

A.D.Works Group Co., Ltd.

IR Briefing Materials: Third Quarter of Fiscal Year Ending December 31, 2024

November 21, 2024

TSE Prime, Code: 2982



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*北極星 means North Star in English. The official translation is to be determined.
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Highlights of Third Quarter of Fiscal Year Ending December 31, 2024

A.D.W. SINCE 1886
GROUP



TOPIC 1: 77.5% of forecast for income before taxes has been achieved

Sales of domestic income property and small-lot real estate products were strong. Rental revenue and rental management revenue consistently contributed to income.



TOPIC 2: Sales of ARISTO small-lot real estate products were robust and the area expanded

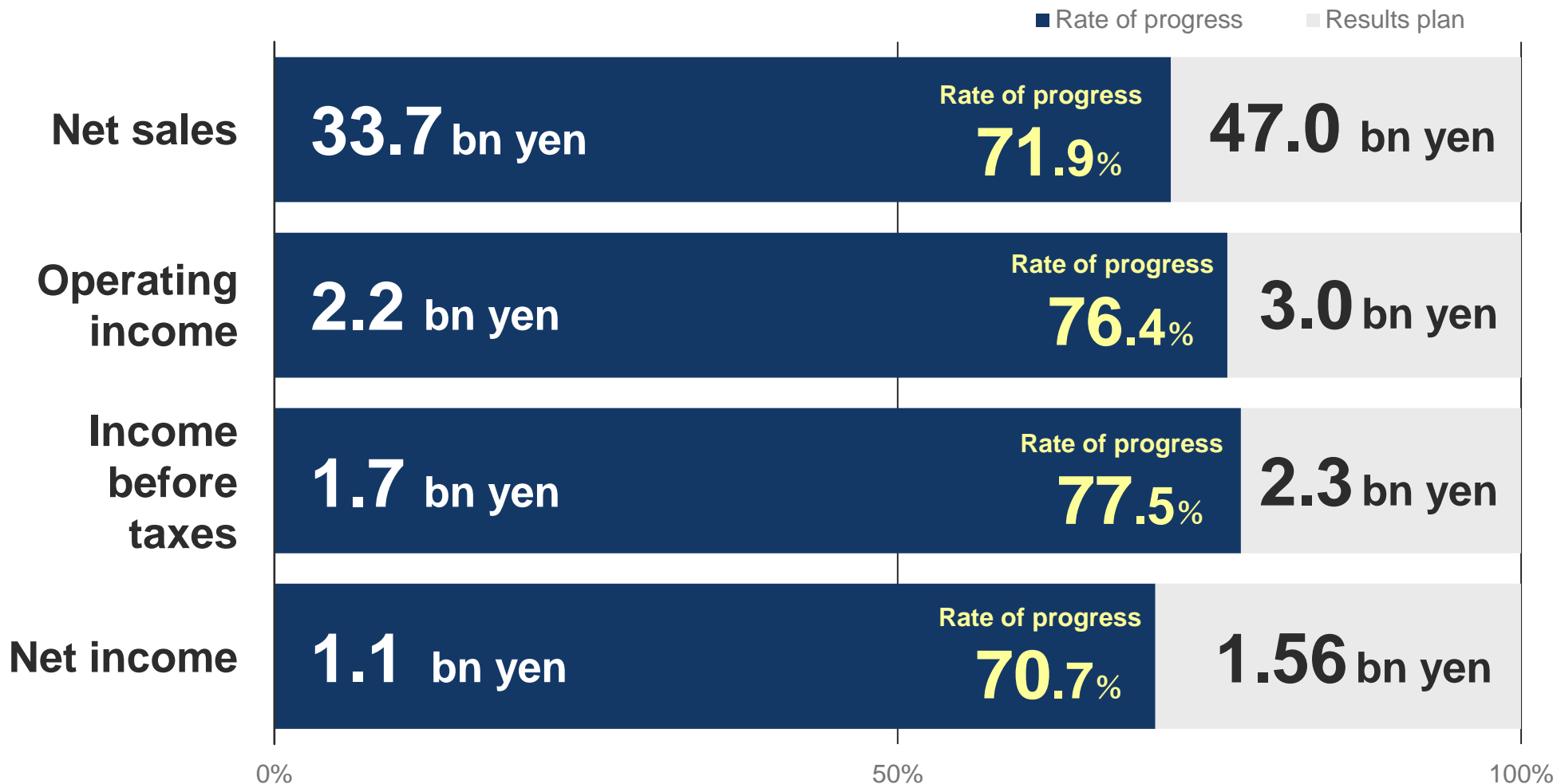
Sales amounted to 10,495 million yen in the first three quarters, a 340% increase on the same period of the previous fiscal year. Income-earning opportunities increased through diversification of property types and expansion of areas.



TOPIC 3: Share buybacks were carried out and measures aimed at raising share prices continued

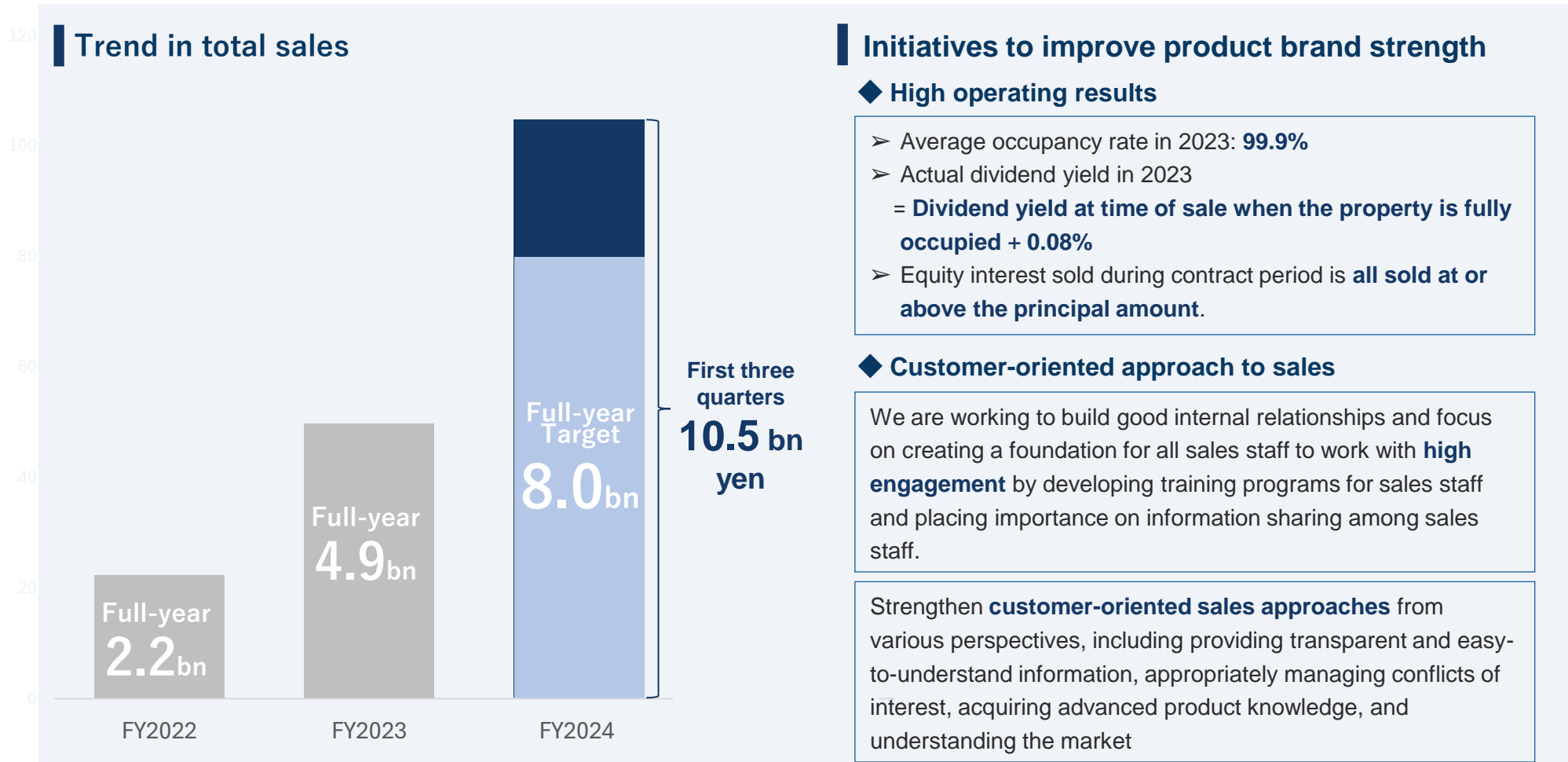
We determined that share prices were undervalued at their current level and carried out a share buyback of 483,100 shares for approximately 100 million yen. We will pursue management that is aware of the share price while taking into account factors such as the financial situation and the share price level.

The rate of return on income property sales is rising and solid progress has been made in achieving income forecasts



Small-lot products far exceeded the full-year sales target with a 340% increase in sales compared with the same period in the previous year.

Cumulative number of investors also increased further over 2Q with a 1.8 times or more increase compared with the end of the previous fiscal year.

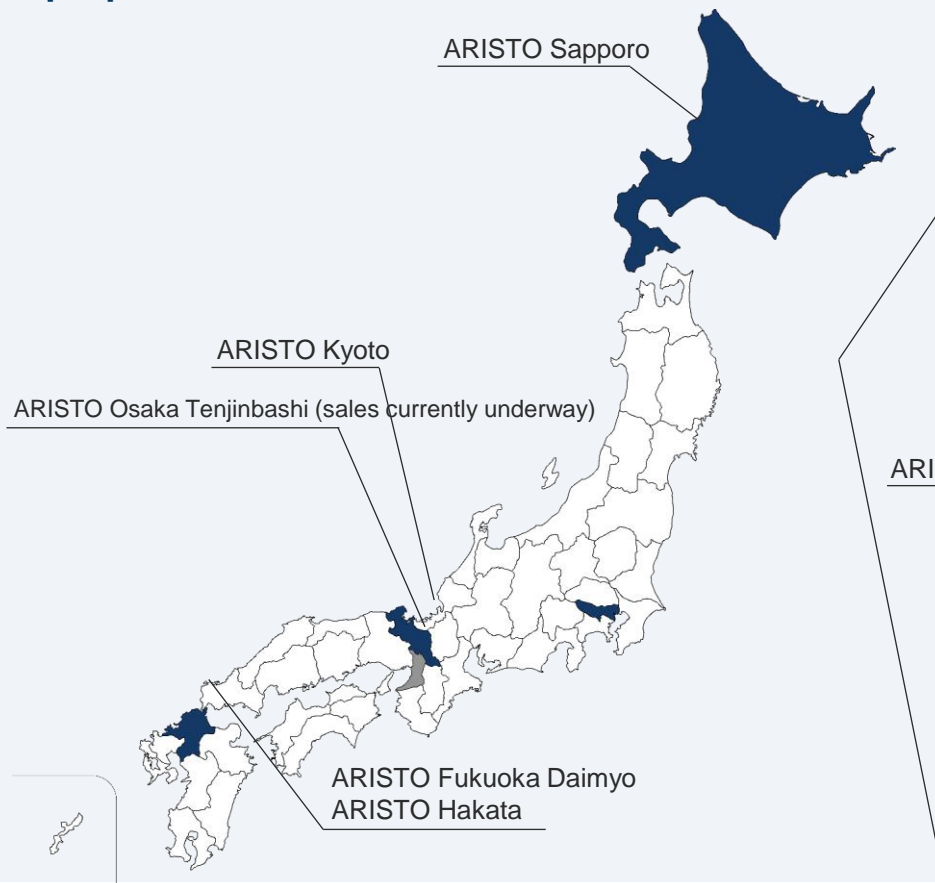


Diversifying the types of properties by adding residential properties to a portfolio of small-lot properties centered on commercial and office buildings

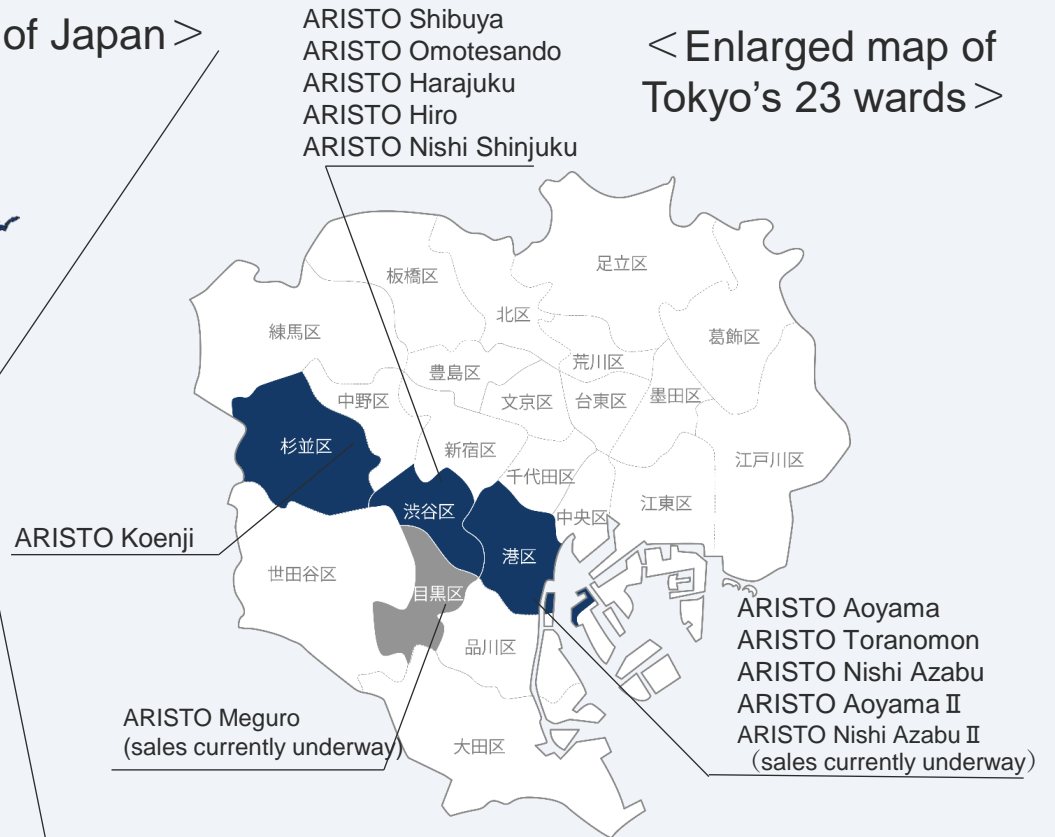
Opportunities to generate revenue have increased further with the switch to a license from the Ministry of Land, Infrastructure, Transport and Tourism in anticipation of establishing sales offices nationwide, as well as the expansion of the property area to Sapporo and Osaka.

Distribution map for ARISTO series properties

< Map of Japan >



< Enlarged map of Tokyo's 23 wards >



As of September 2024

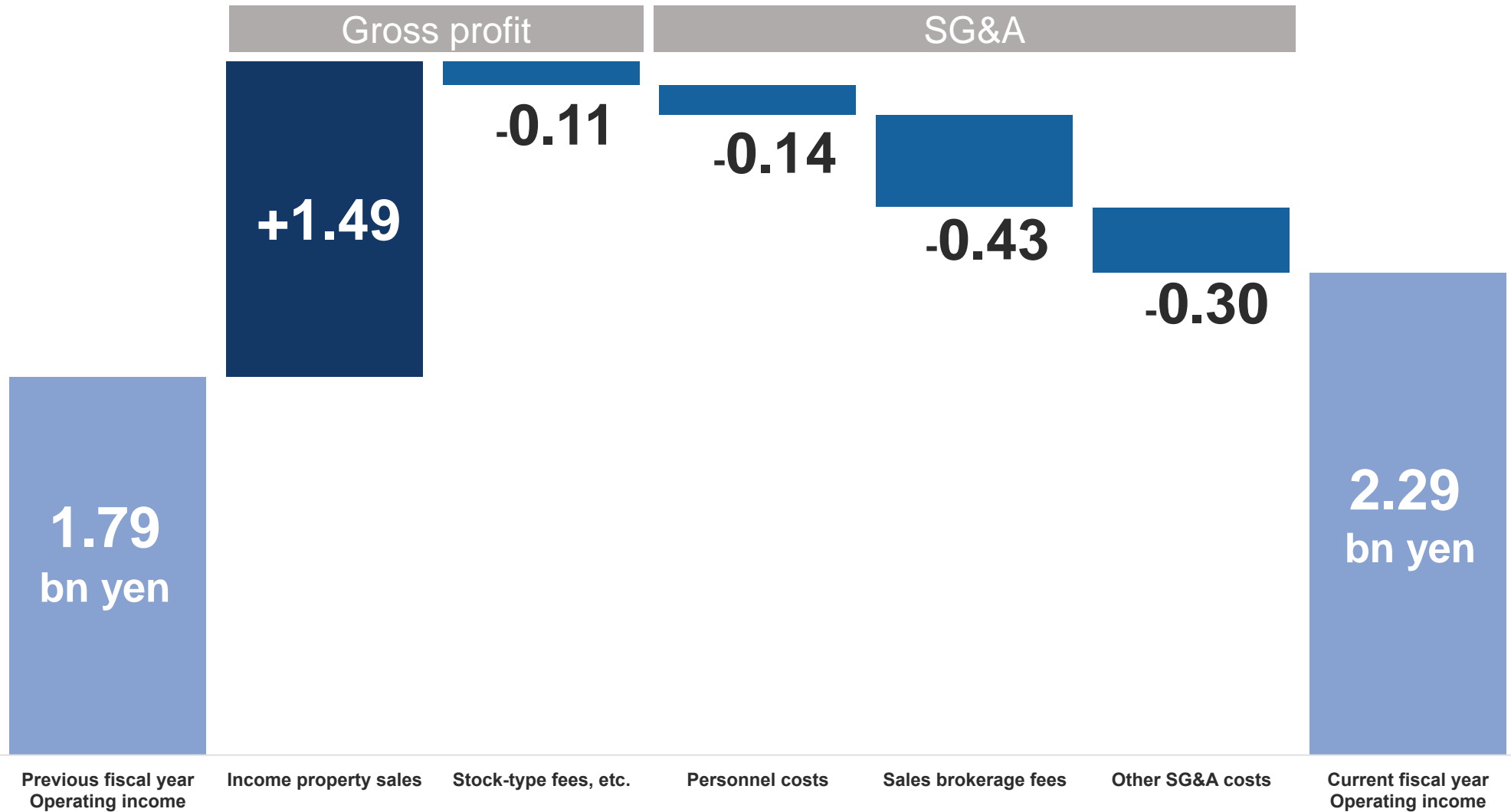
Overview of Financial Results for Third Quarter of Fiscal Year Ending December 31, 2024

Increase in sales and income compared to same period in previous fiscal year

(Unit: million yen)

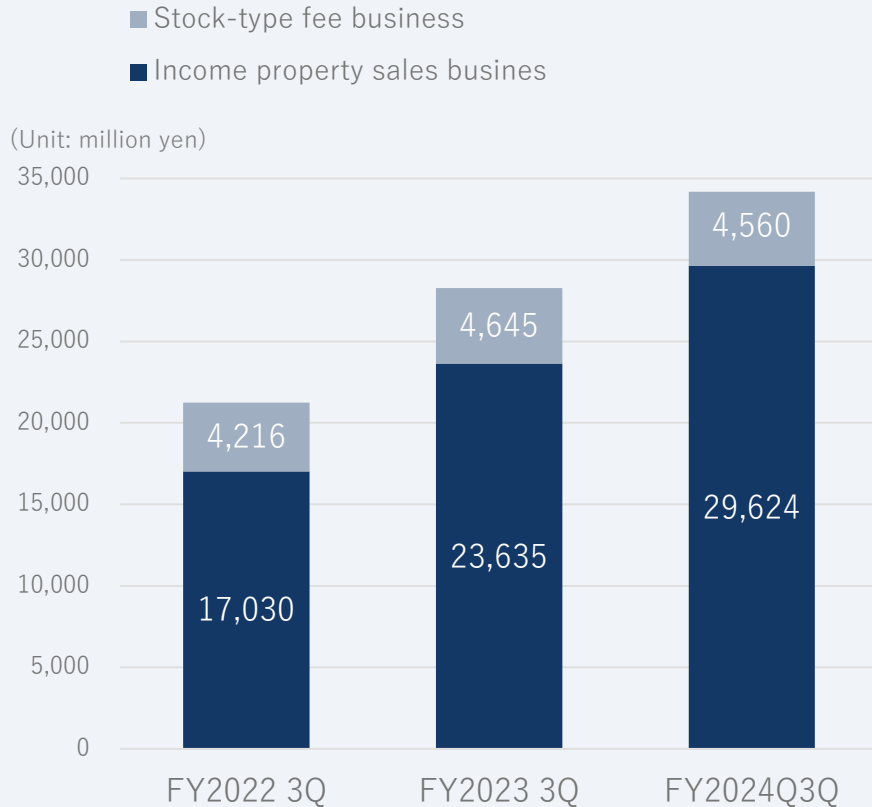
	FY2024 3Q	Comparison to same period in previous year (Y on Y)		FY2024 Full-year forecast	
		FY2023 3Q	YoY		Rate of progress
Net sales	33,797	27,977	20.8%	47,000	71.9%
Operating income	2,293	1,797	27.6%	3,000	76.4%
Income before taxes	1,782	1,552	14.8%	2,300	77.5%
Net income [※]	1,105	1,043	5.9%	1,565	70.7%

*Net income attributable to owners of parent.

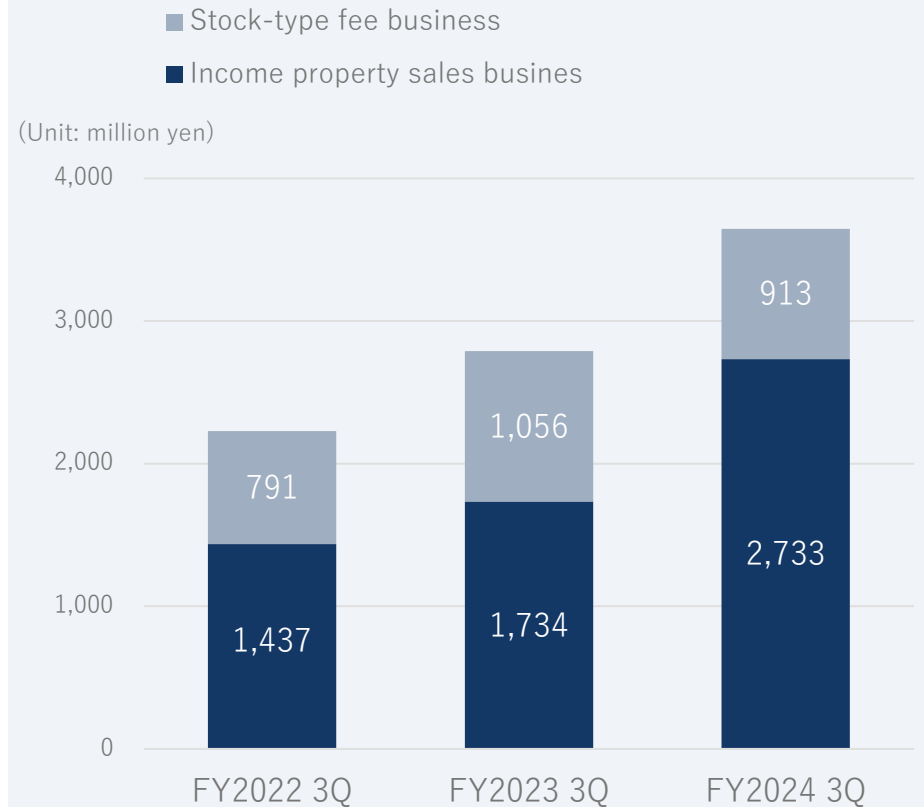


Although rental revenue fell slightly from the previous fiscal year, it consistently contributed to overall income. As the occupancy rate of properties improve due to commercialization, rental revenue is expected to increase.

Fluctuations in net sales (by segment)



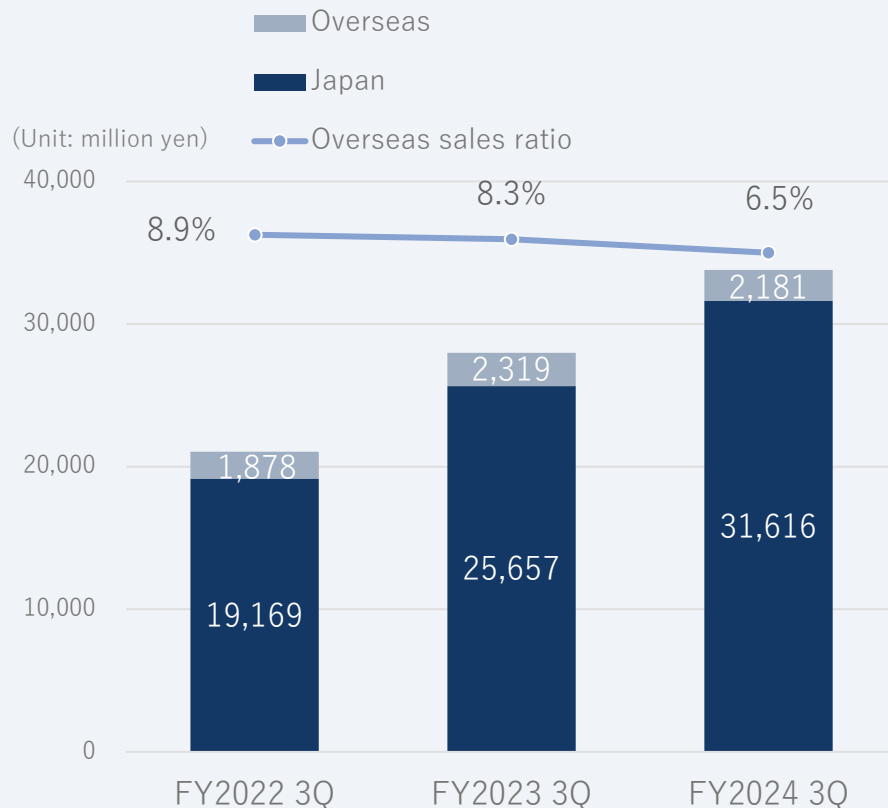
Fluctuations in Operating income (by segment)



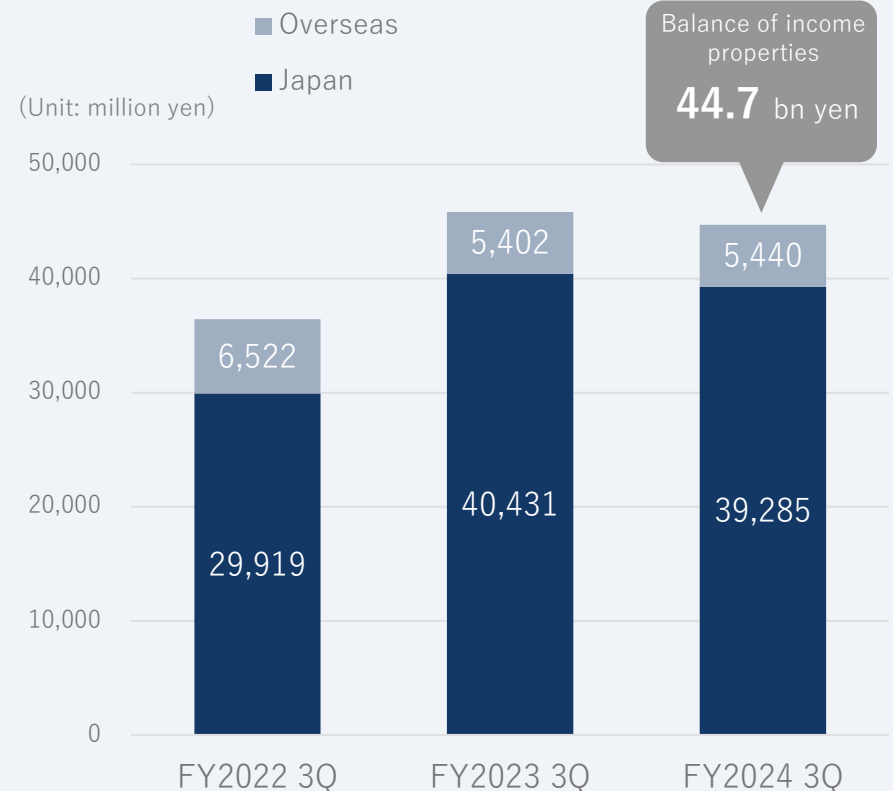
※The figures shown here include figures related to internal transactions

Japan: Due to strong sales, the balance of domestic properties has decreased slightly.
Overseas: We will continue to carefully monitor market trends and cautiously continue with acquisitions and sales.

Fluctuations in net sales (by segment)



Fluctuations in balance of income properties (by region)



Acquisition of income properties exceeded sales in 3Q,
and the balance of income properties for sale decreased.

We will focus on acquisitions in the Fukuoka area as well and aim to increase the balance
for the next fiscal year.

As of end-December 2023

(Unit: million yen)

Cash and deposits 9,810	Current liabilities 15,048
Current assets, etc.: 2,068	
Income Properties (for sale) 38,414	Non-current liabilities 26,639
Income Properties (for rental revenue): 6,383	Net assets 17,166
Non-current assets, etc.: 2,178	

Total assets: 58,854 million yen

As of end-September 2024

(Unit: million yen)

Cash and deposits 9,850	Current liabilities 12,145
Current assets, etc.: 2,145	
Income Properties (for sale) 38,155	Non-current liabilities 28,958
Income Properties (for rental revenue): 6,569	Net assets 17,806
Non-current assets, etc.: 2,189	

Total assets: 58,911 million yen

(Unit: million yen)

	FY2015 (Fiscal year ended March 31, 2015)	FY2016 (Fiscal year ended March 31, 2016)	FY2017 (Fiscal year ended March 31, 2017)	FY2018 (Fiscal year ended March 31, 2018)	FY2019 (Fiscal year ended March 31, 2019)	FY2020 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended December 31, 2020)	FY2021 (Fiscal year ended December 31, 2021)	FY2022 (Fiscal year ended December 31, 2022)	FY2023 (Fiscal year ended December 31, 2023)
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	16,840	24,961	27,856	41,342
Income before taxes	539	650	835	924	1,043	933	432	650	910	2,066
Net income	333	426	540	584	663	625	264	312	527	1,419
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	14,817	15,857	17,166
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	42,047	53,359	58,854
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	28,914	41,476	44,798
ROE	6.1%	7.5%	8.8%	7.0%	5.9%	5.0%	2.7%	2.2%	3.5%	9.0%
ROIC	3.6%	3.8%	3.9%	3.1%	3.4%	3.1%	2.0%	1.8%	2.2%	4.0%
Number of employees	99	115	136	146	167	185	195	207	219	232

※1:ROE: Net income attributable to owners of parent / average shareholders' equity (Figures may differ from net income on equity.)

※2:ROIC: (Net income attributable to owners of parent + interest expenses + borrowing fee) / (balance of average shareholders' equity + balance of average interest-bearing liabilities)

Progress with Second Medium-Term Management Plan (Fiscal Years Ending December 31, 2024- December 31, 2026)

In FY2023, we achieved 2 billion yen in net income before income taxes, entering the next stage of growth

We will establish a system for sustainable growth under the theme of
“Sustainable Business, Sustainable Growth”

(Unit: billion yen)

Consolidated	FY2021 (Fiscal year ended December 31, 2021)	FY2022 (Fiscal year ended December 31, 2022)	FY2023 (Fiscal year ended December 31, 2023)	FY2024 (Fiscal year ending December 31, 2024)	FY2025 (Fiscal year ending December 31, 2025)	FY2026 (Fiscal year ending December 31, 2026)
	Results	Results	Results	Plan	Plan	Plan
Net sales	24.96	27.85	41.34	47.00	52.00	58.00
Operating income	0.93	1.37	2.44	3.00	3.30	3.70
Net income before income taxes	0.65	0.91	2.06	2.30	2.60	3.00
Balance of income properties *1	28.9	41.4	44.7	45.0	46.0	50.0
Shareholders' equity	14.7	15.2	16.3	17.5	18.5	20.0
ROE *2	2.2%	3.5%	9.0%	9.2%	9.6%	10.4%
ROIC *3	1.8%	2.2%	4.0%	4.3%	4.6%	4.8%
Human resource productivity “PH gross profit” *4	24 mil yen/person	25 mil yen/person	31 mil yen/person	33 mil yen/person	34 mil yen/person	35 mil yen/person
Financial soundness “Equity ratio”	35.1%	29.6%	29.1%	Approx.30%	Approx.30%	Approx.30%
Shareholder value “EPS” *5	7.22 yen	11.32 yen	29.85 yen	32.95 yen	36.35 yen	41.76 yen

*1 Balance of income properties: Total balance of properties held for sale or rental revenue

*2 ROE: Net income attributable to owners of parent / average shareholders' equity (Figures may differ from net income on equity.)

*3 ROIC: (Net income attributable to owners of parent + interest expenses + borrowing fee) / (balance of average shareholders' equity + balance of average interest-bearing liabilities)

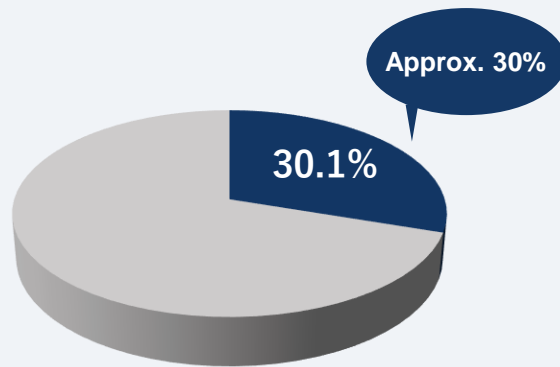
*4 PH gross profit (gross profit per head): Gross profit / average number of employees

*5 EPS (earnings per share): Net income attributable to owners of parent / average number of shares during the period

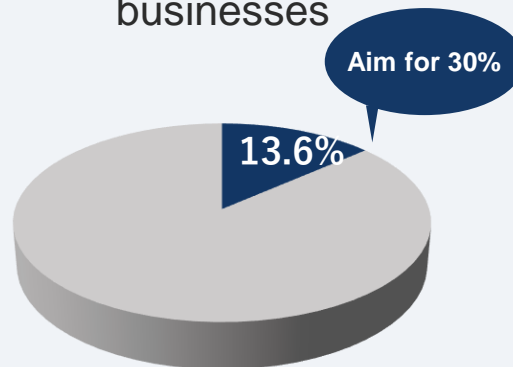
We aim for sustainable management and growth by improving durability, mobility, and flexibility
In addition to discussions on creating non-asset businesses, we also held an internal competition for new businesses in 3Q.

Indicators at the end of Q2 FY2024

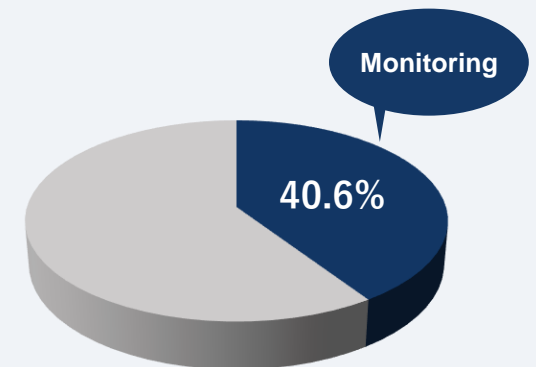
Durability
Equity ratio



Mobility
Share ratio of non-asset
businesses



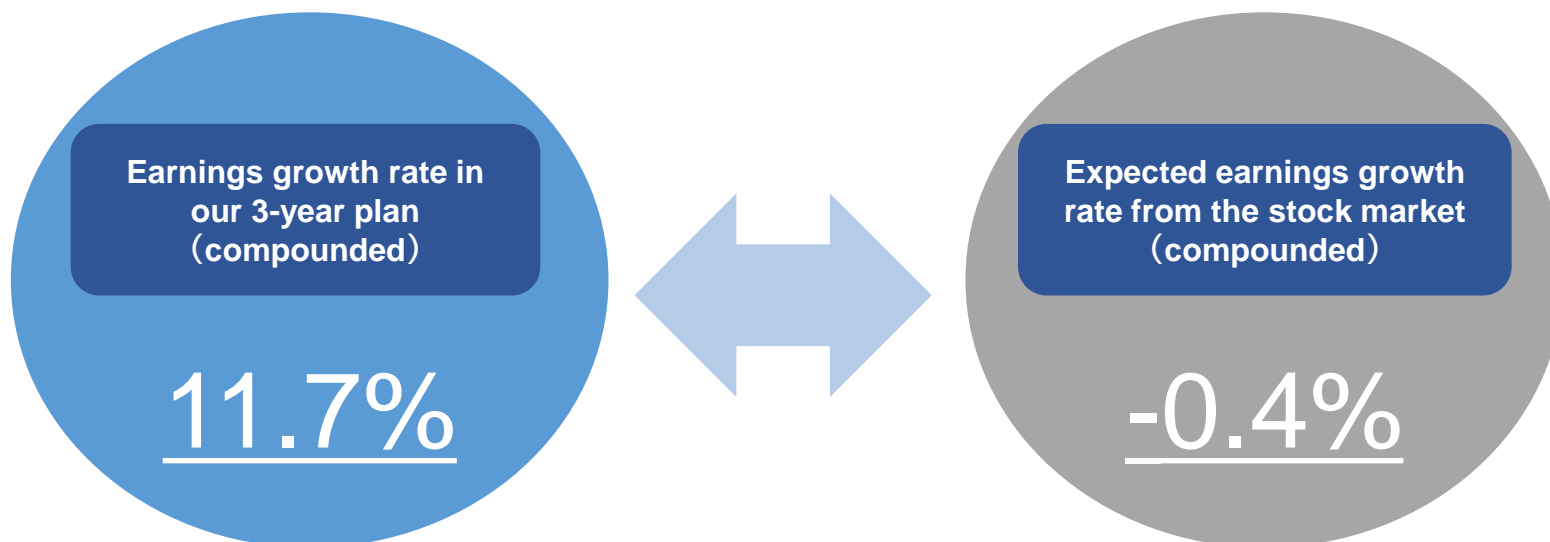
Flexibility
Fixed-cost coverage ratio



Strategic background of Corporate Agility

We need to break away from dependence on income property businesses
and control growth and stability

Unwilling to accept low growth estimates from the stock market, but growth potential is high



* 11.7% is based on NOPAT.

3-year plan for net income before taxes announced in the Second Medium-Term Management Plan (from FY2023 results of 2.06 billion yen to FY2026 forecast of 3.0 billion yen) The growth rate is 13.3%.

* Please refer to "Expected earnings growth rate as estimated by the stock market" on the next slide.

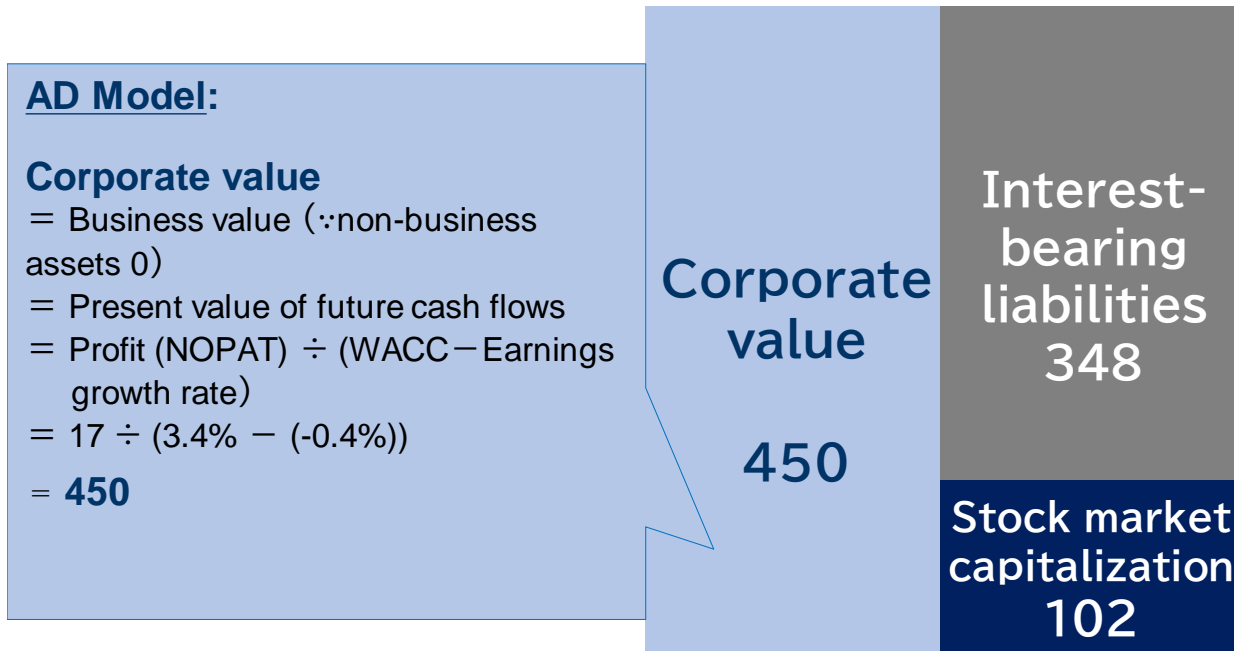
☹️ In comparison to 11.7% earnings growth rate of our 3-year plan, the perpetual earnings growth rate estimated by the stock market was -0.4%.



☹️ Should we be able to raise the stock market's expectations of our ability to achieve the business plan, we can assume a significant positive impact on its share price. **We are in a situation that is more likely to recollect the upside potential of the stock price than the already-high expected profit growth rate from the stock market.**

☹️ The expected growth rate of our company by the stock market, calculated assuming 8% of cost of equity, was -0.4%

(Unit: billion yen)



Based on the closing price as of August 16, 2024 (the day before the release of this IR briefing materials), assuming 8% of cost of equity, the earnings growth rate was -0.4%.

Stock market capitalization	:	102
Profit: NOPAT (Operating income x (1 - Tax rate))	:	17
Shareholders' cost of equity	:	<u>8%</u>
Interest-bearing liability cost	:	1.7%
Tax rate	:	31%
Amount of shareholder equity	:	163
Interest-bearing liabilities	:	348
WACC (on a book value basis)	:	3.4%
<u>Earnings growth rate</u>	:	<u>-0.4</u>

* The WACC would be 3.1% if calculated based on the 12-month average for FY12/2024, but here 3.4%, a book value calculated at the end of the period, is adopted.

AD Model:

- ✓ Is a model that obtains constants from the most recent stock market capitalization and financial statements information and makes the shareholder's equity cost and the earnings growth rate dependent functions of each other.
- ✓ To simplify the argument of the model as much as possible, given the company's current situation, non-business assets, changes in equity ratio, and differences between book value and market value of liabilities are not taken into account.
- ✓ This model is adapted from the continuous growth model [Present value of future cash flows = CF ÷ (r-g)].

| Sustainability

Secure product planning budget for ESG and contribute to the SDGs through our business

Category	Materiality	Initiative policy	Risk/opportunity	Contribution to SDGs
E/S	Utilize and connect: Revitalization of real estate	Real estate planning to meet social and environmental needs	Risk: <ul style="list-style-type: none"> Impairment of corporate value due to delayed response to social and environmental changes Lower real estate value due to incompatibility with social needs Opportunity: <ul style="list-style-type: none"> Increased market value of real estate with social and environmental considerations Enhanced community presence through community creation and revitalization 	
		Implement diversity and wellbeing		
		Proactively acquire real estate environmental certification		
		Promote real estate planning that contributes to community revitalization		
		Introduce and use renewable energy and energy-saving equipment, and use building materials with low environmental impact		
S	Provide peace of mind and security	Thoroughly instill compliance awareness among executives and employees	Risk: <ul style="list-style-type: none"> Subdued performance due to loss of credit and diminished product value Devastating disasters and accidents due to inadequate property maintenance Opportunity: <ul style="list-style-type: none"> Enhanced trust by adapting to stakeholder needs Increased value of disaster-resilient properties 	
		Strengthen information security measures		
		Maintain real estate functions through appropriate repair planning and response		
		Ensure legal compliance and thorough corrective action for properties		
		Develop disaster preparedness functions and respond quickly to emergencies		
	Create motivation to work and innovate	Establish a work environment and work style that is consistent with the times and needs, and promote employee health and wellness	Risk: <ul style="list-style-type: none"> Intensifying competition for talent Decreased employee engagement and productivity Opportunity: <ul style="list-style-type: none"> Transubstantiation of ideas through diversity and inclusion Creation of new business opportunities by exploring and utilizing innovative technologies 	
		Foster an organizational culture rooted in psychological safety and respect for diversity		
		Enhance training, education, and awareness-raising opportunities		
		Co-create new value through the CVC business		
		Promote cross-company DX		
G	Strengthen governance to enhance corporate value	Promote businesses based on high ethical standards and thorough legal compliance	Risk: <ul style="list-style-type: none"> Human rights issues leading to a decline in reputation and business stagnation Business stagnation and loss of credit due to compliance violations and internal control failures Opportunity: <ul style="list-style-type: none"> Creation of business opportunities and sustainable growth through improved adaptability to changes Diversification of financing methods by expanding ESG investments 	
		Execute and oversee operations based on multi-faceted risk management		
		Enhance disclosure, including non-financial information		
		Actively engage in dialogue with stakeholders		
		Optimize business portfolio in response to changes		

Pursuing sustainable commercialization and promoting internal environmental improvements as our two pillars

Initiatives for sustainable commercialization

In FY2024, we have set aside a budget to cover expenses for the promotion of sustainable commercialization. We are actively promoting sustainable renovations that use degradation-resistant materials and recycled materials, and have begun actively working to obtain environmental certification.

In September, we received an A rank in the CASBEE Certification for Real Estate for Orchid Residence Nerima Kitamachi, and were evaluated for energy efficiency and conservation of natural resources, among other areas.

We will continue to work on commercialization that leads to solutions for social issues from various perspectives, such as responding to environmental needs and pursuing user comfort.

Year of acquisition	Name of property	Certification
2017	AD-O Shibuya Dogenzaka (Development)	CASBEE A rank
2021	ARISTO Fukuoka Daimyo (Development)	BELS★★★★
2023	U square Takadanobaba (Existing property)	LEED O+M GOLD
2023	ARISTO Aoyama II (Development)	BELS★★★★
2023	AD-G Shijo Kawaramachi (Development)	BELS★★★★★
2024	ORCHID RESIDENCE Nerima Kitamachi (Existing property)	CASBEE A rank

Table: Examples of environmental certifications acquired by Company



Photo, top: Exterior of Orchid Residence Nerima Kitamachi

Photo, below: Materials that are resistant to damage were used for the interior of this building

Steadily promoting expansion of internal systems and training, as well as various disclosures

We continue to implement the Peer Bonus® System with the aim of creating a corporate culture that encourages employees to take on challenges, and hold training sessions to promote sustainable business.

In August, we introduced PivottA Sustainability, which allows employees to learn about topics related to sustainability.

We have been calculating GHG emissions and making disclosures in line with the TCFD, and we have also issued SDGs private placement bonds with Aichi Bank and signed sustainability-linked loan agreements with Hyakujushi Bank and Chiba Bank.



Photo: Sustainability training was held, with executives also participating

Establishment of 北極星

*北極星 means North Star in English. The official translation is to be determined.

【Note】 The official translation is to be determined.

北極星 - Our reason for being

ワクを超えるしなやかな発創で、世界を色鮮やかに染め直す。

Story

国境を超えて、染色業の発展に尽力した創業期。
染色業にとどまらず、多彩な領域へチャレンジを重ねてきた。
不動産に軸足を置いた今もなお、業界の常識や事業領域にとらわれない
価値を追求してきた。

100年以上の歴史を振り返れば、
私たちはいつの時代も、人々や社会をより豊かにしたいという想いで
さまざまな「ワク」を超えて価値を生みだしてきた。

しかしそれは結果に過ぎない。
私たちの原点である染物が、ゆっくりと、
しかし着実に色を深めることで鮮やかになっていくように、
小さな、でも信念のこもった、しなやかな一歩の積み重ねこそが、
「ワク」を超えた価値の創造に繋がると、私たちは信じている。

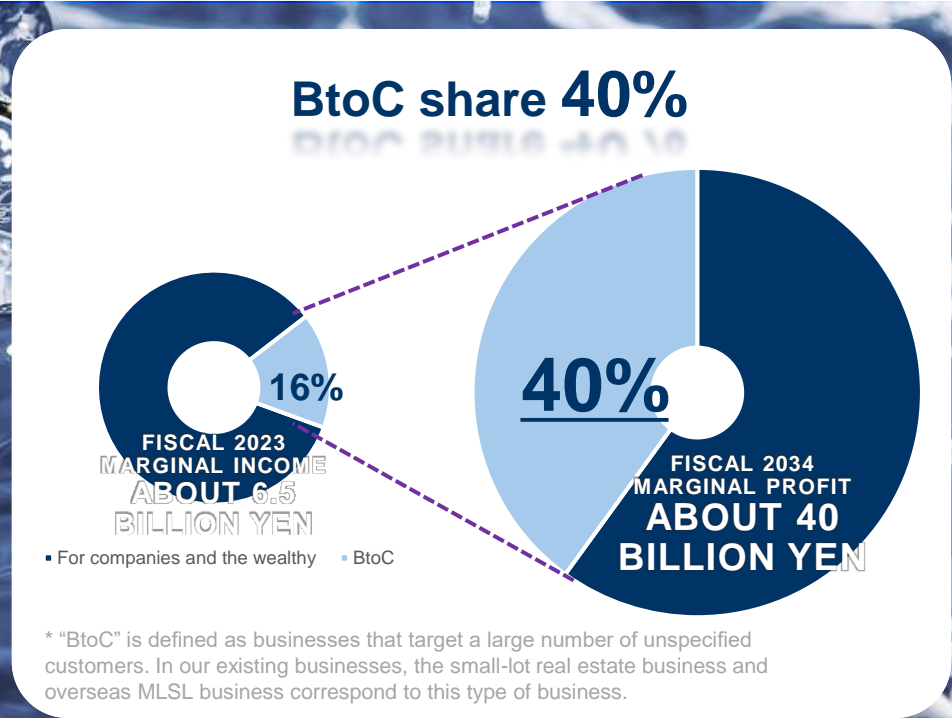
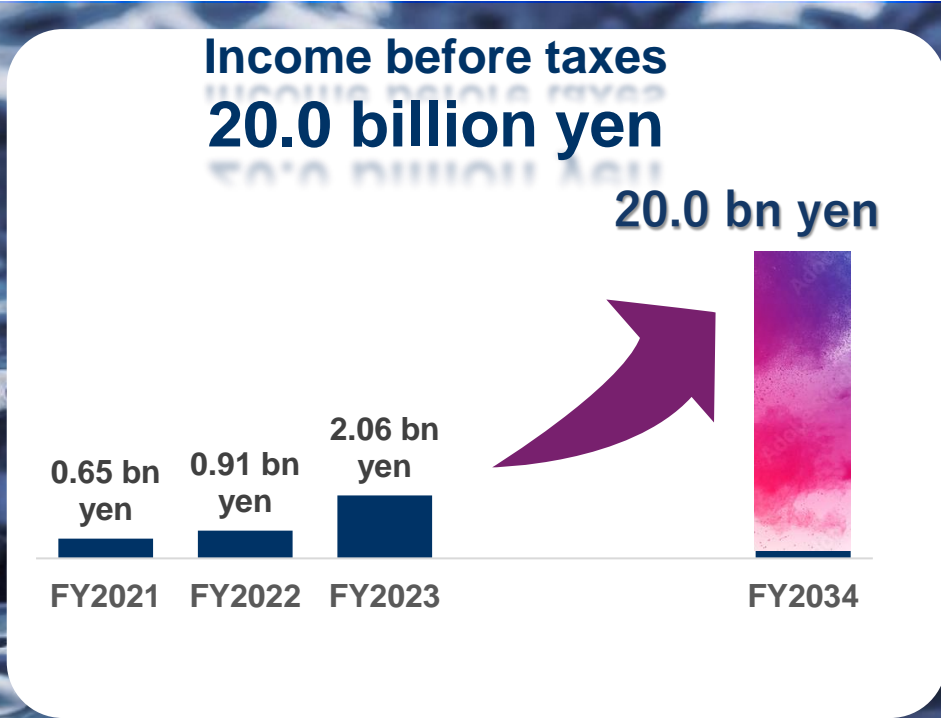
世界は常に変化していく。
これまで当たり前と思われていたことも、
人々を縛り、社会の可能性を閉ざす「ワク」となっていく。
だからこそ、私たちは、既存の「ワク」にとらわれない視座で
社会を見つめ直す。

しなやかに想像力をはたらかせ、価値を創り出していく。
今を生きる人々、これからの社会のために、私たちは一歩ずつ歩み続けていく。

ADWGグループは、
組織、既存の概念、常識、さまざまな「ワク」を超える、
しなやかな発想力と創造力で、
世界を色鮮やかに染め直していきます。

Vision - Our intentions 【Note】 The official translation is to be determined.

富の循環を創出し、誰もが心に火を灯せる社会をつくる



Ever since we put an emphasis on the real estate business, we have contributed to society through services to companies and the wealthy. Over the next 10 years, we will not only provide economic value to direct stakeholders, but also widen our scope to include the world's cycle of prosperity and make the world a place that is full of options and possibilities for individuals. To achieve this, we will continue to take on the challenge of providing the Group's services directly to individuals who will be making leaps from this point. As a result, we aim to **make the services we create into the world's new normal** and achieve **20 billion yen in income before taxes and a 40% share of BtoC**.

Value - Our values

【Note】 The official translation is to be determined.

全体最適

全体最適で思考しているか？狭い世界に捉われていないか？
チーム、会社、そして社会全体に視野を広げることが個の最適化につながる。
常により高い視座で本質を捉え、より良い社会を実現する挑戦をしよう。

Integrity

信念をもって行動しているか？人や社会に誠実に向き合っているか？
仕事に誇りを持ち、誠実な姿勢で信念を貫くことが信頼につながる。
ステークホルダーとの信頼を築きながら、最大の成果を創出しよう。

Take the Lead

自分はどうしたいのか？自分にできることは何か？
仲間に対する尊重と賞賛を欠かさず、助け合うことが新たな価値を生み出す。
一人ひとりが主体的に強みを発揮し、組織や社会に共創を巻き起こそう。

Shinahen !

「しな」やかに「変」化しているか？新たな挑戦を忘れていないか？
変化を前向きに捉え、楽しみながら新たな価値創造に挑もう。
小さな遊び心の積み重ねが、世界に大きな変化をもたらす。

【Note】 The official translation is to be determined.

富の循環を創出し、
誰もが心に火を灯せる社会をつくる

20 billion yen in income before taxes / 40% BtoC share

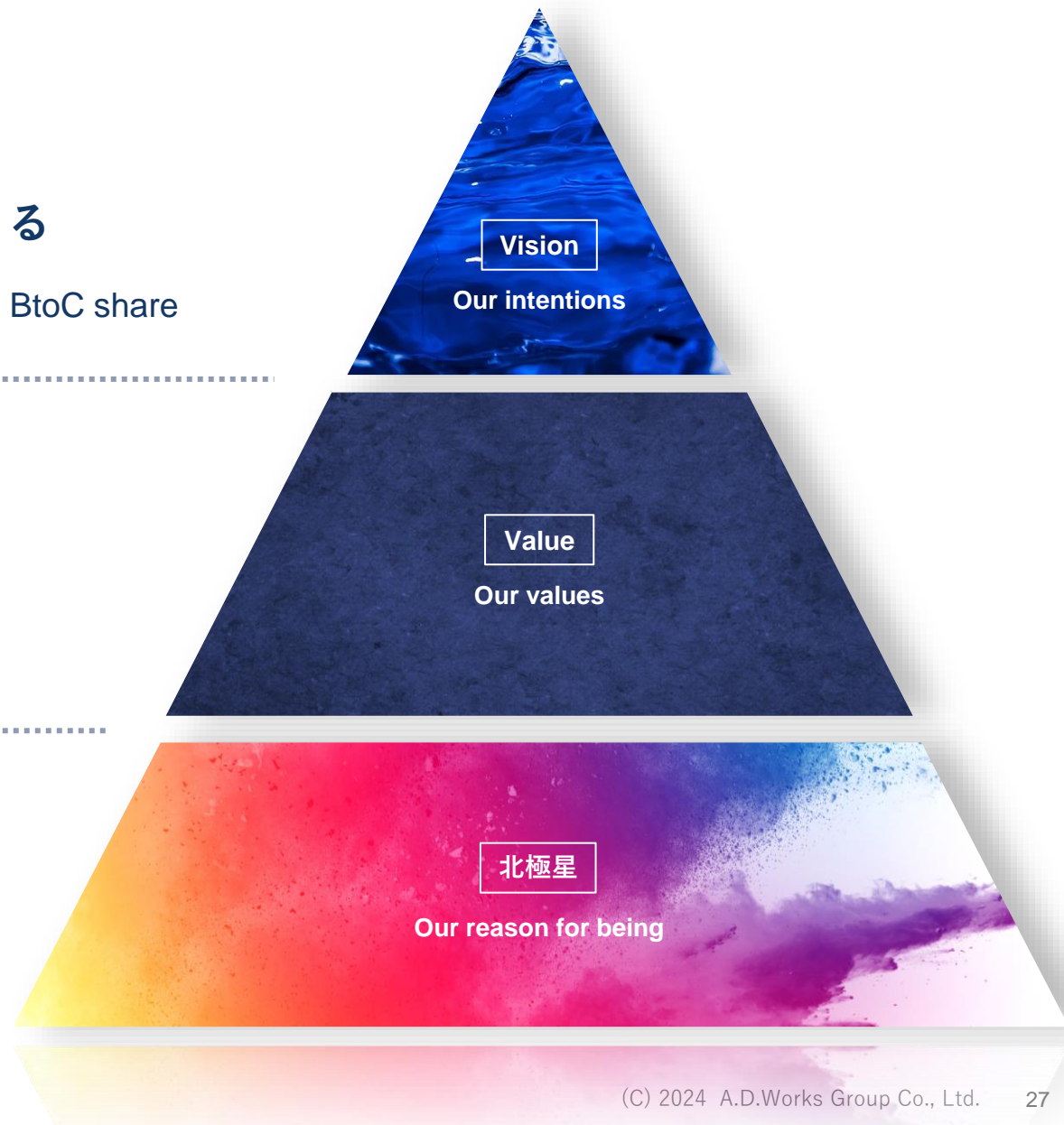
全体最適

Integrity

Take the Lead

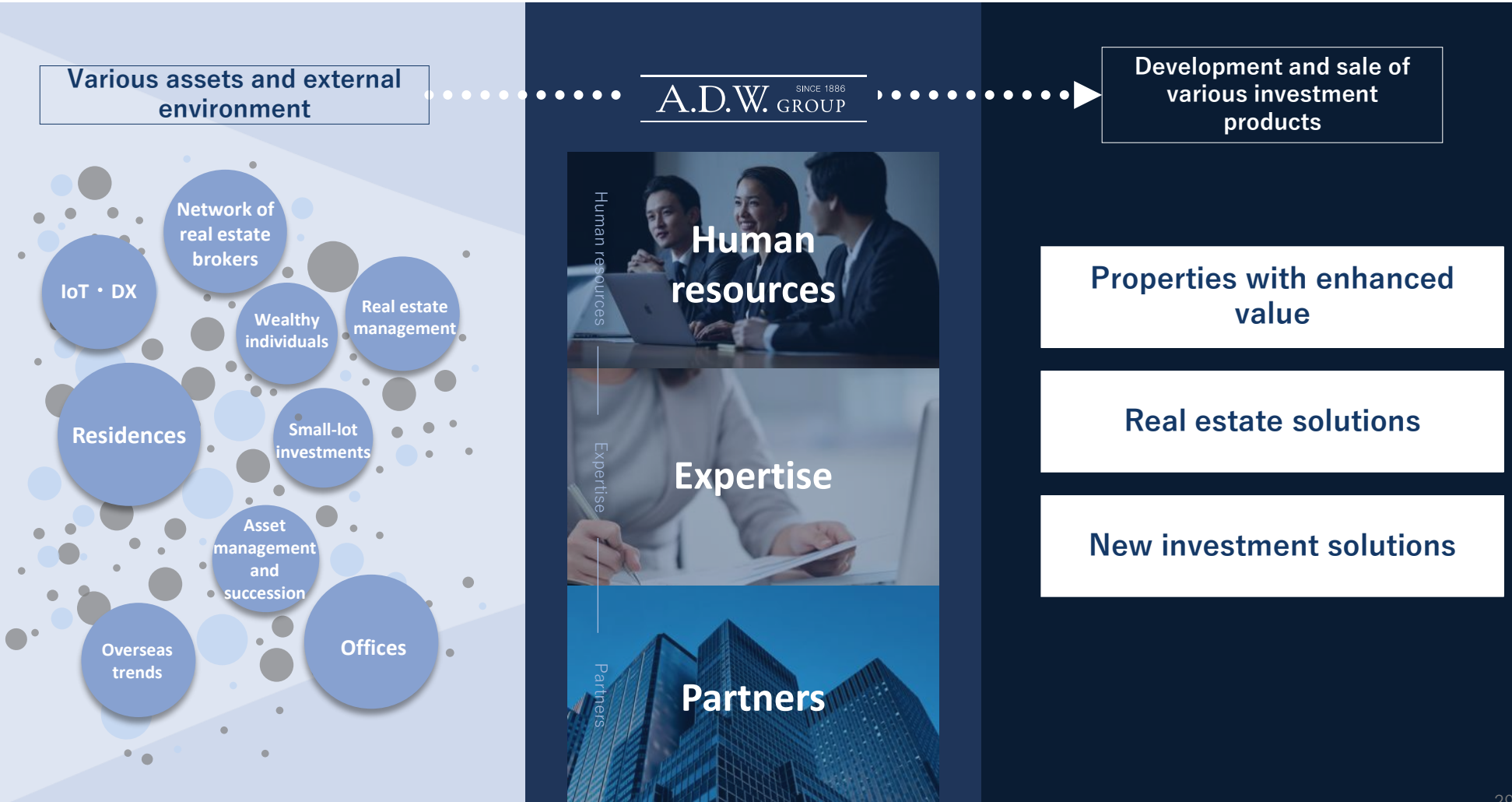
Shinahen !

ワクを超えるしなやかな発創で、
世界を色鮮やかに染め直す。



| Business Model

We aim to be an investment solution company that develops and sells a range of investment products centered around real estate



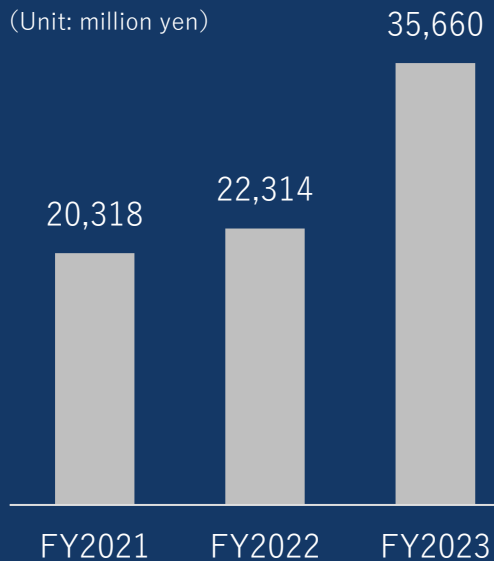
1 Income Property Sales Business

In our business model, we purchase income properties in Japan and overseas based on extensive market research and legal examination, and then increase asset value by carrying out construction work to raise its value and attract tenants in order to generate income through their subsequent sale.

Business model: One-Time Sales-type

Fluctuations in sales (by segment)

(Unit: million yen)



Three business characteristics

Properties handled



Focus on residences and offices

Areas of focus



Focus on the Tokyo metropolitan area, Kansai metropolitan area and Los Angeles, California

Strengths



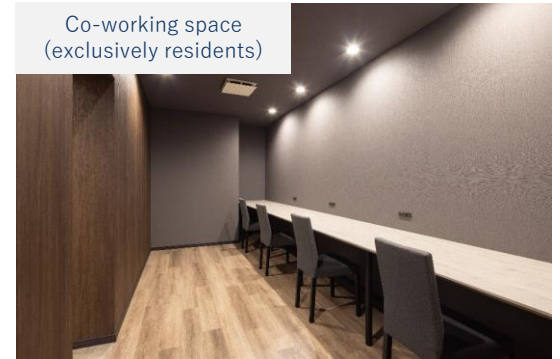
Value-Add Strategy

Example of value-added project : Saginuma Project(Residential real estate)

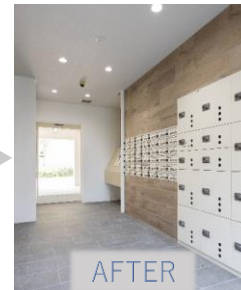
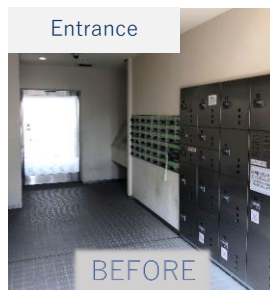
Exterior



Co-working space (exclusively residents)



Entrance



BEFORE

AFTER

Plans tailored to characteristics of property and site and residents' needs

- Former trunk room turned into a co-working space
- Apartments suited for living together with pets

Other

- Large-scale repair work
- Interior decoration work on residents' rooms
- Steps taken to address legal infringements, etc.

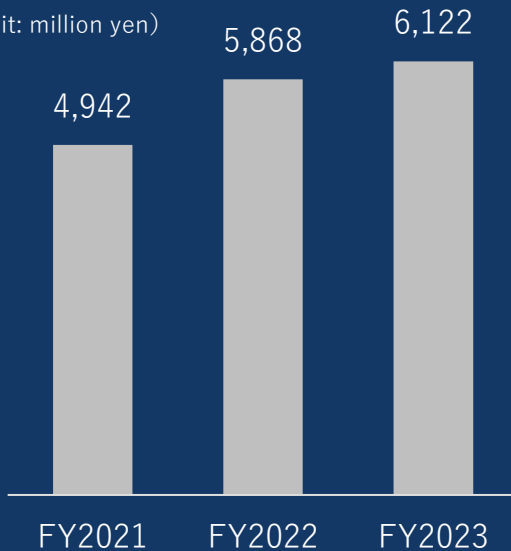
2 Stock-type Fee Business

This business model generates stable revenue through rent income from income properties held by the Group, property management support, and fee revenue from property investment consulting.

Business model: Stock-type

Trends in net sales (by segment)

(Unit: million yen)



① Property management



Leasing

Rent collection

Building management

We provide property owners with total property management, including leasing, building management, and rent collection.

② Asset consulting



Architectural consulting

Condominium renovations

Renovations

We provide multi-faceted asset consulting through private consulting, such as real estate appraisal and real estate utilization consulting, and support customers' real estate investments over a long time span extending across lifetimes.

| Reference Materials

Company name -----	A.D. Works Group Co., Ltd.
Headquarters -----	Fifth Floor, Hibiya Kokusai Building, 2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
Establishment -----	April 1, 2020 (A.D.Works Co., Ltd., the Company's predecessor, was founded in February 1886 and incorporated in May 1936.)
Capital -----	6,262 million yen (as of December 31, 2023)
Listing date -----	Moved to TSE Prime in April 2022 Listed in the First Section of the TSE in a technical listing in April 2020 (2982) (A.D. Works, the Group's predecessor, was moved to the first section of TSE in October 2015/ Listed on the JASDAQ Securities Exchange (3250) in October 2007)
Main subsidiaries -----	A.D.Works Co., Ltd. (real estate transactions, brokerage) A.D.Partners Co., Ltd. (real estate management) Sumikawa ADD Co., Ltd. (renovation work, repair work) Angel Torch Co., Ltd. (corporate venture capital business, finance arrangement business) Jupiter Funding Co., Ltd. (financing utilizing crowd funding and other) A.D.Works USA, Inc. (management of US subsidiaries) ADW-No.1 LLC (US property income business) ADW Management USA, Inc. (US property income management business) ADW Hawaii LLC (property income business in Hawaii, USA)

The Group, which started as the Aoki Dyeing Works in 1886, has changed with the times and now operates its business on the TSE's Prime Market



Founding

1886

A.D.Works, the Company's predecessor, was founded as Aoki Dyeing Works, a dyeing business, in 1886



Listing

October 2007

The Company's predecessor, A.D.Works, was listed on JASDAQ in October 2007 and the first section of TSE in October 2015; the Company was established through sole share transfer in April 2020



Market

TSE Prime



Number of employees (consolidated)

232 people

as of December 31, 2023



Number of Group companies

14 companies

as of December 31, 2023



Office



Tokyo·Osaka



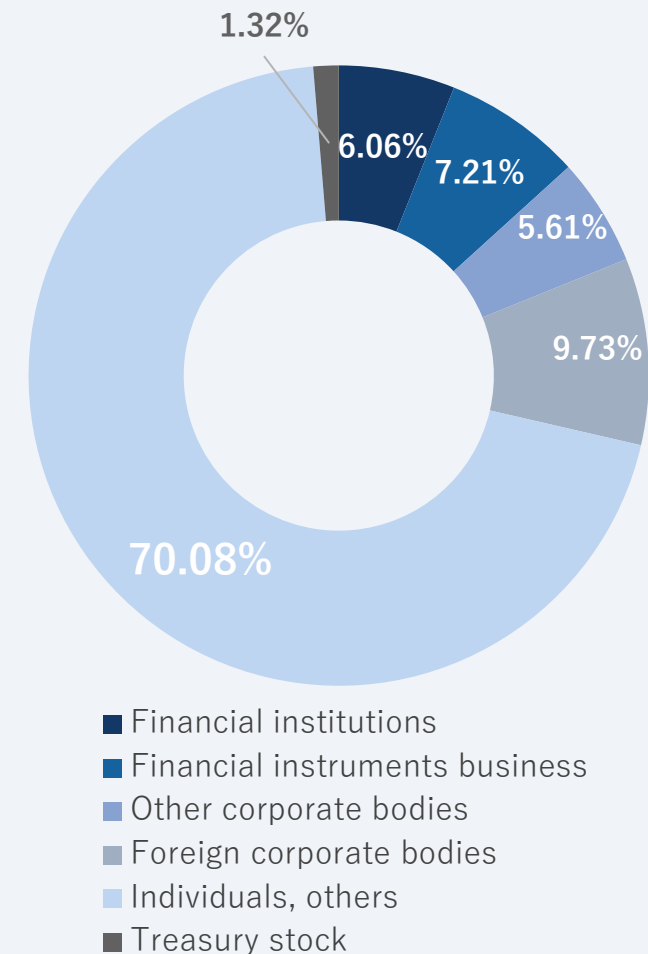
Los Angeles, USA

Operates business in Japan and overseas

- 1** Number of issued shares **49,649,764 shares**
- 2** Number of shareholders **22,339**
- 3** Major shareholders(as shown in table below)

No.	Shareholder name	Percentage of shareholdings
1	Hideo Tanaka	10.19%
2	Liberty House Co., Ltd.	3.97%
3	SBI Securities Co., Ltd.	3.65%
4	JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO	3.16%
5	The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust)	2.36%
6	The Master Trust Bank of Japan, Ltd. (Trust Account)	2.19%
7	A.D.Works Group Co., Ltd.	1.32%
8	BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	1.25%
9	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	0.97%
10	Matsui Securities Co., Ltd.	0.82%

4 Allocation by owner (as shown in diagram below)



Notes on these Materials

These materials were created in order to provide an understanding of the A.D.Works 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. The A.D.Works 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 A.D.Works Group and information that we judge to be rational. The data contained in these materials contains publicly-available information that we judge to be trustworthy and accurate, however the A.D.Works Group does not guarantee the accuracy and correctness of this information.

| Inquiries

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