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A.D.Works Group Co., Ltd.

(Tokyo Stock Exchange Prime: 2982)

Financial Results Briefing for the Second Quarter of the Fiscal Year Ending December 31, 2026 (For Institutional Investors and Analysts) Transcript

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A.D.Works Group Co., Ltd.

IR Briefing Materials: Second Quarter of Fiscal Year Ending December 31, 2026

August 6, 2026

TSE Prime, Code: 2982

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[Tanaka]

I am Tanaka, President and CEO of A.D.Works Group.

Thank you very much for taking time out of your busy schedules to participate in our earnings briefing today.

Today, I will provide an explanation using the earnings presentation materials for the second quarter of the fiscal year ending December 31, 2026, which were disclosed on August 6, 2026.



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Today, I will explain three main points, focusing on items 1 through 3 in this table of contents.

First, I will discuss the highlights of our second-quarter financial results for the fiscal year ending December 31, 2026.

Next, I will explain the specific progress we have made on our growth strategies.

Finally, I will provide an overview of our consolidated financial results.

01 | Highlights of Second Quarter of Fiscal Year Ending December 31, 2026



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Now, let me begin by explaining the highlights of the second quarter earnings for the fiscal year ending December 31, 2026.

For those of you viewing the materials, please turn to page 4.



TOPIC 1 : Operating income achieved 58.5% of the plan / Income before taxes 80.6%

Driven by the domestic single-building resale business, operating income reached 2.51 billion yen / 58.5% of full-year plan achieved.

With the finalization of business transfer consideration for a subsidiary, 1.74 billion yen was recorded as extraordinary income (including amount recorded in Q1), resulting in income before taxes of 3.62 billion yen / 80.6% of plan achieved.



TOPIC 2: Domestic single-building resale business drove company-wide performance, with balance also secured

Net sales of 23.05 billion yen (124.5% YoY) / Gross profit of 3.91 billion yen (135.9% YoY).

Marginal profit on sales reached 3.66 billion yen against the full-year target of 6.9 billion yen (over 50% progress), progressing steadily.

Sufficient balance of real estate for sale secured. Covering the revision of office unit sales business revenue to support achievement of full-year plan.



TOPIC 3: Business portfolio strategy adapted to external environment

[Office Unit] Although full-year sales are revised to 6.0 billion yen, sales are expected to expand 10-fold compared to the previous fiscal year. Quarterly sales are on a growth trajectory (QoQ +61.3%), targeting 10.0-15.0 billion yen next fiscal year.

[Small-lot] Financial institutions continue their cautious stance. Future plans will be considered based on sales trends after the tax system is finalized.

[Energy Storage] In response to favorable supply-demand adjustment market conditions, acquisition target expanded from 10 sites to 15 sites

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The highlights cover three topics.

The first point concerns progress against the plan in the second quarter.

In the second quarter, the single-building income property sales business drove company-wide performance, with operating income reaching 2,500 million yen and a progress rate of 58% against the plan.

Additionally, as we have previously announced, the transfer consideration for the subsidiary's property management business has been finalized, and 1,740 million yen has been recorded as extraordinary income. As a result, income before taxes was 3,600 million yen, with a progress rate of 80% against the plan.

The second point concerns the domestic single-building income property sales business, which continues to perform well following the first quarter.

Net sales were 23,000 million yen and gross profit was 3,900 million yen, both exceeding the same period of the previous year.

We have also secured a sufficient balance of real estate for sale, which will cover the revised plan for the office unit sales business that I will explain later, and support the achievement of the company-wide full-year plan.

The third point concerns our business portfolio strategy aligned with the external environment and growth.

Following the announcement of the FY2026 Tax Reform Outline in December 2025, we positioned the small-lot real estate product business in a temporary adjustment phase for this fiscal year while setting forth a policy to accelerate the growth of the office unit sales business.

We also announced in February that we would update the future plans for both businesses around summer based on sales trends.

Under these circumstances, for the office unit sales business, as a certain period of time is required for preparing properties for sale and training sales personnel, we have revised the full-year net sales plan from 10,000 million yen to 6,000 million yen.

On the other hand, even with the revised plan, net sales will be approximately 10 times the previous fiscal year, and quarterly net sales are also on a growth trajectory.

Furthermore, as the development of the business foundation is progressing steadily, we have set the plan for the next fiscal year at a minimum of 10,000 million yen, with a target of up to 15,000 million yen if property procurement and training of sales personnel progress as planned.

I will explain the details of this later.

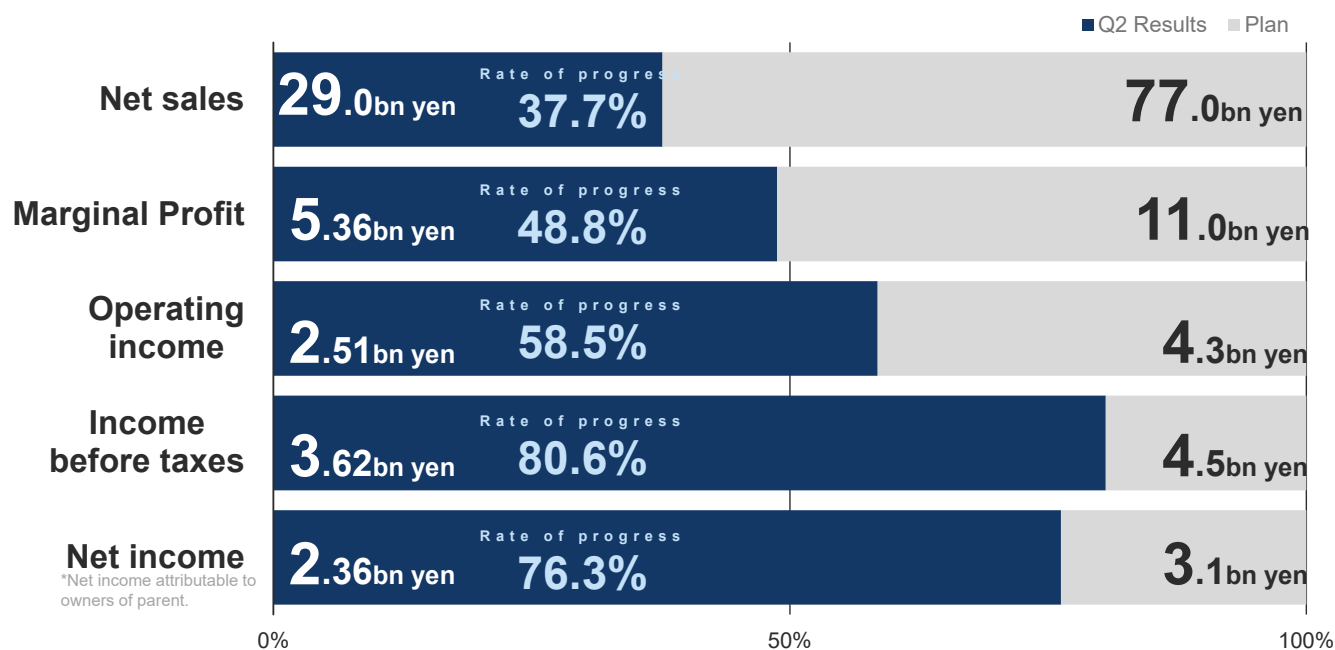
As for the small-lot real estate product business, financial institutions serving as our sales channels, as well as customers, remain cautious about investment decisions, and we have determined that it is difficult to formulate future plans at this time.

Therefore, we plan to formulate future plans based on the finalization of the tax reform details and subsequent sales trends.

As for the grid-scale energy storage business, a new business, in response to the favorable operating and procurement conditions, we have decided to increase our target to 15 sites by the end of 2026.

Driven by the domestic single-building resale business, operating income achieved 58.5% progress.

With the finalization of extraordinary income from business transfer of a consolidated subsidiary, 1.74 billion yen was recorded (including amount recorded in Q1),
Income before taxes achieved 80.6% progress against plan.



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Now let me explain the details of each topic.

First is the progress of each indicator against the full-year plan.

Net sales were 29,000 million yen, marginal profit was 5,300 million yen, and operating income was 2,500 million yen.

The higher progress rate of operating income compared with net sales was primarily attributable to the sale of properties with relatively high profit margins in the single-building income property sales business.

In addition, income before taxes was 3,600 million yen and net income was 2,300 million yen, showing favorable progress against the full-year plan.

This is because, as I explained earlier, the consideration from the business transfer of the subsidiary was finalized and 1,740 million yen was recorded as extraordinary income, which was already incorporated into the plan at the beginning of the fiscal year.

For the second half of the fiscal year, we will aim to achieve the full-year results plan, centering on the single-building income property sales business.

On the other hand, the single-building income property sales business has considerable quarterly performance volatility, and specifically, depending on negotiations over settlement timing, performance may be weighted toward the fourth quarter.

The Company will pursue optimal sales conditions for each deal and aim to achieve the full-year plan by year-end.

This concludes the explanation of the second quarter business results.

Based on the steady progress of the full-year performance plan, the interim dividend will be paid as announced (10 yen/share).

	Dividend per Share (yen/share)		
	Interim	Year end	Total
Previous forecast (2/12)	10.0	10.0	20.0
Current forecast (8/6)	-	10.0	20.0
Current period results	10.0	-	-
Previous period results	6.0	10.0	16.0

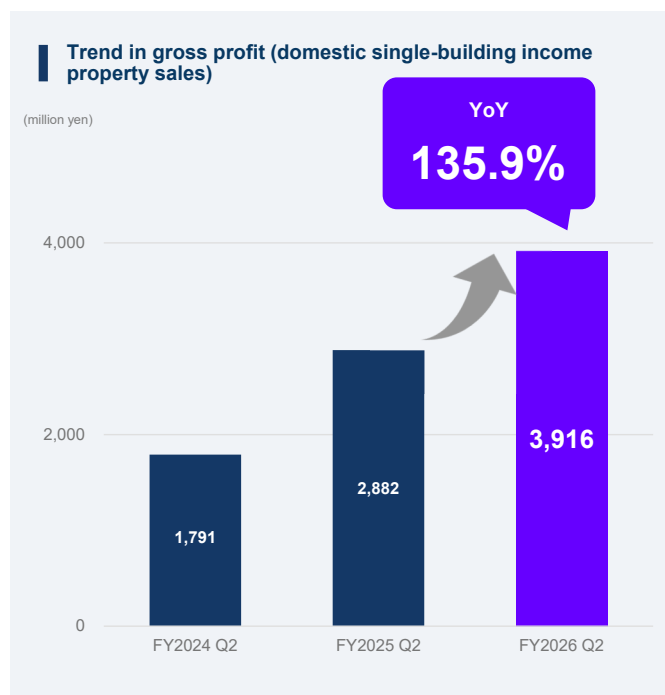
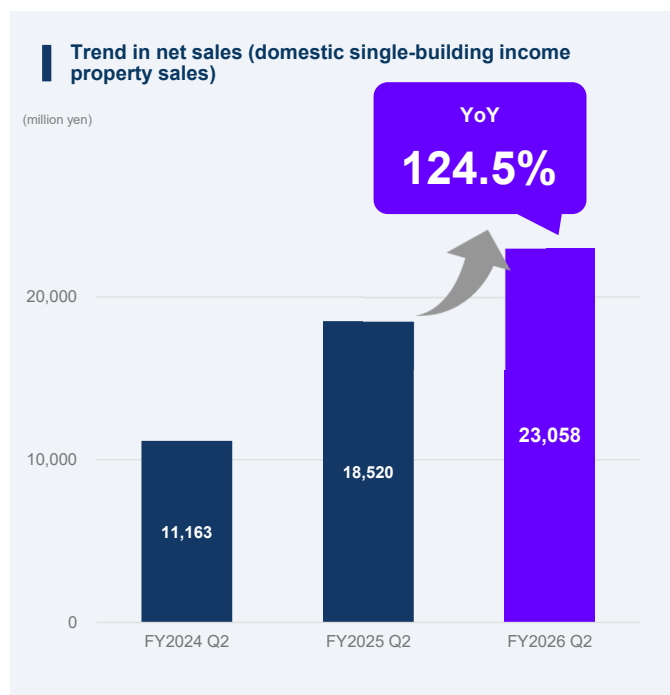
Next, I will discuss dividends.

Based on the steady progress of the full-year results plan, the interim dividend has been set at 10 yen per share as initially forecast.

The year-end dividend forecast is also set at 10 yen, and the annual dividend forecast is 20 yen, representing an increase of 4 yen from the previous fiscal year's actual dividend of 16 yen.

Q2 continued to drive company-wide performance, achieving increases in both sales and profit.

Focusing on expanding sales within the year to cover the revision of office unit sales and achieve the full-year plan.



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Next is the domestic single-building income property sales business.

It continues to drive company-wide performance.

Net sales were 23,000 million yen, 124% year-on-year, and gross profit was 3,900 million yen, 135% year-on-year, with gross profit growth exceeding that of net sales.

This reflected the success of initiatives to improve profitability throughout the business process, from property acquisition and value enhancement through to sale, as well as the sale of properties with relatively high profit margins.

We have secured a sufficient balance of real estate for sale for the second half of the fiscal year as well, and we will expand sales toward achieving the company-wide full-year plan while compensating for the revised plan for the office unit sales business.

With progress in developing the sales foundation and sales channels, Q2 net sales increased 61.3% QoQ, continuing growth. For FY2026, although the net sales plan is revised to 6.0 billion yen, this represents significant expansion compared to the previous fiscal year's net sales of 620 million yen. For FY2027, we aim for net sales of 10.0 billion yen or more, backed by securing properties for sale and strengthening the sales foundation.

FY2026 outlook and growth expansion in FY2027

FY2025| Launch

- As a new business, full-scale operations commenced from Q4.

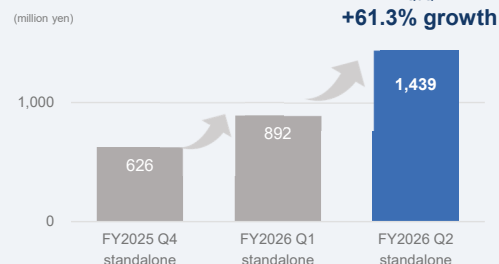
FY2026 | Transition to growth

- In response to changes in the small-lot business environment, the plan was raised ahead of schedule at the beginning of the period. Sales personnel expanded.
- With progress in developing sales personnel and product penetration into sales channels, quarterly net sales are on a growth trajectory.
- On the other hand, considering that preparation of properties for sale and personnel development for the plan increase require a certain period, the net sales plan is revised from 10.0 billion yen to 6.0 billion yen; however, compared to the previous fiscal year Q4's 620 million yen, net sales are expected to expand significantly by approximately 10-fold.

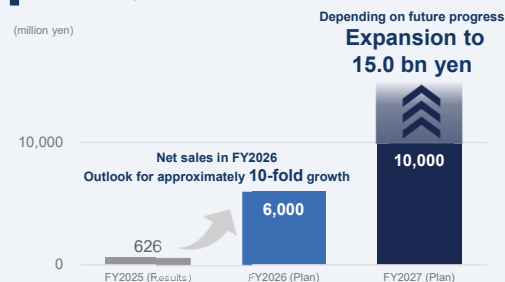
FY2027 | Growth expansion

- Approximately 10.0 billion yen of properties for sale for FY2027 already secured (including scheduled settlements). Further promoting development of sales personnel and product penetration into sales channels.
- The net sales plan sets 10.0 billion yen as the floor, and if recruitment, training, and property acquisition progress as planned, we aim for growth expansion up to 15.0 billion yen in net sales.

Trend in quarterly net sales



Net sales plan for FY2026 - FY2027



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Next is the office unit business.

This business commenced full-scale operations from the fourth quarter of the previous fiscal year.

In light of changes in the external environment surrounding the real estate fractional ownership business, we established a challenging initial net sales plan of 10,000 million yen in order to accelerate the growth of this business.

Currently, considering that a certain period of time is required for preparing properties for sale corresponding to the initial plan and for training the expanded sales personnel, we have revised this fiscal year's plan from 10,000 million yen to 6,000 million yen.

On the other hand, although the plan was revised, we have been growing steadily over the past six months.

Net sales for Q2 standalone grew 61% compared with Q1, and even under the revised full-year plan, net sales are expected to be 10 times the previous fiscal year's net sales of 600 million yen.

Therefore, the business remains on a growth trajectory, and we recognize that the transformation of our business portfolio is progressing steadily.

In addition, for the next fiscal year, we have already secured approximately 10,000 million yen of properties for sale, including properties scheduled for settlement, and will continue to strengthen personnel development and product penetration through our sales channels.

Based on these factors, we have set the net sales plan for the next fiscal year at a minimum of 10,000 million yen.

In addition, if the recruitment and training of sales personnel and the acquisition of properties for sale progress as

planned, we aim to grow net sales to 15,000 million yen.

The revision of the net sales plan for this business will be covered by the single-building resale business, and we aim to achieve the Group's full-year plan. This concludes my explanation of the second-quarter highlights.

02 | Progress with Growth Strategies



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Next, I will explain three main points regarding the progress of our growth strategies.

Secured 6 sites for energy storage plant development in Q2. The first energy storage plant commenced full-scale operation from June.
Decided on additional investment in 5 new sites, aiming to secure 15 sites. Deploying capital flexibly to expand revenue opportunities.

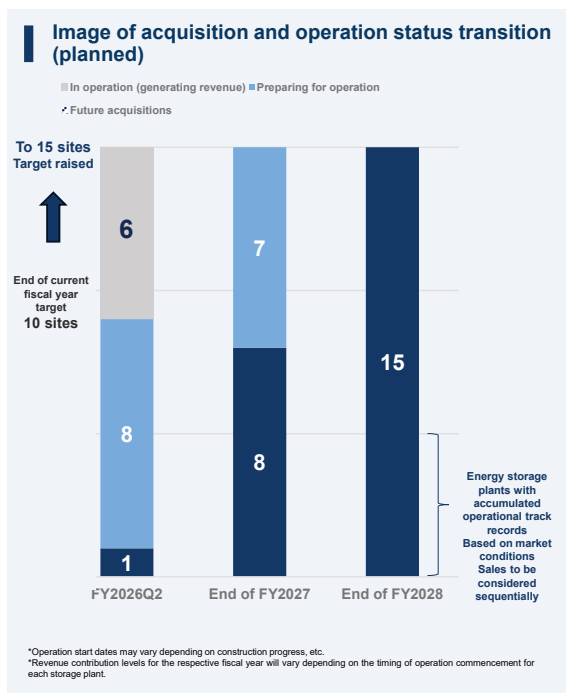


Image of revenue generation (company estimate)

Combining market operations and sales according to market stability and maturity

Continuous operating revenue
through operations in the electricity market (*1)
Revenue expands gradually as operating sites accumulate

Estimated operating profit:
(Before depreciation)

Approx. 0.8 billion - 1.3 billion yen/year

(Estimate based on assumption of holding an average of 11 operating energy storage plants per year)

Sales of energy storage plants and asset turnover
according to market conditions (*2)
Realizing value through sales. Reinvesting recovered funds into the next projects

Estimated unrealized gain:

Approx. 1.7 billion yen

(Estimate based on assumption of holding 15 operating energy storage plants)

*1 Estimate assuming an average of 11 operating energy storage plants held per year (considering acquisition, construction progress, sales, etc.), with all 11 operating year-round at the same investment scale and facility specifications as the operational "ADW Mie Matsuoka City Energy Storage Plant." Calculated by deducting operating expenses from operating revenue based on the operating results of "ADW Mie Matsuoka City Energy Storage Plant," with multiple assumptions regarding transaction price levels in the supply-demand adjustment market. This estimate does not indicate upper or lower limits of revenue or earnings forecasts, and actual operating revenue may differ significantly due to future regulatory changes, market conditions, operating status of each energy storage plant, etc.

Note that this estimate is presented before deduction of depreciation expenses in order to supplementarily show profitability at the operational stage of each energy storage plant with different operation start times on a common basis. At present, energy storage plant facilities are recorded as fixed assets and depreciated primarily using the declining balance method. Therefore, depreciation expenses are large in the early stages of operation and decrease over the holding period, and the amount recorded in each period varies depending on the operation timing of each site.

*2 The "estimated unrealized gain" in this material is the Company's estimate, calculated by conservatively estimating the "estimated unrealized gain" per project based on the difference between the appraised value of the "ADW Mie Matsuoka City Energy Storage Plant" and the estimated investment amount per project (assuming an investment scale and facility specifications equivalent to those of the "ADW Mie Matsuoka City Energy Storage Plant"), and then assuming that such gain arises at 15 sites. Appraisals have not been obtained for the 14 sites other than the plant already in operation, and this estimate does not represent profit recognized for accounting purposes or unrealized gains for accounting purposes. It also neither indicates nor guarantees future appraised values, sale prices, the feasibility of any sale, or the occurrence or realization of any gain on sale.

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First is the grid-scale energy storage business.

In the second quarter, we acquired six development sites, bringing the cumulative total to nine sites. In addition, the No. 1 project commenced full-scale operations from June and is steadily accumulating track records.

Based on the strong procurement and operational status, we decided on additional investment in five more sites and raised the target from the previous 10 sites to 15 sites.

In addition, we present on the right side of the slide two perspectives on the image of revenue generation anticipated after securing 15 sites.

The first is the generation of ongoing revenue through operations in the electricity market.

Assuming approximately four sites are sold for asset turnover and an annual average of 11 sites are operational, we estimate approximately 800 to 1,300 million yen annually.

The second is the sale of grid-scale energy storage plants held by the Company. We estimate approximately 1,700 million yen in unrealized gains, assuming that the Company holds 15 sites.

Going forward, we will make flexible decisions on asset turnover while assessing demand from external investors for energy storage facilities and the development of the trading market.

All figures are reference estimates based on certain assumptions, but the Company views this business as a growth business that has the potential to make a meaningful earnings contribution over the medium to long term.

Early entry into a growth market with high profitability potential accelerates a virtuous cycle of strengthened competitiveness through track record accumulation.

Focusing on this as a new growth business expected to contribute to profits over the medium to long term.

Battery storage business market with high growth potential

- 1 Battery storage business market size projected to grow approximately 10 times over 6 years
FY2024: 45.0 billion yen → FY2030: 424.0 billion yen (*)
- 2 National policies promoting renewable energy expansion drive growth
- 3 Market is in its formative stage with limited operational storage plants

*Source: Yano Research Institute Ltd. "Survey on Battery Storage Business Market (2025)"
(Announced January 20, 2026) (Based on operator revenue)



Virtuous cycle of strengthened competitiveness through early entry

- 1 Early entry leveraging land acquisition capabilities and rights coordination capabilities
- 2 Increased opportunities for selecting and acquiring quality projects
- 3 Early accumulation of business know-how
- 4 Building strong relationships with business partners

Growth strategy aligned with market phases

Achieve high operating income during the market formation stage.

Expand to capture sales revenue and fee income in line with market growth stages.

Aim for revenue diversification and improved capital efficiency while maintaining acquired competitiveness.

This slide explains the market environment for grid-scale energy storage plants and the Company's competitive strengths. Grid-scale energy storage plants are becoming increasingly important as infrastructure supporting the broader deployment of renewable energy. In addition, with electricity demand expected to increase due to the growing use of AI and data centers, the market is expected to continue expanding.

According to external research, the market size, measured on the basis of operator revenue, is projected to grow from 45.0 billion yen in FY2024 to 424.0 billion yen in FY2030.

By entering the market at a relatively early stage, we have been working to strengthen our competitiveness.

Specifically, we are securing projects by leveraging the land acquisition capabilities, rights coordination capabilities, and investment project selection expertise developed through our real estate business. At the same time, we are building strong relationships with various business partners by accumulating operational track records and business know-how at an early stage.

As a result of these track records and relationships, we are gaining access to a broader range of project opportunities, leading to increased opportunities to select and acquire high-quality projects.

From the market formation stage to early growth stage, achieve high operating income through proprietary holdings while promoting business scale expansion.

During the market's stable growth stage, aim for revenue diversification and improved capital efficiency through sales gains to external investors and AM fee income.



*The diagram is illustrative and does not indicate the scale or ratio of each revenue.

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The grid-scale energy storage plant market is still developing, and we intend to build revenue models suited to each phase of market growth.

In the current market formation phase, we prioritize generating revenue from the operation of Company-owned energy storage plants while accumulating operational track records and business know-how.

As the market enters the early growth phase, we will leverage our accumulated track record and expertise to explore opportunities to expand into fee-based businesses, including joint ventures and development support services.

As the market transitions to a stable growth phase, we will assess demand from external investors and make agile decisions on whether to retain or sell energy storage plants.

In doing so, we aim to diversify our revenue sources and improve capital efficiency by capturing not only gains on sales but also asset management fees through post-sale mandates.

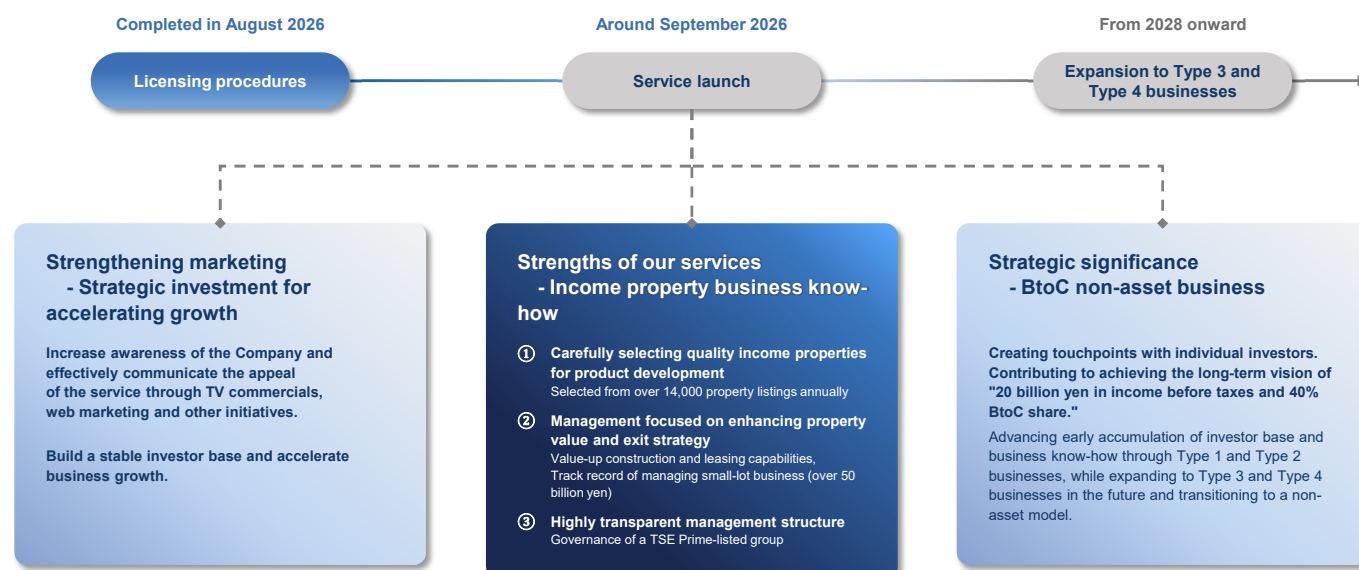
We will continue to position the grid-scale energy storage business as a medium-term growth business and steadily advance our initiatives. We hope you will look forward to our future progress.

Obtained licenses and approvals required to start the business.

Service launch scheduled for around September.

Effectively communicate strengths to investors through strategic marketing and accelerate building an investor base.

Aim to open multiple funds for subscription in the second half of FY2026.



* Approval from the Commissioner of the Financial Services Agency and the Minister of Land, Infrastructure, Transport and Tourism for the commencement of electronic transaction business pertaining to Article 2, paragraph (4), items (i) and (ii) of the Real Estate Specified Joint Enterprise Act.

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The second topic is real estate crowdfunding.

On August 4, we completed the licensing and approval procedures required to commence the business.

The service is scheduled to launch around September, and we aim to offer multiple funds for subscription during the second half of the fiscal year.

We will leverage the expertise and track record we have developed over many years in the income property business to offer high-quality investment products.

Through television commercials and web marketing, we will raise awareness of the Company and effectively communicate the appeal of our service. By doing so, we aim to build a stable investor base and expand our market share.

For the time being, we will expand the business through Type 1 and Type 2 businesses under the Real Estate Specified Joint Enterprise Act, building our investor base and accumulating operational expertise.

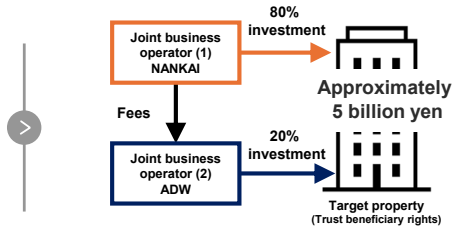
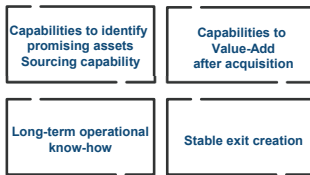
In the future, we aim to transition to a non-asset revenue model by expanding into Type 3 and Type 4 businesses utilizing special purpose companies, or SPCs.

Concluded an acquisition contract for a large-scale property worth approximately 5 billion yen jointly with NANKAI Co., Ltd.

Promoting expansion of revenue opportunities and improved capital efficiency through "expansion into large-scale resale business" and "AM mandates."

Aim to continuously build track record at a pace of 3-4 projects per year.

Leveraging strengths developed in existing real estate businesses



- Future developments - Expanding mandates as a value-added asset manager

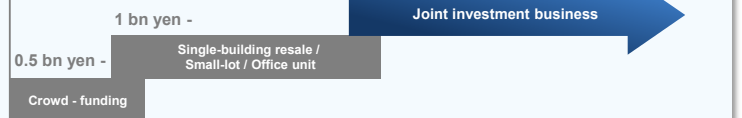
Also promoting consideration of third and subsequent projects. Aim to build track record with a target of 3-4 projects per year and expand AM mandates from domestic and overseas business companies and institutional investors.

New revenue (1)

Expanding business scope to projects over 5 billion yen

Entering the large-scale resale business of over 5 billion yen, which was previously difficult to enter due to funding constraints. Long-term holding projects aimed at maximizing property value are also possible.

Image of business scope expansion



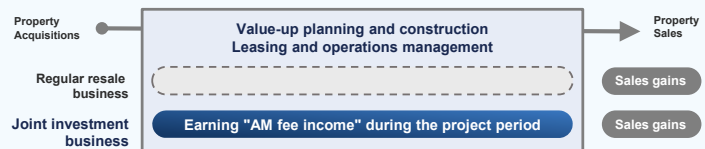
Expanding scope to projects over 5 billion yen and long-term projects

New revenue (2)

Earning asset management mandate fees

Mandated for AM operations including acquisition, planning, construction management, leasing, and sales. Extending strengths of existing real estate businesses into the AM domain. Earning fee income in addition to property sales gains proportional to investment share.

Image of expanded revenue opportunities



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The third topic is the joint investment business.

Under this scheme, we jointly invest in large-scale properties valued at more than 5 billion yen with major corporate partners seeking to expand their real estate businesses, while the Company provides asset management services.

As our first partner in the joint investment business, we decided to undertake joint investments with NANKAI, a major private railway company operating in the Kansai region.

Following Project No. 1, Project No. 2 has an investment ratio of 80% for NANKAI and 20% for the Company.

This scheme has two major strategic benefits for the Company.

The first is that it enables us to expand our business scope to include large-scale properties valued at more than 5 billion yen.

This allows us to pursue large-scale projects and projects requiring longer holding periods, which had previously been difficult to undertake due to financial constraints.

The second is that it enables us to leverage our strengths by providing value-add asset management services.

Under this model, we can earn not only gains on sales in proportion to our investment share, but also asset management fees during the project period. In this way, we aim to expand our revenue opportunities and improve capital efficiency.

Going forward, we aim to build a track record of three to four projects per year and expand asset management mandates from domestic and overseas corporate and institutional investors.

Overview of Consolidated Financial Results for Q2 of FY2026



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Finally, I will provide an overview of our consolidated financial results for the second quarter.

The domestic single-building resale business continued to expand strongly, with operating income achieving 58.5% progress against the plan.

Extraordinary income of 1.74 billion yen was already factored into the initial plan; income before taxes progress of 80.6% is within expectations.

(Unit: million yen)

	FY2026 Q2 (Results)	FY2026 Initial plan (2/12)	
			Rate of progress
Net sales	29,000	77,000	37.7%
Operating income	2,515	4,300	58.5%
Income before taxes	3,626	4,500	80.6%
Net income*	2,363	3,100	76.3%

*Net income attributable to owners of parent

Progress against the full-year plan is as explained earlier.

Net sales were 88.0% YoY, and operating income was 85.2% YoY.

Recording extraordinary income from the business transfer of a consolidated subsidiary, income before taxes was 141.1% YoY, and net income was 147.1% YoY.

(Unit: million yen)

	FY2026 Q2 (Results)	FY2025 Q2		FY2024 Q2	
			YoY		vs. 2YA
Net sales	29,000	32,965	88.0%	20,814	139.3%
Operating income	2,515	2,954	85.2%	1,820	138.2%
Income before taxes	3,626	2,569	141.1%	1,467	247.1%
Net income *	2,363	1,607	147.1%	915	258.1%

*Net income attributable to owners of parent

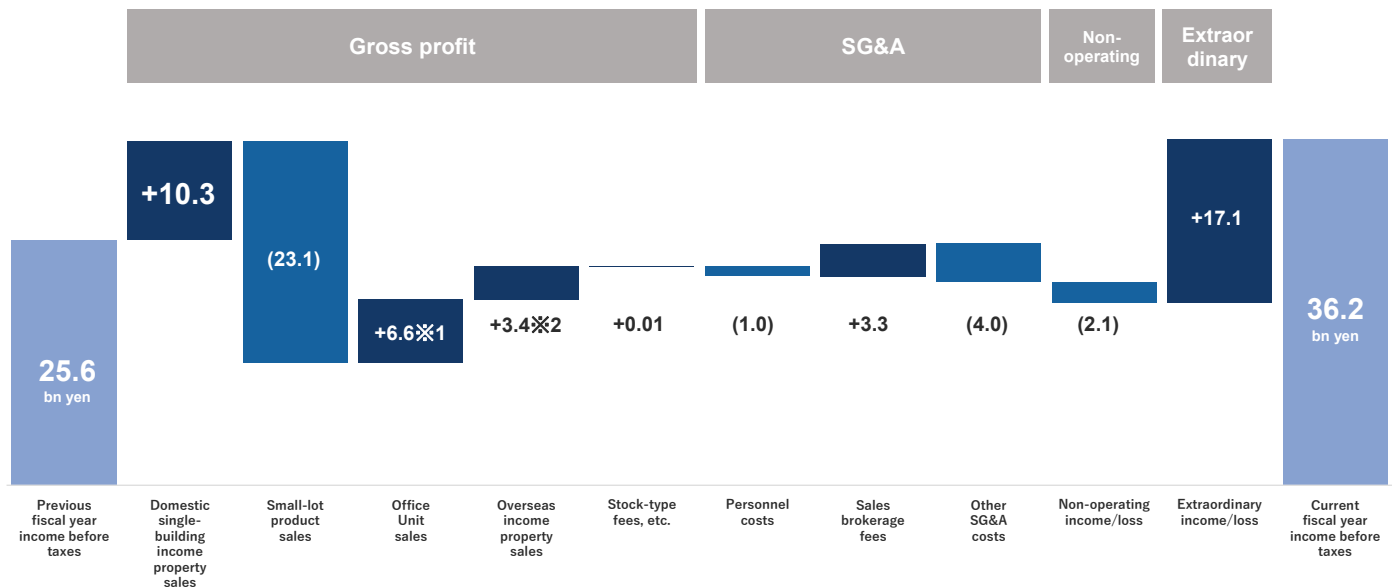
This slide compares our results with those for the same period of the previous fiscal year.

As anticipated in the initial plan, net sales and operating income decreased year on year due to the decline in the small-lot real estate product business. However, income before taxes and net income increased due to the extraordinary gain arising from the business transfer.

Domestic single-building resale business continued to perform strongly.

Small-lot real estate product sales decreased in profit due to the impact of the Tax Reform Outline, but office unit sales grew.

Recorded extraordinary income of 1.74 billion yen from the business transfer of a subsidiary (PM business for external owners).



*1 Office unit sales had no sales results from Q1 to Q3 of the previous fiscal year.

*2 Overseas property sales: gross profit for Q2 of the previous fiscal year was -0.41 billion yen (due to the recording of a write-down of inventories).

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This slide provides an analysis of year-on-year changes in income before taxes.

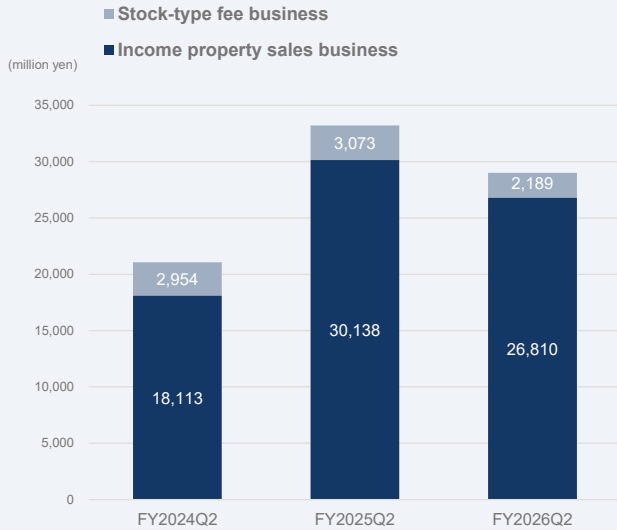
In terms of gross profit, the small-lot real estate product business recorded a decrease of 2,310 million yen. By contrast, the domestic single-building resale business and the office unit sales business made positive contributions of 1,030 million yen and 660 million yen, respectively, partially offsetting the decline in the small-lot real estate product business. In the overseas real estate business, an inventory valuation loss of approximately 400 million yen was recorded in the previous fiscal year. The absence of a comparable valuation loss in the current period was therefore a positive factor in the year-on-year comparison.

Primarily due to the extraordinary gain from the business transfer, extraordinary gains and losses improved by 1,710 million yen. As a result, income before taxes increased from 2,560 million yen in the same period of the previous fiscal year to 3,620 million yen.

Operating income of the income property sales business maintained a level comparable to the same period of the previous fiscal year, driven by single-building resale.

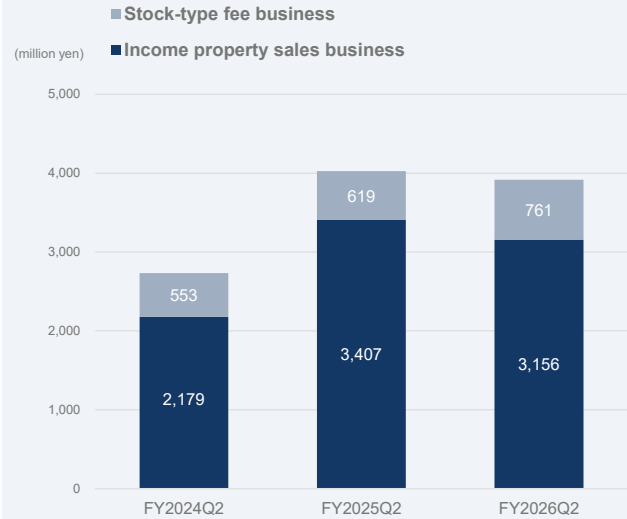
Net sales in the stock-type fee business decreased due to business sales (construction work business and external PM business).

Fluctuations in net sales (by segment)



*The figures shown here include figures related to internal transactions

Fluctuations in operating income (by segment)



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This slide shows net sales and operating income by segment.

As explained earlier, in the income property sales business, growth in the domestic single-building resale business offset much of the decline in small-lot real estate product sales, keeping operating income at a level broadly comparable to the same period of the previous fiscal year.

Net sales in the stock-type fee business decreased compared with the previous fiscal year due to the divestiture of certain businesses.

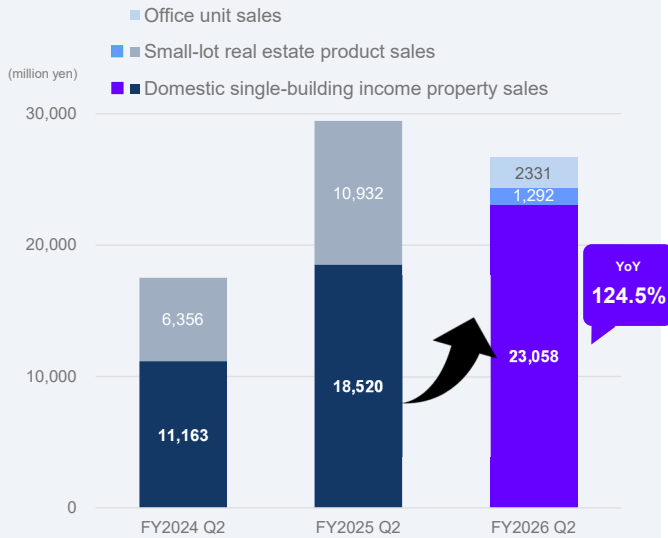
On the other hand, operating income increased, mainly due to higher rental income resulting from an increase in the number of properties held by the Company.

The domestic single-building resale business achieved steady increases in sales and profit.

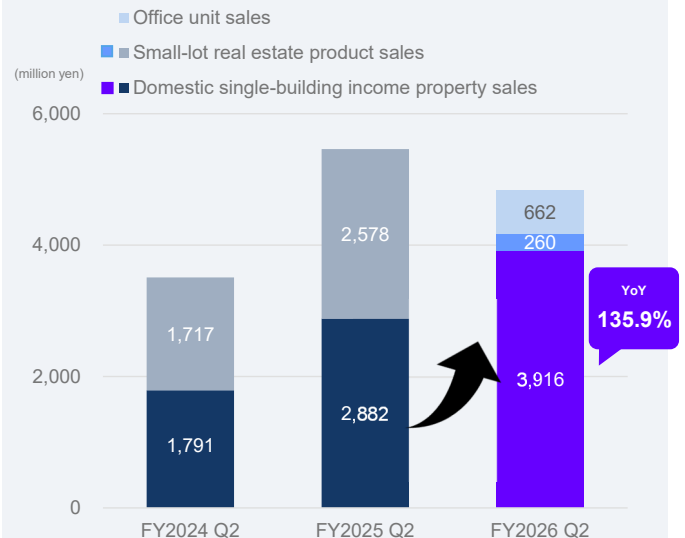
The office unit sales business is also on a growth trajectory.

Future plans for the small-lot real estate product sales business will be formulated after confirming the details of the tax reform (expected around November) and assessing sales trends and customer referral trends from financial institutions.

Trend in net sales (breakdown of domestic income property sales)



Trend in gross profit (breakdown of domestic income property sales)



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This slide provides a breakdown of domestic income property sales.

As already explained, the domestic single-building resale business achieved increases in both net sales and gross profit, while the office unit sales business is also growing.

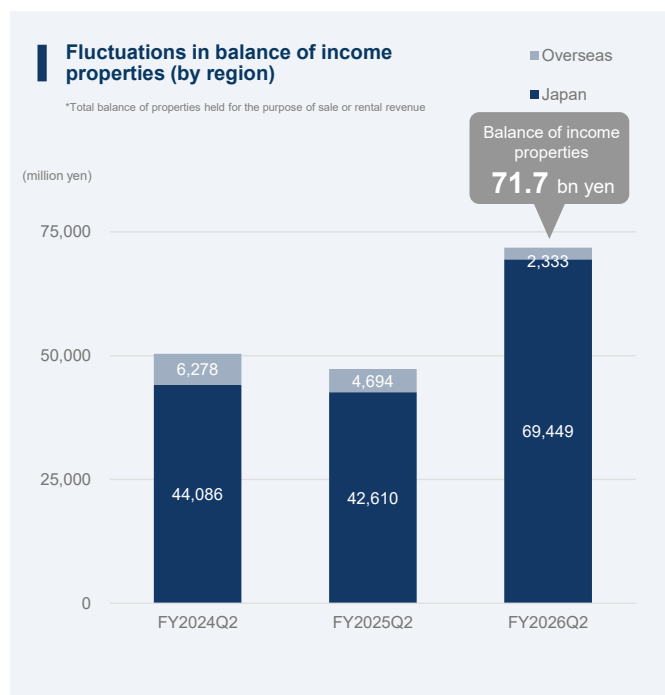
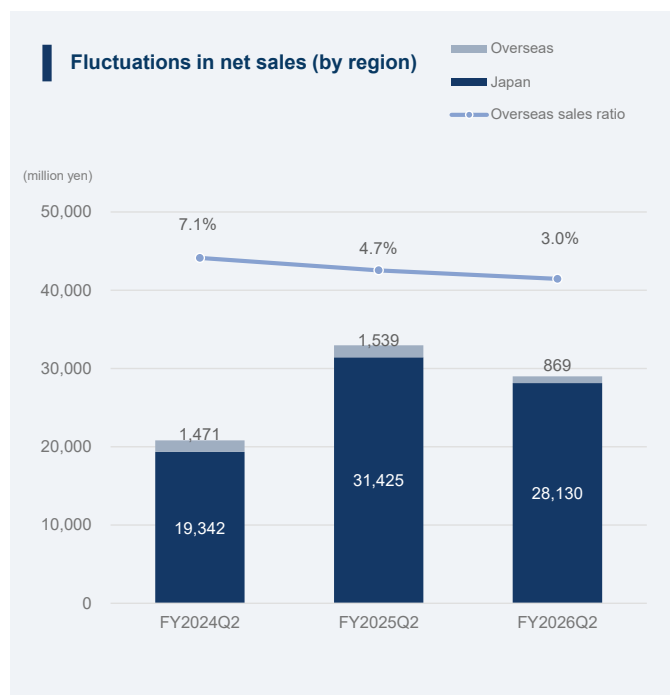
The small-lot real estate product business was affected by the announcement of the Tax Reform Outline at the end of last year, resulting in decreases in both net sales and gross profit.

In addition, both customers and the financial institutions that serve as our sales channels remain cautious.

Accordingly, we plan to formulate our future strategy after the details of the tax reform are finalized, which is expected around November, and after assessing subsequent sales trends.

Due to continued high interest rates in the U.S., the overseas business strategy is currently under review.

Acquisitions of domestic income properties expanded,
securing revenue sources for the second half and beyond.



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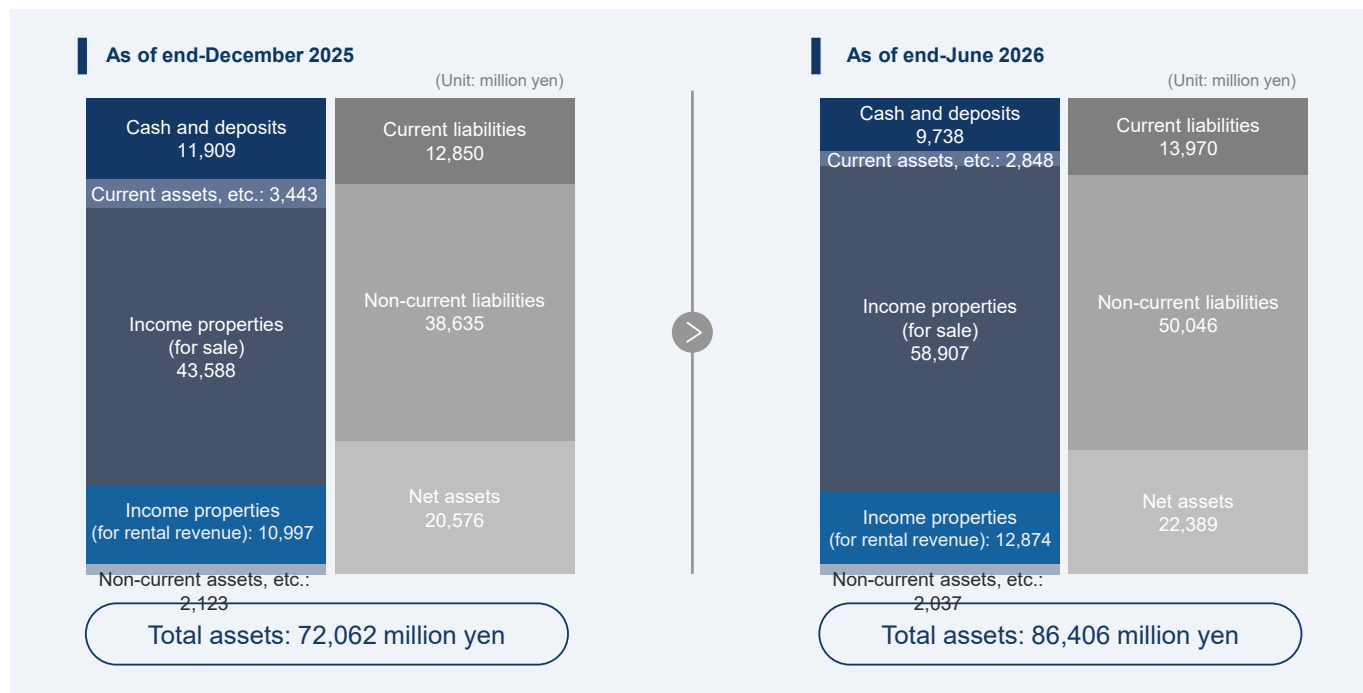
22

By region, we are reviewing our overseas business strategy in light of the continued high interest rate environment in the United States.

In Japan, we have made steady progress in acquiring income properties, securing a source of earnings for the second half of the fiscal year and beyond.

Due to increased borrowings associated with strong acquisitions, the equity ratio was 25.9%.

We will strive to maintain financial soundness through planned acquisitions and sales.



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Finally, I will provide an overview of the consolidated balance sheet.

Total assets at the end of June were 86,400 million yen, an increase of approximately 14,000 million yen from the end of December 2025.

The primary factor behind the increase was the expansion of our income property holdings.

As a result, borrowings increased, and the equity ratio was 25.9%.

The Company targets an equity ratio of approximately 30% at fiscal year-end and will continue to maintain financial soundness through disciplined acquisitions and sales.

This concludes my presentation. Thank you very much.

[Questioner]

Regarding the joint investment business with NANKAI, are the target properties sourced from NANKAI's existing portfolio, or does the Company identify and source the properties independently? Could you explain how the arrangement works?

[Tanaka]

It is the latter. The Company obtains information on large-scale properties, prepares business plans, and presents them to NANKAI.

NANKAI then reviews each proposal, and we proceed with projects on which both parties reach agreement.

Both of the projects currently underway were sourced through our own network.

[Questioner]

Should we assume that the grid-scale energy storage plants will be sold approximately two to three years from now? Alternatively, could sales revenue be generated at an earlier stage, as is the case with the existing real estate business?

[Tanaka]

We intend to rotate assets by selling approximately four operating energy storage plants and acquiring approximately four new plants.

Depending on the circumstances, rather than waiting for three years, we may sell the additional plants acquired each year. This is our current plan.

Four to five years from now, as the number of facilities we hold increases, the number of plants sold may also increase.

At present, however, we are considering a model under which we maintain a portfolio centered around 15 plants and sell approximately four of them each year.

[Questioner]

Given the rising interest rate environment, how do you view the current acquisition environment based on the results achieved in the first half of the fiscal year?

[Tanaka]

We have already accumulated a certain amount of real estate inventory intended for sale in the next fiscal year.

Accordingly, there is a possibility that we may sell some of the properties originally acquired for sale in the next fiscal year during the second half of the current fiscal year.

This is because both property acquisitions and borrowings have been progressing smoothly.

Our average borrowing rate was approximately 1.8% last year, and we expect it to be approximately 2.3% this year.

In any event, with sales turnover remaining strong, we expect the cycle of acquisitions and sales to continue to progress smoothly.

[Questioner]

I understand that, although earnings for the current fiscal year are expected to decline year on year, the Company expects to achieve its initial plan.

Looking ahead to the next fiscal year, I understand that the single-building resale business is expected to expand, while the small-lot real estate product business may bottom out in the current fiscal year and recover at some point, although the timing remains uncertain.

The office unit sales business is also expected to expand, and the grid-scale energy storage business and real estate crowdfunding business may begin to contribute to earnings.

Taken together, this gives me the impression that earnings in the next fiscal year could grow compared with the current fiscal year.

President Tanaka, from the perspective of property acquisitions and business development, how do you view the prospects for the next fiscal year?

[Tanaka]

First, as I mentioned earlier, although we expect our borrowing rate to increase by approximately 0.5 percentage points compared with the previous fiscal year, we believe we will continue to be able to secure attractive properties.

The single-building resale business remains our core business.

Our product development and planning capabilities have continued to improve, and we believe we have developed capabilities that compare favorably with those of our competitors.

We therefore expect the single-building resale business to remain central to our operations in the next fiscal year.

We are also confident that the office unit sales business can continue to grow.

Regarding the small-lot real estate product business, the details of the tax reform have not yet been finalized.

They are expected to be finalized around autumn. If we have an opportunity to provide a further explanation at the next briefing or thereafter, we expect to be in a position to explain our strategy for the small-lot real estate product business for the next fiscal year in greater detail.

At the same time, the fundamental attributes of small-lot real estate products have always been major factors supporting sales.

These include their use for asset management, the ability to divide assets among heirs at the time of inheritance, and the opportunity to own high-quality real estate in central urban areas.

I believe that renewed investor recognition of these fundamental attributes could provide a sufficient basis for the business to return to growth.

The business is currently being affected primarily by an unfavorable external environment.

Once the details of the tax reform are finalized, we expect to be able to provide a clearer explanation of the business.

We also believe that, depending on subsequent developments, the small-lot real estate product business could grow beyond our current expectations in the next fiscal year.

[Questioner]

Given the current interest rate trends, what is your view of market conditions for income properties and investors' purchasing appetite?

[Tanaka]

As you are all aware, interest rates have been rising.

However, we do not believe that investors' purchasing appetite has diminished.

One reason is that inflation has become more established in Japan. In addition, most of the properties we sell are investment properties rather than properties purchased for owner occupation.

Rents are rising across residential, office, and retail properties.

Rents are generally said to lag behind inflation. However, we are seeking to respond proactively by determining appropriate rents for each property based on the inflationary environment and entering into negotiations to revise rents.

Compared with the past, tenants have been more receptive to a certain level of rent increases, given the increases in wages and corporate earnings associated with inflation.

Accordingly, we believe that we can respond adequately even if interest rates continue to rise.

In addition, although overseas investors represent only a limited portion of our investor base, many continue to view Japanese real estate as undervalued and tend to place relatively less emphasis on interest rate movements.

Therefore, if the current weakness of the yen continues, we believe that overseas investor appetite will remain resilient.

Notes Regarding This Document

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Contact

A.D.Works Group Co., Ltd. Corporate Strategy & IR Division

Mail: ir@re-adworks.com / Tel: 03-5251-7641