household (1963 – 2008)



Source: *Housing and Land Survey*, Ministry of Internal Affairs and Communications

11. Investment Environment (2): U.S. Real Estate Market Environment

Current conditions of the U.S. real estate market: Suitable for investment

■ 1 ■ Continuing upward trend in rents (= improved profit earning capacity)

- Stable and continued rising U.S. rents (Source: U.S. Department of Commerce)
- Rents of the properties owned by our U.S. subsidiary have risen approximately **8%** since the time of acquisition.
- Rents are expected to continue rising at an annual rate of approximately 4% in the future. (Source: Reis forecast)

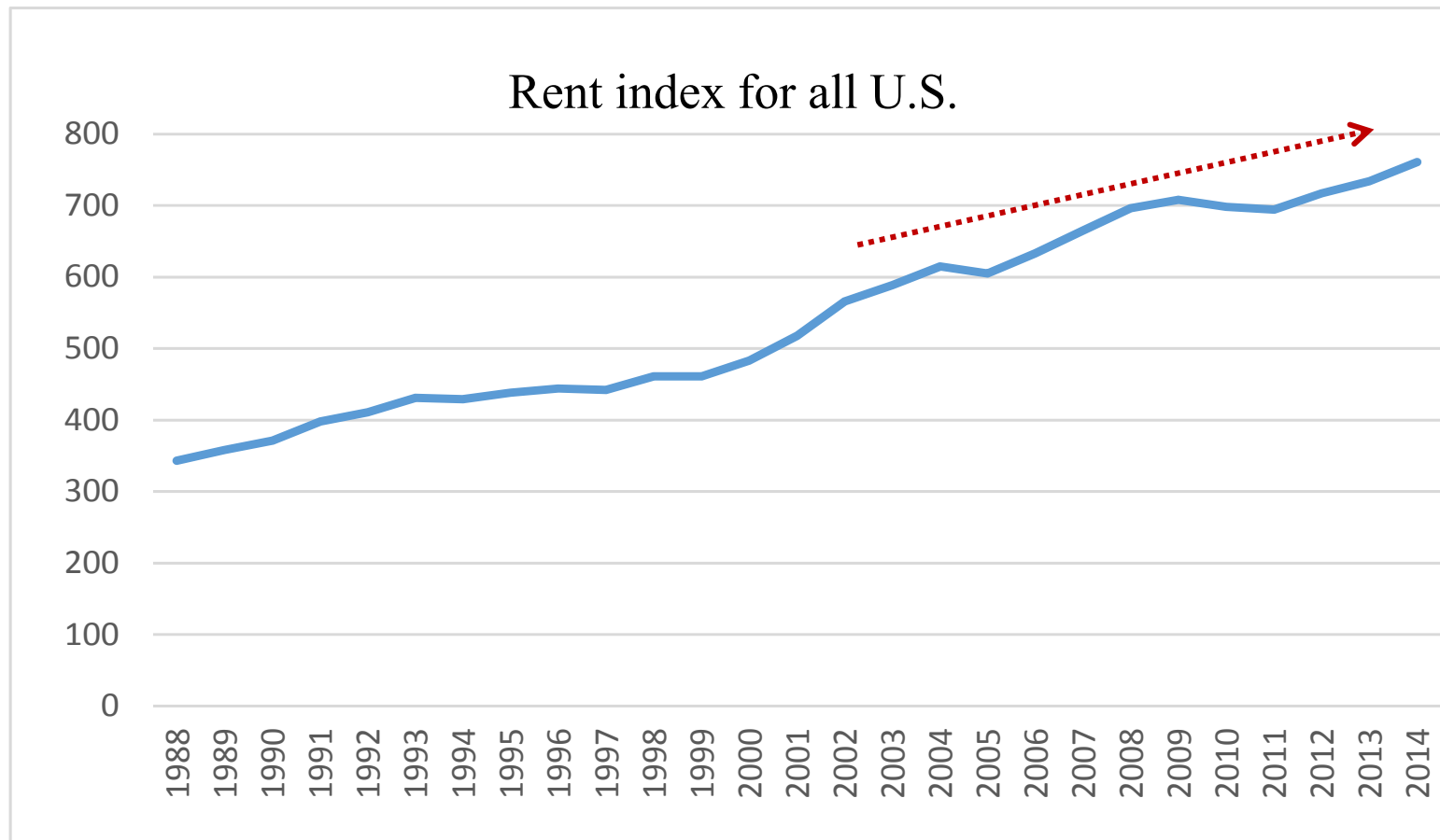
■ 2 ■ Low U.S. vacant housing rate (= effects on operating rate)

- Vacant housing rate in U.S. is 7.5% (**5.1% in LA**), compared with 13.5% in Japan (**10.9% in Tokyo**).
(Sources: 2013 Housing and Land Survey, Ministry of Internal Affairs and Communications (Japan); Census Bureau (U.S.))
- U.S. vacant rate for rental housing is lower than Japan.

We are able to confirm the conditions of the U.S. revenue-generating real estate market and the large advantages of investment because our company (U.S. subsidiary) owns properties as the buyer.

11. Investment Environment (2): Material 4

Rent trends for all U.S.



Source: Census Bureau

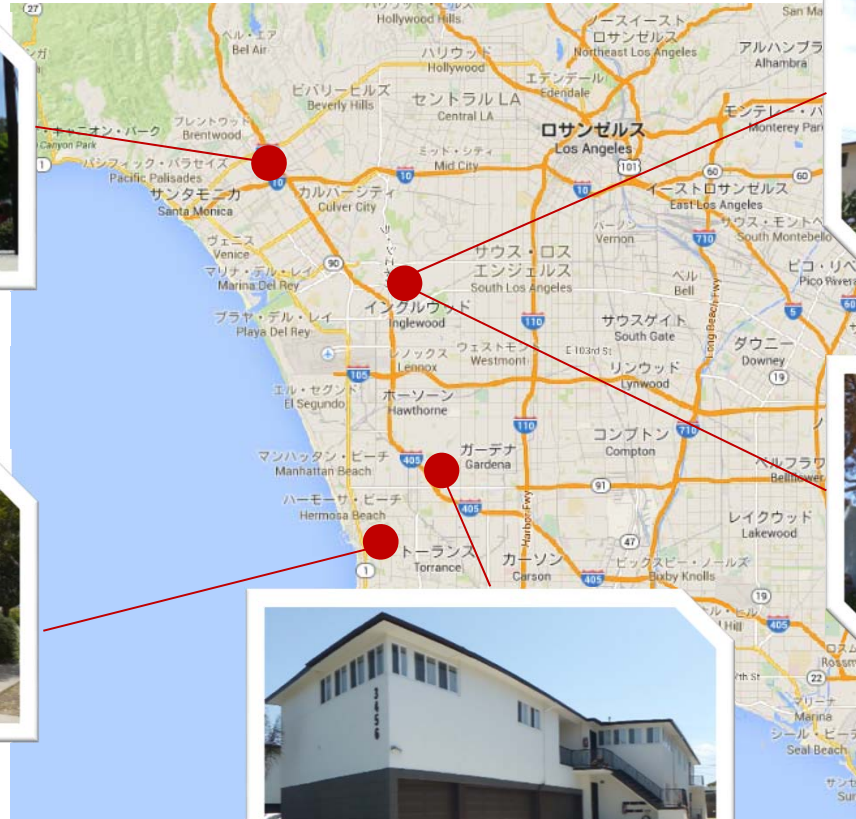
12. Progress of the U.S. Revenue-Generating Real Estate Business

U.S. revenue-generating real estate properties (selected examples)

The first property was sold in August 2014↓



Pearl St., Los Angeles



N Exton Ave., Inglewood



Irena Ave., Redondo Beach



Centinela Ave., Inglewood



Redondo Beach Blvd., Torrance

Despite wide-ranging needs and conditions including investment timing, amount, area, and years since completion, there is clear interest in U.S. revenue-generating real estate among high net-worth individuals in Japan.

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

IV-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 September 2014)
- Listed: October 2007 (Tokyo Stock Exchange JASDAQ: 3250)
- Subsidiaries: A.D.Partners Co., Ltd. (property management)
A.D.Estate Co., Ltd. (property development, etc.)
ADW-No.1 LLC (revenue-generating real estate business in USA)
ADW Management USA, Inc. (property management in USA)
- Employees: 82 consolidated (as of the end of September 2014)
- 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) |

IV-2. Shareholder Composition (based on preliminary information as of Sept. 31, 2014)

Number of issued shares / Number of shareholders

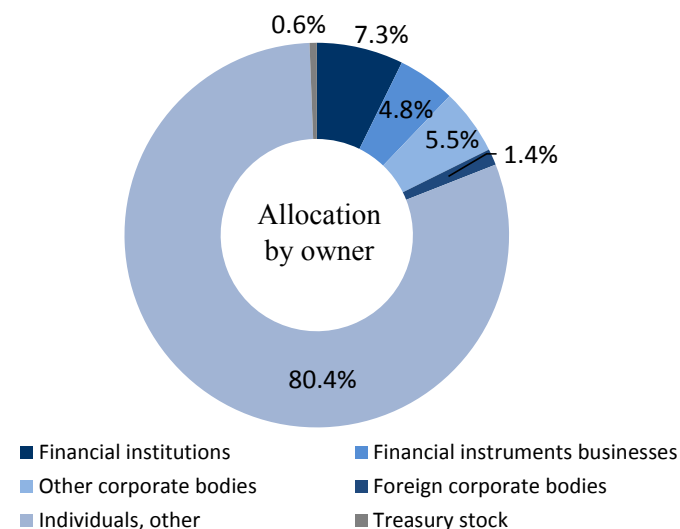
Number of issued shares: 223,876,000

Number of shareholders: 12,832

Major shareholders

| | | Number of shares | Share ratio (%) |
|----|---|------------------|-----------------|
| 1 | Hideo Tanaka (Our company President and CEO) | 47,217,600 | 21.09% |
| 2 | Liberty House Co., Ltd. | 9,416,000 | 4.20% |
| 3 | The Master Trust Bank of Japan, Ltd. (BIP Trust Account・75695) | 7,782,300 | 3.47% |
| 4 | Japan Securities Finance Co., Ltd. | 6,750,300 | 3.01% |
| 5 | SBI Securities Co.,Ltd. | 4,164,800 | 1.86% |
| 6 | Matsui Securities Co., Ltd. | 2,105,400 | 0.94% |
| 7 | Individual shareholder | 2,020,400 | 0.90% |
| 8 | The Master Trust Bank of Japan, Ltd. (Stock grants ESOP Trust Account ・75595) | 1,813,400 | 0.81% |
| 9 | Individual shareholder | 1,520,000 | 0.67% |
| 10 | Individual shareholder | 1,500,000 | 0.67% |

Allocation by owner (share ratio)

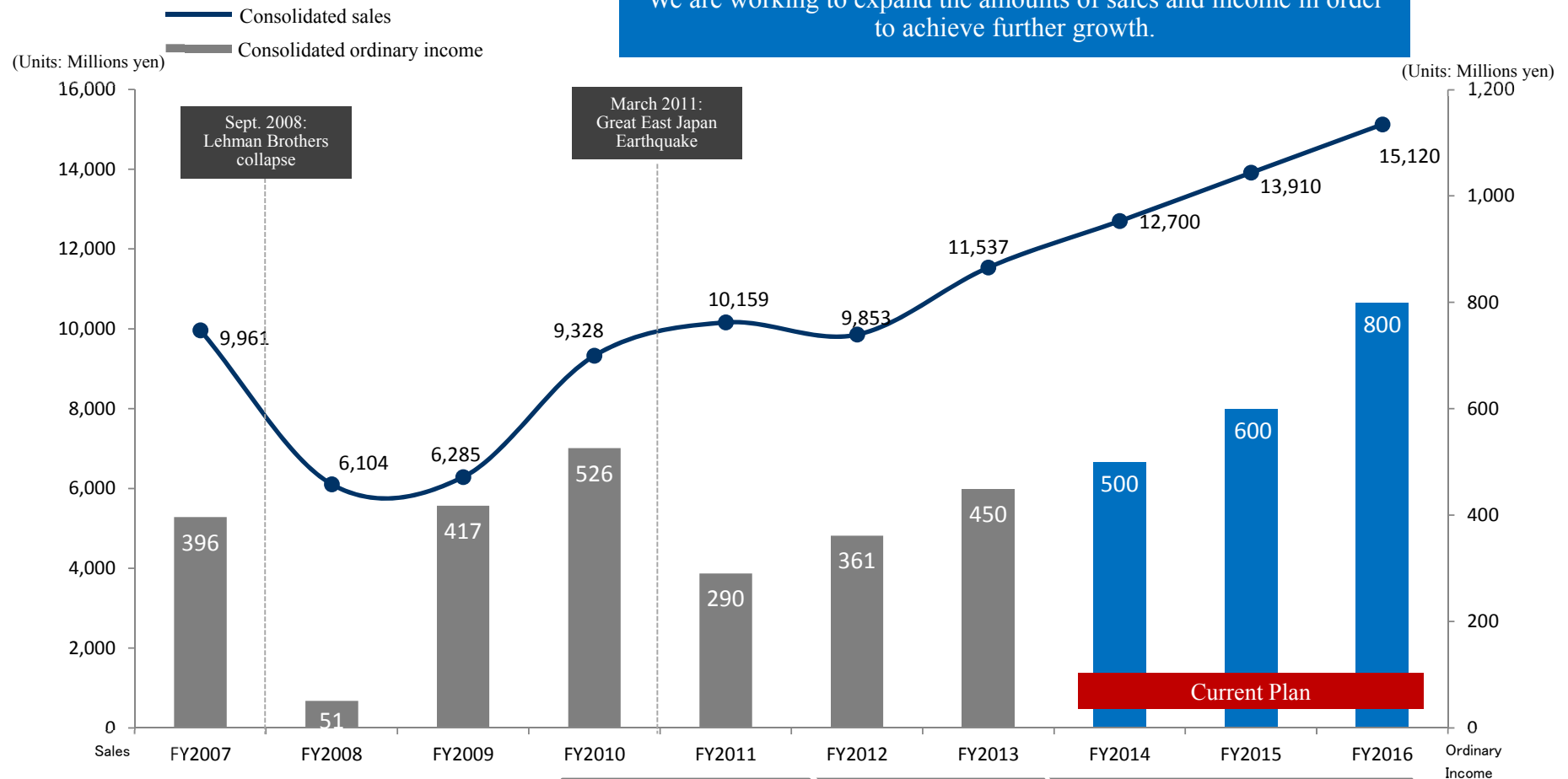


IV-3. Past Results

Changes in past results

Implementation of the Mid-Range Plan has produced both stable sales and income.

We are working to expand the amounts of sales and income in order to achieve further growth.



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.



IV-4. Changes in Consolidated Results (Summary)

(Units: Millions yen)

| | Year ended March 31, 2010 (Results) | Year ended March 31, 2011 (Results) | Year ended March 31, 2012 (Results) | Year ended March 31, 2013 (Results) | Year ended March 31, 2014 (Results) |
|---|--|--|--|--|--|
| Consolidated sales | 6,285 | 9,328 | 10,159 | 9,853 | 11,537 |
| Consolidated ordinary income | 417 | 526 | 290 | 361 | 450 |
| Consolidated net income | 220 | 300 | 140 | 216 | 270 |
| Net assets | 1,835 | 2,132 | 2,205 | 2,896 | 5,496 |
| Total assets | 6,666 | 8,537 | 6,258 | 9,117 | 14,274 |
| Total revenue-generating real estate balance (at year end) | 4,416 | 6,114 | 3,810 | 5,703 | 10,124 |
| Rental revenue (sales) | 235 | 407 | 380 | 416 | 460 |
| Rental revenue / sales ratio (%) | 3.8 | 4.4 | 3.7 | 4.2 | 4.0 |
| Employees (persons) | 38 | 44 | 53 | 59.5 | 67 |

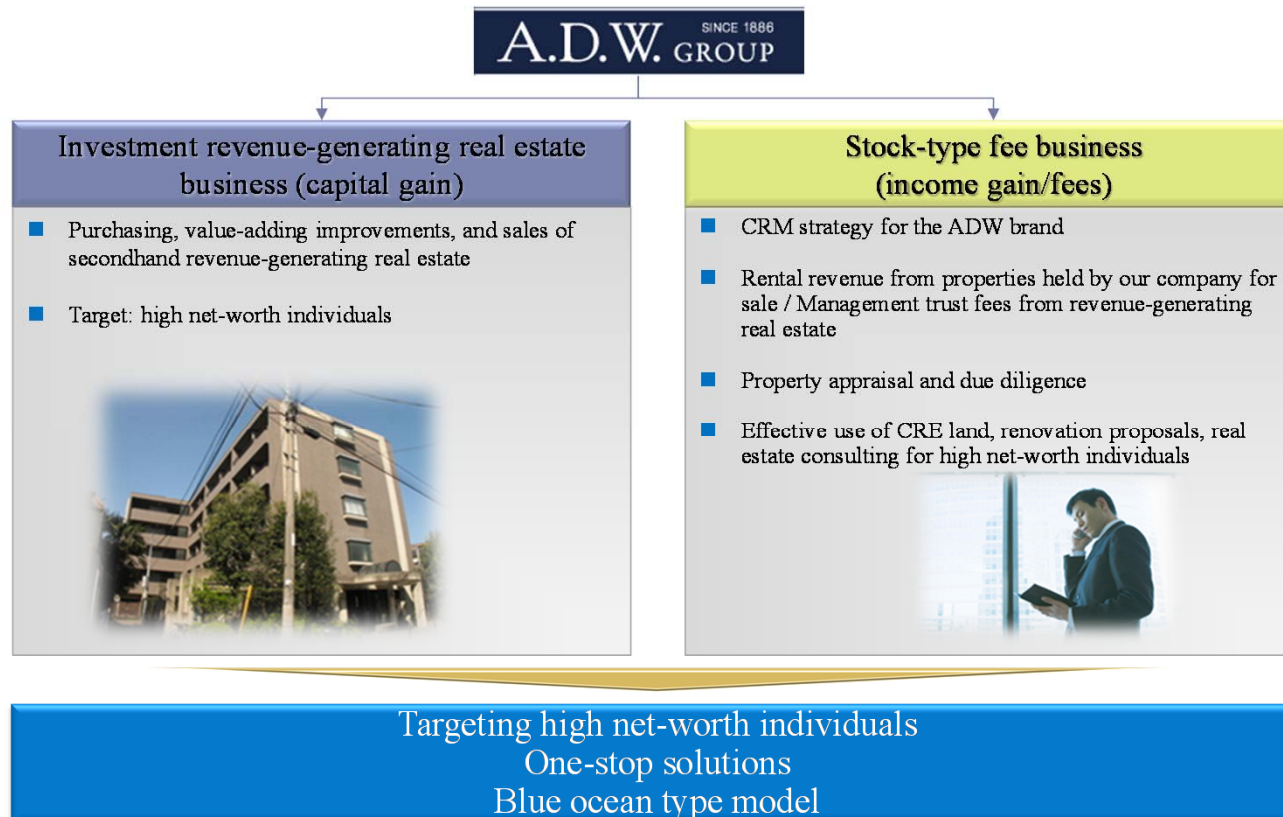
V - Reference Materials

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

V-1. Business Segments

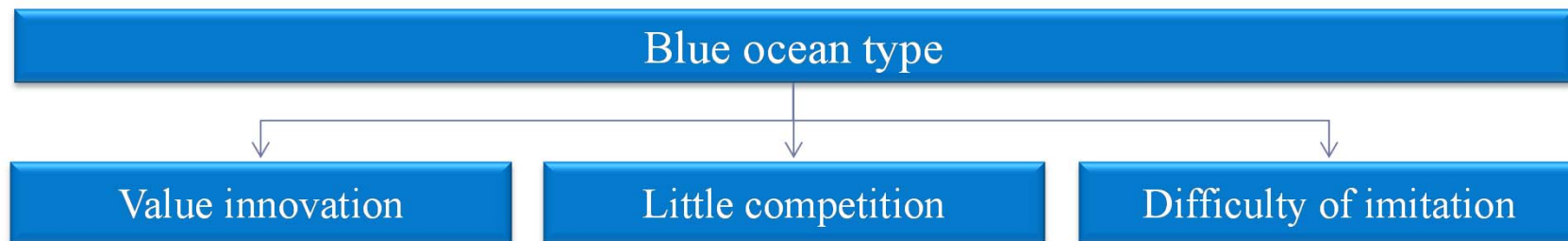
Main business foundation of the A.D.W. Group

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



V -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

V-3. Business Model Characteristics (1)

(1) One-stop solutions



V -4. Business Model Characteristics (2)

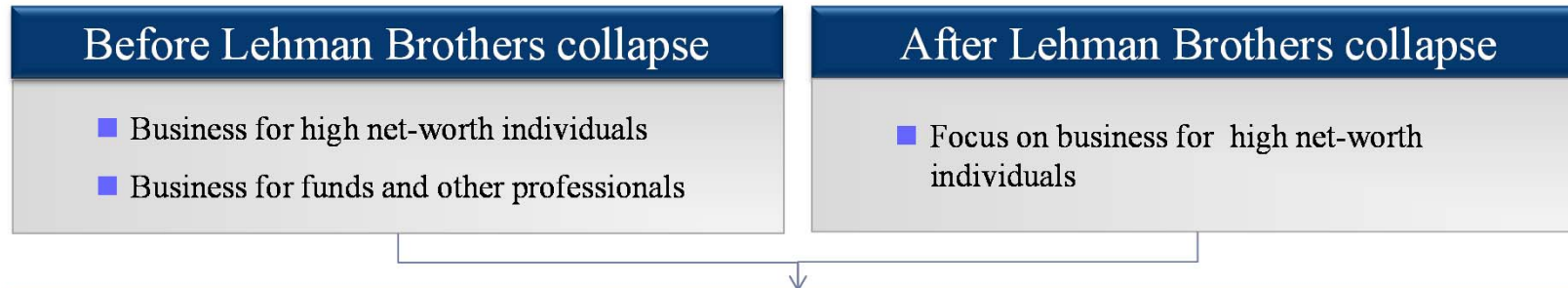
(2) Broad-ranging competitive superiority and social significance

| | |
|----------------------------------|--|
| 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

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

From before the Lehman Brothers collapse to the present



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

- Existence of demand for buying revenue-generating real estate 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 revenue-generating real estate are stable, price collapse is unlikely.
- Small (approx. 300 million yen or less) residential revenue-generating real estate 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.

V-6. Business Model Characteristics (3)

(3) Pursuit of a stable profit structure

Acquisition

Due to the 12 trillion yen stock of revenue-generating real estate 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 revenue-generating 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

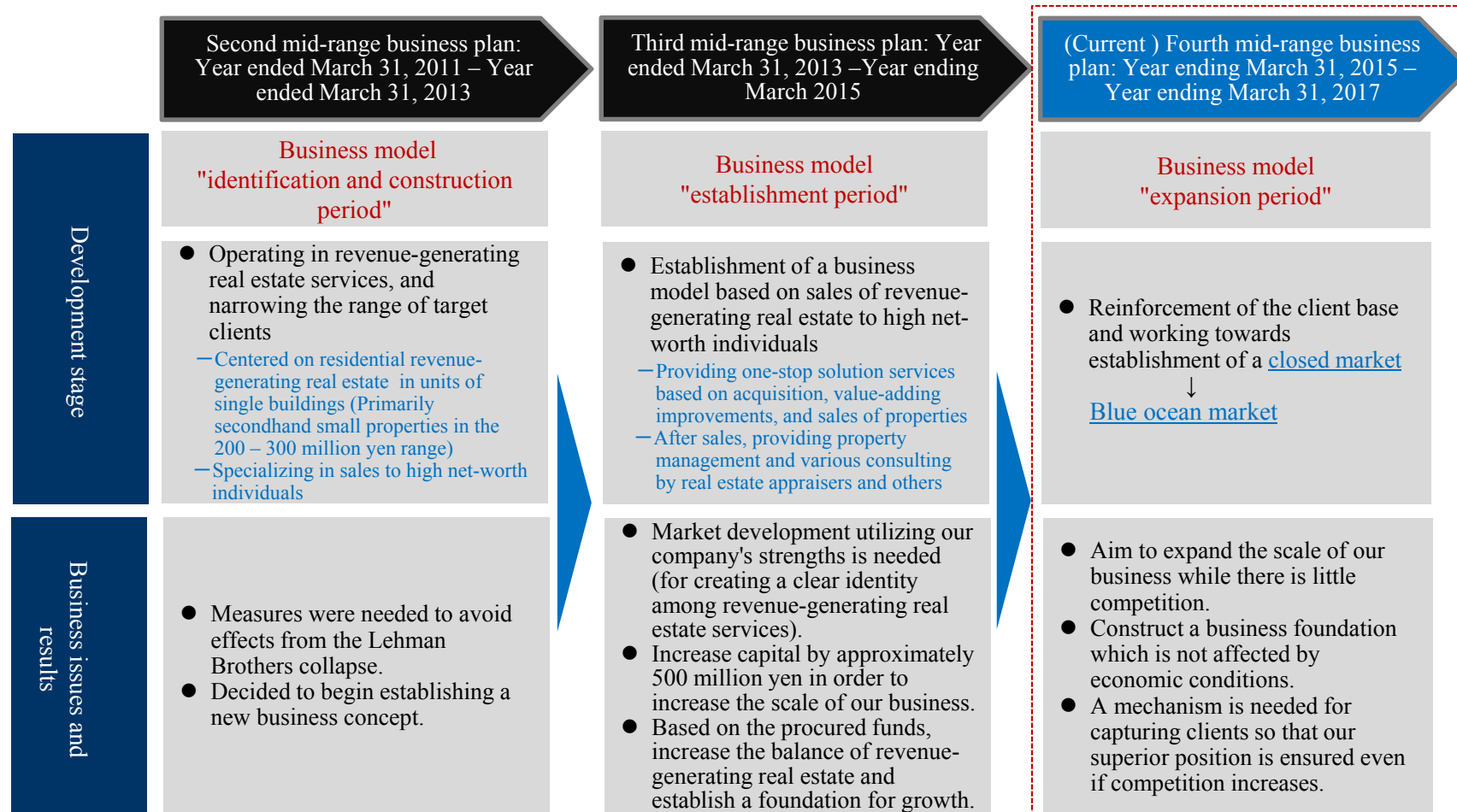
We can establish a stable profit base by increasing our balance of revenue-generating real estate.

Sale

The nature of revenue-generating real estate ensures liquidity even under poor economic conditions, allowing assets to be quickly monetized.

V-7. Changes to the Mid-Range Business Plan

Changes from the second and third plans (summary)



VI - Reference Materials (Issues and Specific Strategies)

VI-1. Background of the Fourth Mid-range Business Plan (1): Business Environment

Analysis of the external business environment (PES)

| | Opportunities (O) | Threats (T) |
|--------------|--|---|
| Politics (P) | <ul style="list-style-type: none"> - Bold financial policies (expanding yield gap) (Growing real estate investment needs) - Stronger property taxation (Growing needs for tax liability reduction measures, particularly among high net-worth individuals) | <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.) - Unexpected overseas events (May affect the stock market and real estate markets.) |
| Economy (E) | <ul style="list-style-type: none"> - Expected rise in real estate values 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) | <ul style="list-style-type: none"> - Rise in real estate prices resulting from the 2020 Olympics and economic recovery (Lower yields, reduction of investment-grade real estate, intensifying competition for acquisitions) - Cooling of investment sentiment due to 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) |
| 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) | <ul style="list-style-type: none"> - Long-term aging of 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) |

Although investment needs are growing, it is expected that the environment for acquisition of investment-grade real estate will become more difficult.

VI-2. Background of the Fourth Mid-range Business Plan (2): Strengths of A.D.Works

Self analysis (VRIO)

Differentiated economy Value

- **Information network:** We operate a direct information network with links to more than 3,000 sales persons at brokers, trust banks, and other agencies engaged in real estate brokerage.
- **Property-finding ability:** We have the assessment capability necessary to identify properties with high profitability prospects from vast amounts of real estate information.
- **Ensuring information transparency:** We have created a system in which our company is the buyer and can ensure the transparency and reliability of property information in a way only possible from the seller's perspective

Rarity

- **Ability to select products and procure funds:** Among listed companies with funds procurement ability, we are the only company specialized in smaller properties of residential revenue-generating real estate (average 200 – 300 million yen per property). At the same time, our business model is different from unlisted companies with limited funding ability that engage in transient and one-off deals.
- **Original AD business model:** There are few real estate consulting companies or property management (PM) companies which own revenue-generating real estate on their own positions. (Consulting and PM are generally service industries which do not require funding ability.)

Inimitability

- **Access to high net-worth individuals:** Through sales of revenue-generating real estate to high net-worth individuals and continual contracted PM from the seller's perspective after the sale, we have developed customers with whom we have constructed strong relationships over the 7 years since we were first listed.
- **Deepening of the AD business model:** We provide completely private consulting on a lifetime basis that allows us to identify customer potential and future needs.
- **Time and profitability:** Large corporations which are focused on efficiency and profitability face a mobility barrier that prevents effective synergy with their main business.

Organization

- **Internal organization focused on identifying needs:** All steps from property selection through acquisition and sale are supervised by a single sales staff, resulting in a system that allows us to better identify customer needs, including prices. (This is also effective as our company's exit strategy.)
- **Establishment of a Group system for CRM:** We have strengthened our one-stop solutions system and created a complete consulting business centered on real estate investment. Our system is able to achieve a balance of high added-value and low prices (income from property sales combined with services for PM and through the owners' club "torch").

We require a strategy for extending our company's strengths while at the same time continuing to put these strengths to their best possible use.

VI-3. Background of the Fourth Mid-range Business Plan (3): Target Customers

Reasons for specializing in high net-worth individuals

Size of the high net-worth individual market: 760,000 households, total net financial assets 144 trillion yen (as of 2011)
With the aging population, there will be growing need for inheritance strategies using wills and gift inter vivos, and the size of the high net-worth individual market is expected to grow.

Source: Nomura Research Institute, "Results from NRI Questionnaire Survey of High Net-Worth Individuals" (November 2012)

External environment (economy)

- **Buying needs for revenue-generating real estate are always present** and are not affected by changes in the economy.
- **The attitude of banks regarding loans to high-net worth individuals** remains relatively unaffected even during economic downturns.

Customer needs

- High net-worth individuals always maintain **a broad range of needs for active real estate investments.**
- Needs include additional investment and review for real estate management, revisions in tax law and other laws, and inheritance strategies due to the retirement of the baby-boom generation.

Attraction of the A.D.W. business model to high net-worth individuals

- There are many real estate agencies which operate on a "property-based" or "service-based" concept, however **we are expanding our business by focusing on a "needs-based" concept.**
 - **The fundamentals** are focusing on owner relations, offering suitable solutions, and providing **long-term support.**
- ⇒ **We have established a business model that constructs strong relationships with high net-worth individuals.**

The market for high net-worth individuals will remain highly promising and attractive into the future.

VI-4. Background of the Fourth Mid-range Business Plan (4): Competition

Competition analysis (excerpt from 5 Forces)

Competition in the market

- There are no other specialized listed companies that are focused on smaller revenue-generating real estate and high net-worth individuals.
- We will address potential competition for acquisitions by expanding the range of acquired properties, selected appropriately according to the economic conditions.
 - <Strong economic periods> Expand selections to include properties that require work for commercialization (renovations, operating rate improvements) in order to acquire business opportunities.
 - <Weak economic periods> Lower the contention rate with individuals and small and mid-sized real estate agents, and increase business opportunities with ordinary properties.

Entry risks

- Because the AD business model is based on constructing relationships with owners, it would be difficult to emulate in a short time.
- Entry of major brokerage firms: These firms prioritize their fee business and real entry is currently limited.
- Entry of major real estate companies: Due to limited synergy with their main business, at present there is no organized move to enter the market.

Comparing the stance of our company and other companies

- Ordinary real estate agents: Selling products and services on a "property-based" or "service-based" concept
 - ↑ Stance is dedicated to property sales (focusing on large-volume sales and efficiency, or on transient deals)
- A.D.Works: Main business is consulting focused on a "needs-based" concept
 - ↑ Because we sell properties as investment products, our stance is to provide long-term support after the sale (obtain business opportunities over a long timeframe).

Execute a full-scale "closed market strategy" in expectation of a more difficult future competition environment.

VI-5. Strategy (1): Business in the United States (California)

Background behind investment in US real estate

Growing recognition of the advantages of US real estate investments is producing significant investment needs among high net-worth individuals in Japan.

[Business opportunities from the politics (P) perspective]

- Bank of Japan monetary policy that is bringing the period of the high yen period to an end
- Increasing needs for tax-reduction strategies due to the rise in the top income tax rate

[Business opportunities from the economics (E) perspective]

- Strong growth forecast for the US economy
- Creation of mortgage loans aimed at Japanese clients
- Increase in real estate investment as a hedge against inflation

[Business opportunities from the society (S) perspective]

- Forecast for continued US population growth
- Insufficient new housing supply in the US (continuing lack of sufficient rental housing)

Action plan

■ Full-scale sales to domestic high net-worth individuals in Japan

- ⇒ Apply the Japan business model to the US.
In addition to property sales, also add PM companies to the Group and provide fine-tuned support.
= Aim for feelings of dependability and trust regarding overseas real estate investment.

■ Utilizing links with financial institutions, tax accountant offices, and other agencies to search for new customers

- ⇒ We have concluded that links with other agencies, in addition to links with real estate brokers, are effective when searching for high net-worth individuals with overseas investment needs.



Pearl Street, Los Angeles



Redondo Beach, Torrance

VI-6. Strategy (2): Positioning of Property Management

Property management (PM) in the A.D.W. Group

Characteristics

Our property management services are **specialized for secondhand single-building revenue-generating real estate (residential small and medium-sized buildings).**

Provided services

Owners are **primarily high net-worth individuals.**
Services are **intended for long-term ownership rather than short-term sale.**

Positioning in Group

Beginning with property sales, **PM is an important point of contact with the owners that can lead to life-long business.**

In carrying out the Group CRM strategy, we construct effective links with private consultants, **and this strategy plays a part in our plan to create a closed market, aiming for a balance of high added-value and low price.**

VI-7. Strategy (3): Launch of the Owners' Club (CRM Strategy)

A.D.W. Group owners' club "torch"



The A.D.W. Group owners' club "torch" was launched in January 2014, aiming to provide more personalized service to **owners of properties** sold by our company, and to provide a forum for cultivating relationships and communication among the owners themselves.

- Services available only to "torch" members -

A dedicated **private consultant** is assigned to each owner.



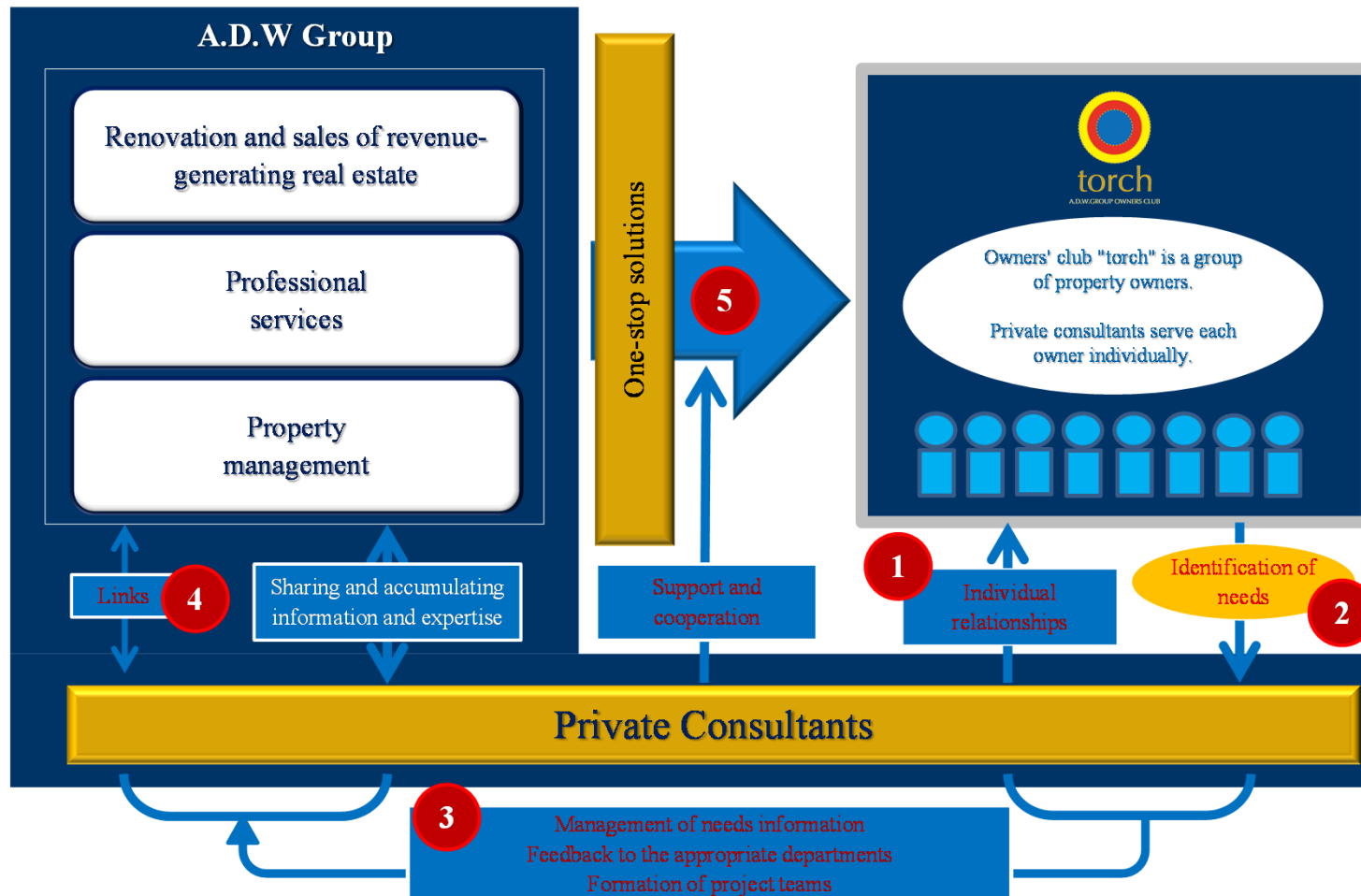
Free diagnosis services are available using the **"IE Dock"** (Investment Efficiency) real estate business diagnosis system.

⇒ "IE Dock" is a system that was developed independently by A.D. Works, and is provided to "torch" members only as a service for maximizing investment efficiency.

Throughout the year, various seminars, gatherings, and other events for member communication are planned and held.

VI-8. Strategy (3): System for Execution of the CRM Strategy

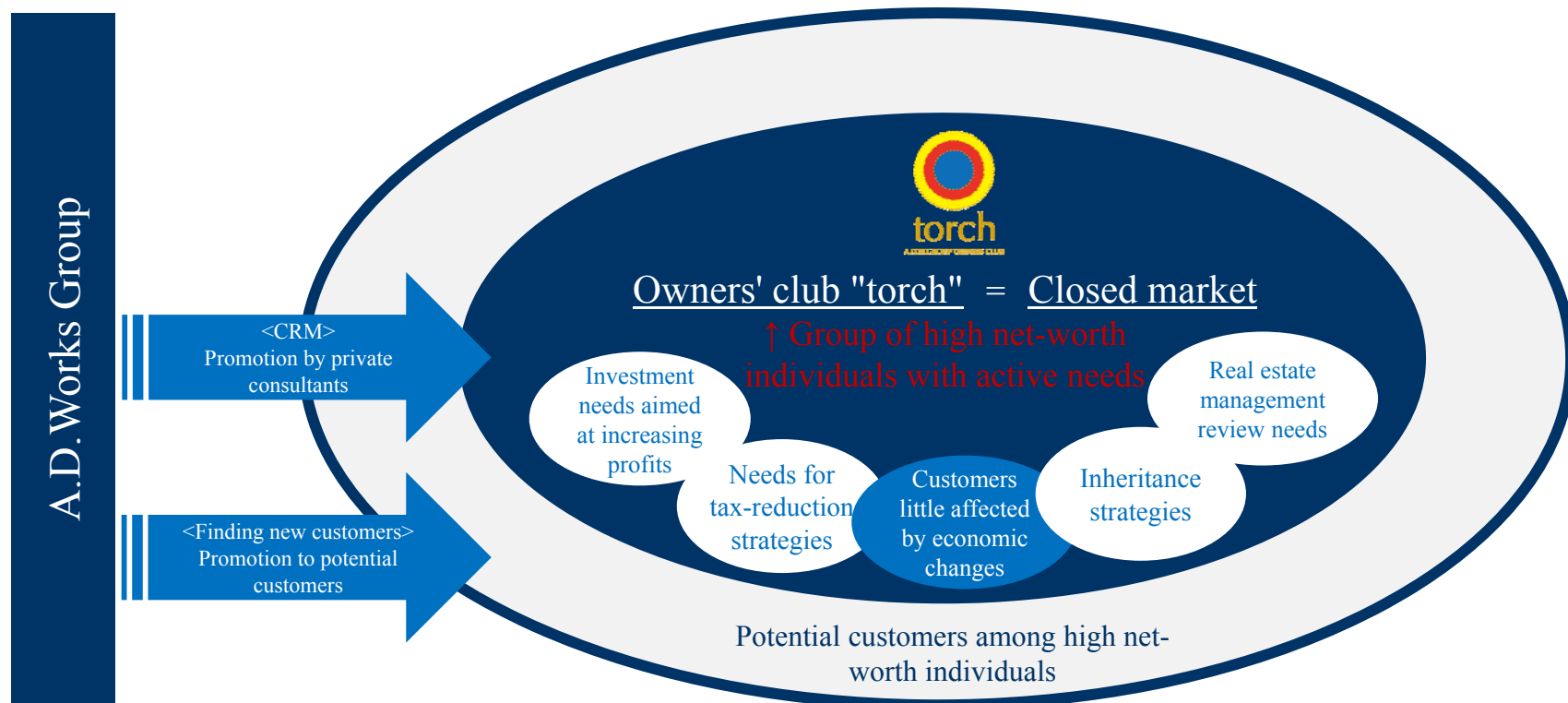
Group system



The CRM strategy is carried out in all parts of the Group as we aim for the rapid creation of a closed market.

VI-9. Strategy (4): Potential Needs and Creation of a Closed Market

A.D.W. Group independent market with active needs



We are creating an independent, attractive market by focusing on awakening needs among our target customers – high net-worth individuals who are little affected by economic changes.
(At present, the size of this market is estimated at approximately 50 billion yen or more, and is expected to grow at the pace of 10 – 20 billion yen per year.)

VI-10. Objectives of the Fourth Mid-range Business Plan

Objectives to be achieved through the mid-range business plan

*Main
objective*

Apply the AD business model to create
a **blue ocean market**.

↑ The A.D.Works definition of a blue ocean market is the following.

Definition 1: **The market is growing.**

Definition 2: **There will continue to be large barriers to future market entry.**

Achieve both the **provision of high added-value to customers**
and **lower costs**, and increase our competitive superiority while creating an
independent and attractive market, in order to
put us on the path to full-scale growth.

VII – Reference Materials (The Fourth Mid-Range Business Plan)

VII-1. Basic Policy and Specific Measures in the Fourth Mid-Range Business Plan

Basic policy in the Fourth Mid-Range Business Plan

Basic policy

- I. **Expand the scale of our business** and **stabilize the profit base.**
- II. Apply the AD business model to **create a closed market.**

Key measures

Specific measures

Add to the balance of revenue-generating real estate.

Shift to a stable income model.

Provide high added-value to owners (customers) and reduce costs.

Establish a unique position in the real estate industry.

VII-2. Relationships of Announced Figures (1)

Relationships of figures and indexes announced by the A.D.W. Group

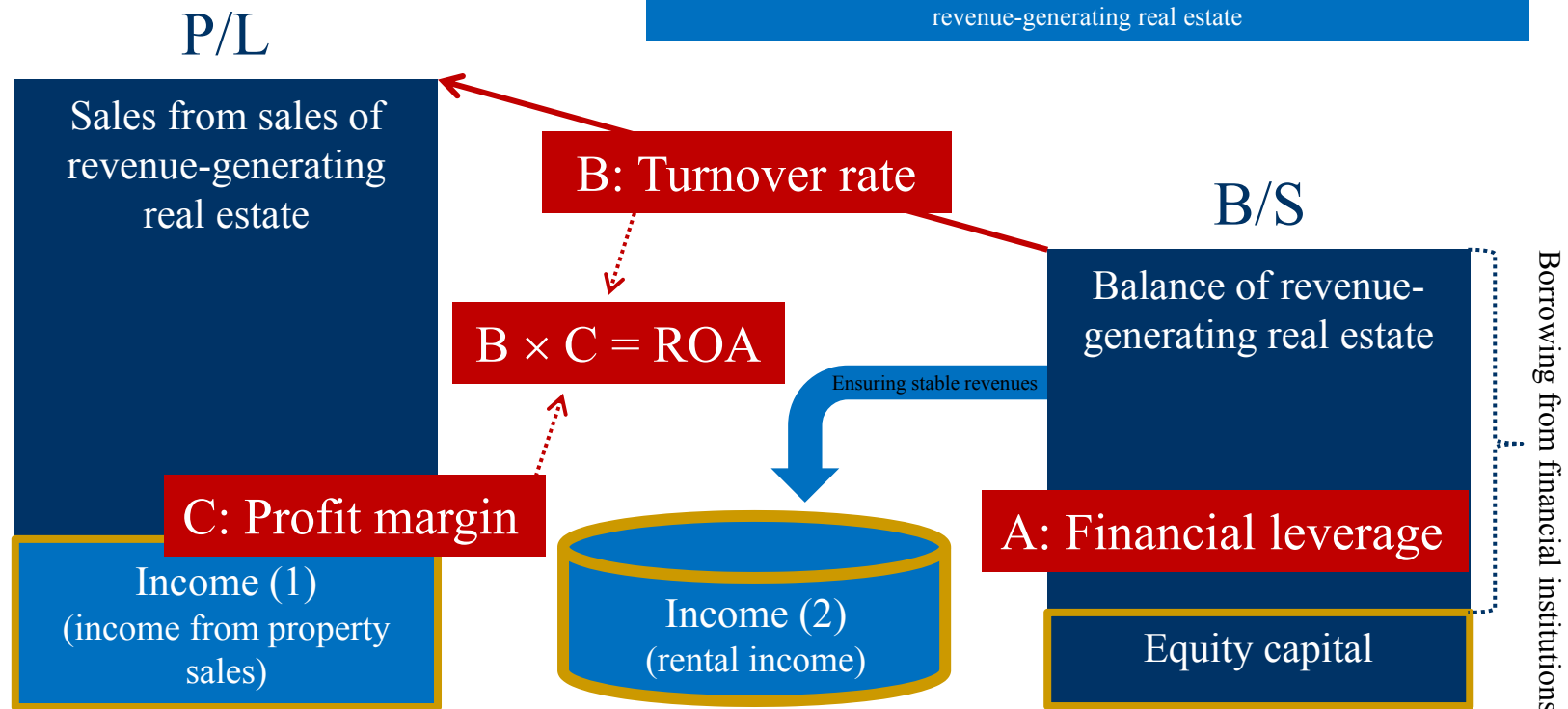
$$\text{ROE} = \text{Financial leverage (A)} \times \text{Asset turnover rate (B)} \times \text{Profit margin from sales of revenue-generating real estate (C)}$$

<Balance of revenue-generating real estate / Equity capital>

<Sales / Balance of revenue-generating real estate>

<Income from sales of revenue-generating real estate / Sales>

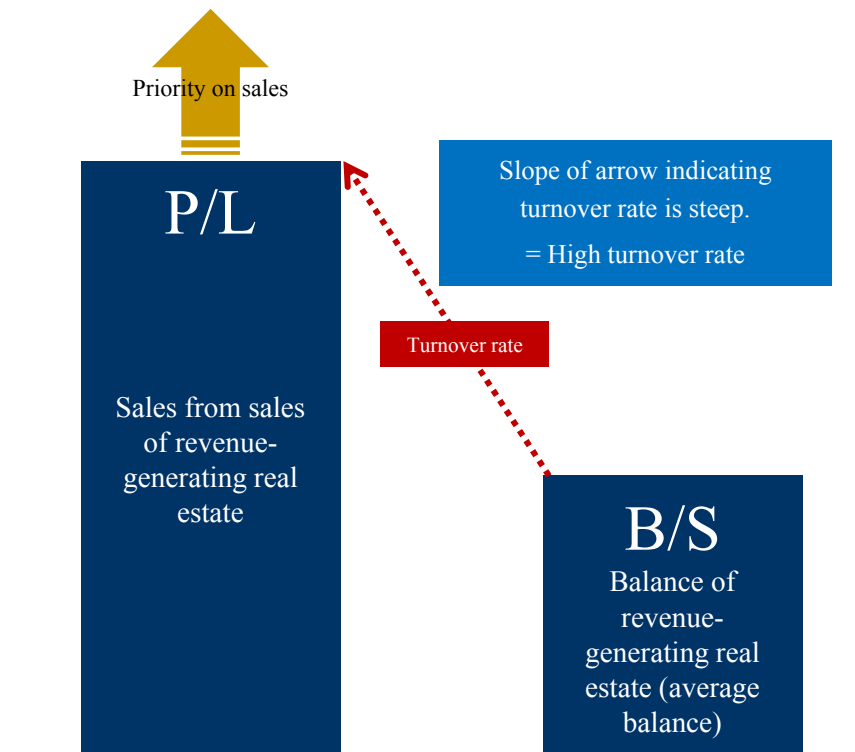
(Image showing relationships of announced figures)



VII-3. Relationships of Announced Figures (2)

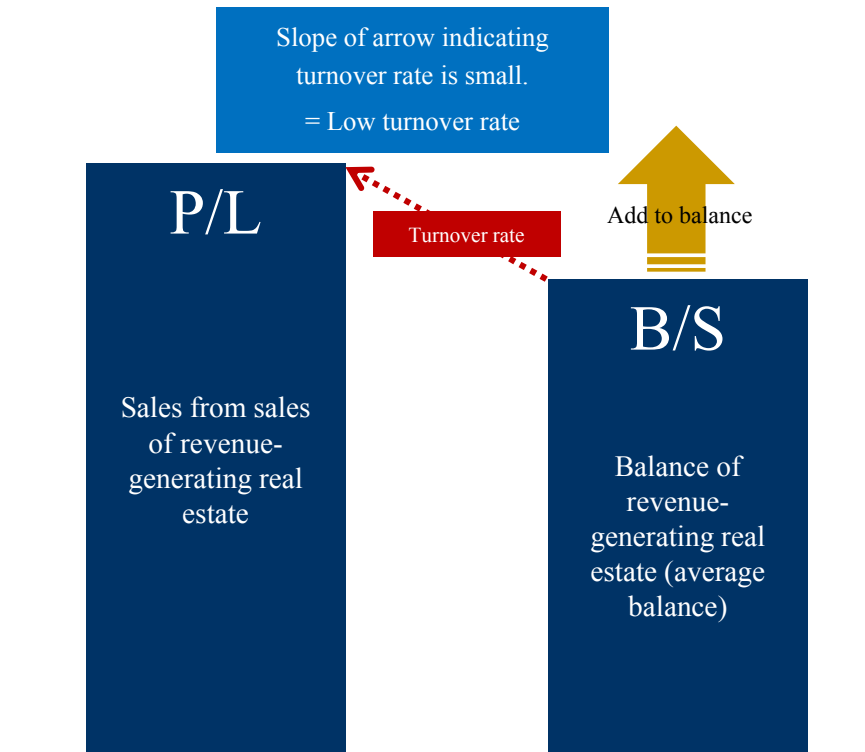
Relationship between balance of revenue-generating real estate and turnover rate

Image of previous years (full-year)



Although sales are higher when the asset turnover rate increases, the balance of revenue-generating real estate does not rise.

Image of future (full-year)



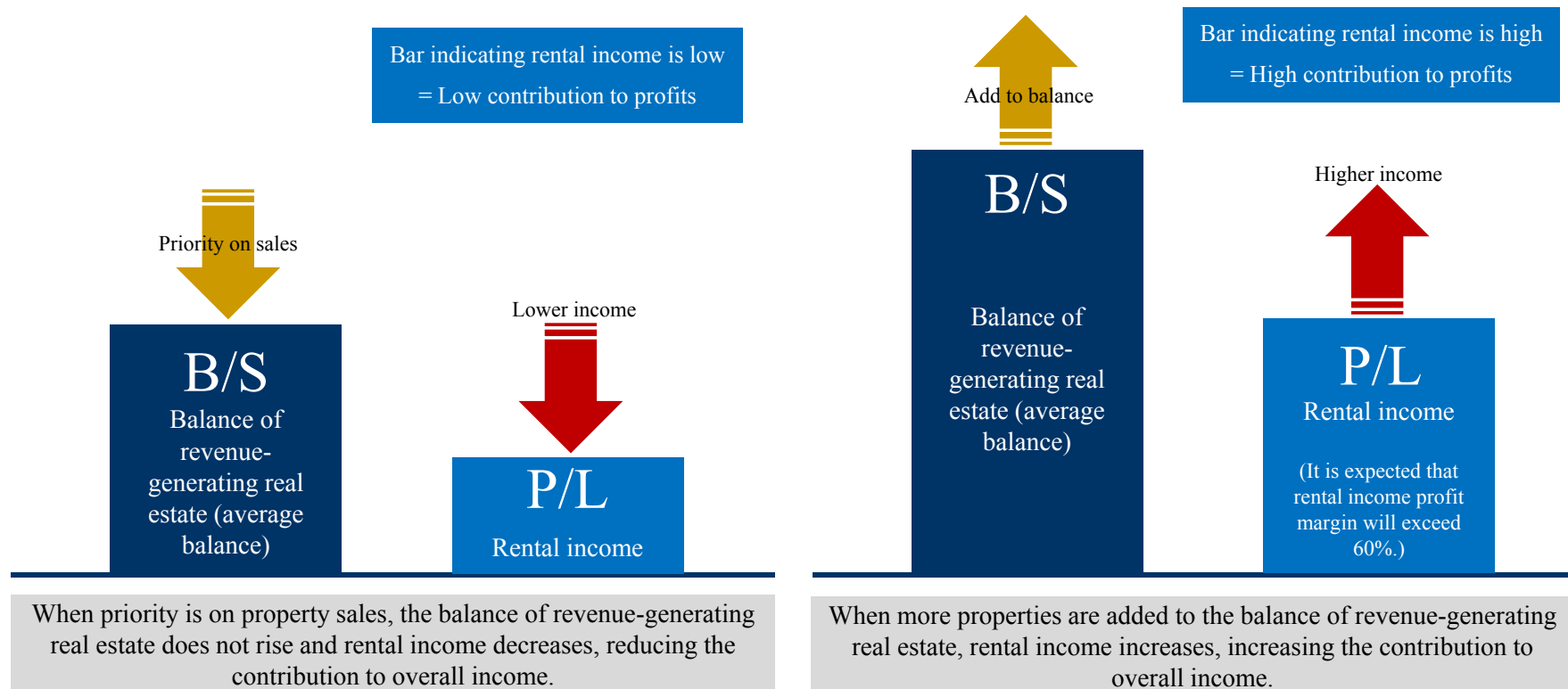
When the asset turnover rate is lowered, although there is no growth in sales, the average balance of revenue-generating real estate rises.

VII-4. Relationships of Announced Figures (3)

Relationship between balance of revenue-generating real estate and rental income

Image of previous years (full-year)

Image of future (full-year)



The logo for A.D.W. Group is a dark blue square with white text. The text "A.D.W." is in a large, serif font, with "Group" in a smaller, sans-serif font below it. At the bottom of the square, the text "SINCE 1886" is written in a small, sans-serif font. The square is framed by a thin white border.

A.D.W.
Group

SINCE 1886

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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