Summary of Earnings Report for the Fiscal Year Ended December 31, 2021

February 10, 2022

Name of listed company:	A.D.Works Group Co., Ltd.	Listed stock exchange:	Tokyo Stock Exchange
Code:	2982	URL	https://www.adwg.co.jp/
Representative:	Hideo Tanaka, President and CEO		
Contact:	Katsutoshi Hosoya, Senior Managing Director and CFO		TEL: +81-(0) 3-5251-7641
Scheduled date for the Ordinary General Meeting of Shareholders:	March 25, 2022	Scheduled date of dividend payment:	March 10, 2022
Scheduled date of filing:	March 25, 2022		
Additional material of financial results:	Yes		
Results meeting:	Yes（For analysts and institutional investors）		

(Millions of yen, rounded down)

1. Consolidated Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021–December 31, 2021)

(1) Consolidated business results (cumulative)

(%: Year-on-year comparison)

	Net Sales		EBITDA		Operating Income		Ordinary Income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2021	24,961	48.2	1,073	41.4	933	44.5	650	52.2	312	17.8
Fiscal year ended December 31, 2020	16,840	―	759	―	645	―	427	―	264	―

(Notes) 1. Comprehensive Income: Year ended December 31, 2021 674 Million yen ((927.4 %)) Year ended December 31, 2020 65 Million yen ((―%))

2. Since the Company was established on April 1, 2020, with a fiscal year ending in December, the fiscal year ended on December 31, 2020, was a nine-month financial period covering the period from April 1 to December 31, 2020. The months covered by the fiscal year ended in December 2020 (April 1 to December 31, 2020) and the fiscal year ended in December 2021 (January 1 to December 31, 2021) are different, but the year-on-year comparison for the fiscal year ended in December 2021 is presented here as reference. The year-on-year comparison for the fiscal year ended in December 2020 is not presented here.
3. The table below compares performance over the previous year.

(Reference: Year-on-year comparison) (The % figure shows year-on-year change)

	Net Sales		EBITDA		Operating Income		Ordinary Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 1, 2021–December 31, 2021	24,961	3.2	1,073	(7.2)	933	(4.8)	650	(3.6)
January 1, 2020–December 31, 2020	24,175	―	1,157	―	979	―	674	―

(Notes) 1. The figures for the period from January 1 to December 31, 2020, are the simple sum of the results in the fourth quarter of the fiscal year ended on March 31, 2020, and the results in the fiscal year ended on December 31, 2020. We have not listed net income attributable to owners of parent because the basis for tax calculation differs by quarter, meaning that the figures are not comparable on a simple sum basis.

2. Year-on-year change for the period from January 1, 2020, to December 31, 2020, is shown as "–" because we do not make a comparison over the same period in 2019.

	Net Income per Share	Diluted Net Income per Share	Net Income on Equity	Ordinary Income on Total Assets	Operating Income Margin
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2021	7.22	7.19	2.2	1.7	3.7
Fiscal year ended December 31, 2020	6.77	6.70	2.0	1.2	3.8

(Notes) Investment gain or loss on equity method: December 31, 2021 ― Million yen December 31, 2020 ― Million yen

(Notes) 1. Since the Company was established on April 1, 2020, through a sole share transfer, the year-on-year comparison for the fiscal year ended in December 2020 is not presented here.

2. The fiscal year ended in December 2020 was an irregular nine-month financial period. As a result, the equity ratio and the ratio of ordinary income to total assets (ROA) are calculated based on results for these nine months. When converted to a twelve-month period, the equity ratio would be 2.7% and the ROA would be 1.6%.

(2) Consolidated financial conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
Fiscal year ended December 31, 2021	42,047	14,817	35.1	316.36
Fiscal year ended December 31, 2020	35,850	13,216	36.8	330.25

(Notes) Equity: December 31, 2021 14,776 Million yen December 31, 2020 13,203 Million yen

2. Dividend Information

	Dividend per Share					Dividends (total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q	Interim	3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	¥ millions	%	%
Fiscal year ended December 31, 2020	—	0.00		2.63	2.63	106	38.8	0.8
Fiscal year ended December 31, 2021	—	0.00	—	3.50	3.50	164	48.5	1.1
Fiscal year ending December 31, 2022 (estimate)	—	—	—	3.50	3.50		—	

(Notes) 1. Correction to most recently announced dividend forecast: None
2. Since the Company was established on April 1, 2020, with a fiscal year ending in December, the fiscal year ended December 31, 2020, was nine months long.

3. Consolidated Business Plan for Fiscal Year Ending December 31, 2022 (January 1, 2022–December 31, 2022)

The A.D.W. Group announces its business targets for each consolidated fiscal year in the form of a "results plan." A results plan consists of targets for our businesses, is different from the forecasts and predictions.

Note that for projections of business results, the outlook at the end of each quarter will be updated as appropriate and disclosed as a forecast based on information that is highly accurate for the Group overall and deemed reasonable at that time.

(%: Year-on-year comparison)

	Net Sales		EBITDA		Ordinary Income		Net income before income taxes		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	30,000	20.2	1,300	21.1	800	23.0	800	23.0	450	44.1

* Notes

(1) Important changes in subsidiaries during the term (changes in specific subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies, changes or restatement of accounting estimates

1. Changes in accounting policies due to the revision of accounting standards, etc.: None
2. Changes in accounting policies other than 1: None
3. Changes in accounting estimates: None
4. Restatement: None

(3) Number of issued shares (common shares)

1. Number of outstanding shares at end of fiscal year (including treasury stock)	Fiscal year ended on December 31, 2021	47,111,064 shares	Fiscal year ended on December 31, 2020	40,495,064 shares
2. Number of treasury stock at end of fiscal year	Fiscal year ended on December 31, 2021	403,953 shares	Fiscal year ended on December 31, 2020	514,062 shares
3. Average number of shares during the period	Fiscal year ended on December 31, 2021	43,241,904 shares	Fiscal year ended on December 31, 2020	39,085,051 shares

(Note) The Company has introduced a Director Stock Compensation Trust and Employee Stock Holding Exclusive Trust, and the Company shares held by the trusts are included in the number of treasury stock.

* This Summary of Earnings Report is not subject to audit by a certified public accountant or audit corporation.

* Explanation about the proper use of results forecasts, and additional information

The Company makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements included in these materials. Actual results may differ significantly from the forecasts in the document, depending on various factors.

[Attached Materials]

Index

1. Overview of Business Results

(1) Overview of business results for the fiscal year under review

Forward-looking statements in these materials are based on the Group's assessments as of the end of this consolidated fiscal year.

Since the Company was established on April 1, 2020, as a holding company, the previous consolidated fiscal year was an irregular nine-month financial period that lasted from April 1 to December 31, 2020. As a result, simple year-on-year comparisons to the previous year are not possible and thus are not presented here.

During the consolidated fiscal year under review, conditions in the Japanese economy remained uncertain overall due to the impact of the ongoing spread of COVID-19. This fiscal year was characterized by a dizzying series of events, including the Tokyo Olympics and Paralympics held in the midst of the pandemic, expectations for COVID-19 countermeasures and economic stimulus measures from a new administration, the lifting of the state of emergency declaration and priority measures to prevent the spread of disease, and high expectations for the normalization of social and economic activity once the vaccination rate reached about 80%. Toward the end of the fiscal year, a highly contagious coronavirus variant began to spread rapidly, and conditions remain highly uncertain.

The business environment for income properties in urban areas, which is the Group's main business area, was strong on the back of persistent demand attributable to financing at low rates and other factors. Changes in work styles forced by the pandemic have instigated a review of office size and location conditions, and although the vacancy rate in large-scale urban office buildings continues to rise, new demand for mid-sized office buildings in the 1-4 billion yen class, on which the Group focuses, has been solid. Moreover, income properties for residences remain solid since this is a convenient way to generate stable cash flow. At the same time, in Los Angeles, where the Group has an office, the stagnant real estate market is gradually beginning to pick up again, and latent demand for residential properties is appearing, while competition over acquisitions is escalating.

In this kind of business environment, in the Group's income property sales business, its key business, our aggressive efforts to acquire mid-sized office properties in the 1-4 billion yen class, which attract particularly robust demand in the office property sector, in addition to residential properties in the 300-500 million yen class, which we focused on prior to the pandemic, paid off, and the year-end balance of real estate income reached a record high. This can be attributed to the results of measures aimed at improving acquisitions overall, such as reinforcing HR training and organizational strength as well as utilizing IT in handling real estate information. In addition, accurate product planning that identifies trends and needs, as with the success of our flexible office strategy, led to returns that exceeded the average rent.

Moreover, in the small-lot real estate product sales business, we proactively formed affiliations with financial institutions and strengthened sales networks. In December 2021, we completed sales of the fifth series of ARISTO Shibuya, and as of this point we have completely sold and administer five properties for a total of 6.7 billion yen. Small-lot real estate products make it possible for people to invest relatively small amounts in prime urban properties, and are thus drawing wide-ranging attention from investors around the country.

The Group is also aggressively expanding its overseas real estate business. In its Los Angeles business, the Group began developing and selling residential properties for local customers in cooperation with local partners. In our business in Hawaii, we focused on a local law established in 2019 (the so-called "Bill 7") to resolve the shortage of affordable homes for middle- to low-income people, and have started a development project ahead of local developers.

As a result, in the fiscal year under review, the Group's consolidated sales totaled 24,961 million yen (8.5% higher than the full-year business plan), EBITDA came to 1,073 million yen (2.4% below plan), ordinary income amounted to 650 million yen (8.4% over plan), net income before taxes was 650 million yen (8.4% over plan), and net income totaled 312 million yen (17.8% below plan). As the first year in the First Medium-term Management Plan, this year provides a solid foundation for substantial growth to achieve the plan's targets.

Earnings results for the consolidated fiscal year under review are shown in the table below.

(Unit: million yen)

	Fiscal year ended December 31, 2021 (Full-year plan)		Fiscal year ended December 31, 2021 (Results)		
	Amount	Net sales ratio	Amount	Net sales ratio	Percentage of full-year plan achieved
Net sales	23,000	100.0%	24,961	100.0%	108.5%
(Property sales)	—	—	(20,318)	(81.4%)	—
(Stock)	—	—	(4,942)	(19.8%)	—
(Internal sales)	—	—	(-300)	(-1.2%)	—
EBITDA	1,100	4.8%	1,073	4.3%	97.6%
Ordinary income	600	2.6%	650	2.6%	108.4%
Net income before taxes	600	2.6%	650	2.6%	108.4%
Net income	380	1.7%	312	1.3%	82.2%

Note 1: "Property sales," "stock," "net income before taxes," and "net income" are the respective abbreviations of "income property sales business," "stock-type fee business," "net income before income taxes," and "net income attributable to owners of parent."

Note 2: EBITDA (operating income before depreciation and amortization): Operating income + depreciation and amortization
Depreciation and amortization includes depreciation, software amortization, amortization of goodwill, and any other non-cash expenses.

<Reference: Comparison with same period in previous year>

The Company transitioned to a holding company structure on April 1, 2020, and changed its fiscal year so that it ends in December, which resulted in discrepancies in the periods being compared in year-on-year comparisons.

The table below makes comparisons to the same period in the previous year.

(Unit: million yen)

	Same period in previous year (January 1, 2020–December 31, 2020) (Results)		Fiscal year ended December 31, 2021 (January 1, 2021–December 31, 2021) (Results)		
	Amount	Net sales ratio	Amount	Net sales ratio	Year-on-year
Net sales	24,175	100.0%	24,961	100.0%	3.2%
(Property sales)	(19,653)	(81.3%)	(20,318)	(81.4%)	(3.4%)
(Stock)	(4,796)	(19.8%)	(4,942)	(19.8%)	(3.1%)
(Internal sales)	(−273)	(−1.1%)	(−300)	(−1.2%)	—
EBITDA	1,157	4.8%	1,073	4.3%	−7.2%
Ordinary income	674	2.8%	650	2.6%	−3.6%
Net income before taxes	680	2.8%	650	2.6%	−4.4%

(Note) The figures for the period from January 1 to December 31, 2020, are the simple sum of the results in the fourth quarter of the fiscal year ended on March 31, 2020, and the results in the fiscal year ended on December 31, 2020. We have not listed net income because the basis for tax calculation differs by quarter, meaning that the figures are not comparable on a simple sum basis.

A summary of the segment results is as follows. Please note that the A.D.W. Group considers operating income to be segment income.

(Income property sales business)

Net sales were 20,318 million yen, EBITDA was 1,498 million yen, and operating income was 1,496 million yen.

In the environment affecting the income property sales business, competitive strengths heightened due to a positive cycle from acquisition to sales built on accurate product planning aligned with demand, as well as success in expanding the sales network in affiliation with financial institutions in the small-lot real estate product sales business.

The acquisition amount was 18,579 million yen. We succeeded in reinforcing organizational strengths, which had long been a focus, and as a result of proactive acquisition activities, we were able to acquire prime properties.

As a result, the balance of income properties was 28,914 million yen (Note 2), which was 4,231 million yen higher than the balance at the end of the previous fiscal year.

(Stock-type fee business)

Net sales were 4,942 million yen, EBITDA was 743 million yen, and operating income was 652 million yen.

Since rent from income properties held by the Group accounts for the majority of its revenue, we were able to record stable net sales and operating income in line with favorable results in the income property sales business. In construction orders and other, we were able to achieve results such as bringing in large-scale projects through the end of the fiscal year.

The “stock-type” sales in this business consist primarily of management income from A.D.Partners Co., Ltd. and rent income from ADW Management USA, Inc., while “flow-type” sales consist mainly of construction and repair income from A.D.Designbuild Co., Ltd. and construction income from Sumikawa Works Co., Ltd.

The property unit price rose due to contributions from the aggressive acquisition of large-scale properties, and as a result, the balance of income properties was 27,796 million yen, compared to 24,390 million yen at the end of the previous fiscal year.

Note 1: The operating income for each segment is an amount before deduction of expenses not allocated to any segment, such as corporate expenses, and operating expenses from intersegment sales or transfers. Therefore, the total operating income for the segments does not match consolidated operating income.

Note 2: The income property balance of 28,914 million yen does not include the estimated consumption tax provision (11 million yen) to be booked as an asset following the receipt of a notice of correction from the Tokyo Regional Taxation Bureau regarding consumption taxes for previous years.

Note 3: In the “stock-type fee business,” we position items such as rent from income properties held for the medium to long term or for short-term sales, and fee income from after-sales property management contracts for income properties as “stock-type,” while interior decorating and repair work fees for managed properties and brokerage income derived from customer relations are classified as “flow-type.”

(2) Financial position in the fiscal year under review

In the consolidated fiscal year under review, cash and deposits increased 1,033 million yen due primarily to a capital increase by third-party allotment and other factors, and real estate for sale and real estate for sale in process increased 4,359 million yen. Interest-bearing liabilities (short-term loans payable, current portion of bonds, current portion of long-term loans payable, and bonds payable and long-term loans payable) increased 4,061 million yen due to aggressive acquisition of prime income properties.

Due to these and other factors, net assets increased 1,600 million yen compared to the previous consolidated fiscal year. Net assets increased due to 312 million yen in net income posted and 977 million yen in money raised in third-party allotment, but retained earnings decreased 106 million yen due to dividends and foreign currency translation adjustments increased 363 million yen.

Given the above factors, total assets and total liabilities and net assets increased 6,196 million yen compared to the end of the previous consolidated fiscal year.

The details of the consolidated balance sheet for this fiscal year are as follows.

The “ratio” indicates the percentage relative to total assets (total liabilities and net assets).

(Assets)

Total assets at the end of the current consolidated fiscal year were 42,047 million yen. Of this, real estate for sale and real estate for sale in process accounted for 28,926 million yen (68.8% ratio) and cash and deposits for 8,433 million yen (20.1%).

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year were 27,229 million yen. Of this, interest-bearing liabilities accounted for 23,078 million yen (54.9% ratio).

(Net assets)

Total net assets amounted to 14,817 million yen. Of this, capital stock and capital surplus accounted for 11,815 million yen (26.6% ratio).

(3) Outlook

In our outlook for the future, we expect the economic environment to remain uncertain due to the impact of COVID-19, which continues to spread rapidly. At the same time, the income property sales business, which is our main business, remains active due to diversifying demand and low rates, and we expect demand for residential properties and mid-sized office buildings to remain solid. Given this, we have not changed our policies for the implementation of the First Medium-term Management Plan, released in May 2021.

The Group has set targets of 30.6 billion yen in net sales, 2.7 billion yen in EBITDA, 2.0 billion yen in ordinary income and 2.0 billion yen in net income before taxes for the fiscal year ending in December 2023, the final year of the First Medium-term Management Plan (this target was set in the plan in May 2021 plan and may be changed going forward). We believe it is crucial to build up our track record in various ways during the fiscal year ending in December 2022 to achieve these targets. We will proactively expand on our achievements so that we can make the necessary leap, not only in the balance of income properties, but also our product planning capacity, marketing capacity, sales network, DX and, above all, employee strength.

In addition, we will build an internal system to promote SDGs management, centered on a Sustainability Committee set up in October 2021. The Group's "real estate redevelopment" business has high social value in that we can maximize the potential of real estate and add vitality to people's lives and social activity. We will solve social issues through our business and take steps to raise our economic value and social value.

While conditions in the real estate industry to which the Group belongs remain uncertain, our consolidated results plan (shown in the table below) for the next consolidated fiscal year (ending on December 31, 2022) is premised on the assumption that the market environment in 2021 will carry over into the next fiscal year.

In our main business of income property sales, the timing of sales tends to change depending on various factors, such as product plans and progress with construction work to upgrade properties. In recent years, the weight of income from individual properties as a proportion of overall income has increased as we have strategically boosted the scale of our product lineup. As a result, income could fluctuate each quarter more than previously, regardless of conditions in the real estate market and other factors.

	Fiscal year ended December 31, 2021 (Results)	Fiscal year ending in December 2022 (plan)
Net sales	24,961 million yen	30,000 million yen
EBITDA	1,073 million yen	1,300 million yen
Ordinary income	650 million yen	800 million yen
Net income before taxes	650 million yen	800 million yen

Note: The A.D.Works Group announces its business targets for each consolidated fiscal year in the form of a "results plan" consisting of targets for our businesses, which differ from the forecasts and predictions. Note that for projections of business results, the outlook at the end of each quarter will be updated as appropriate and disclosed as a forecast based on information that is highly accurate for the Group overall and deemed reasonable at that time.

2. Basic thoughts on selecting accounting standards

The Group currently prepares its consolidated financial statements using Japan's standards in light of the comparability between periods as well as that between companies in the consolidated financial statements.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Thousands of yen)

	Previous consolidated fiscal year (year ended December 31, 2020)	Current consolidated fiscal year (year ended December 31, 2021)
Assets		
Current assets		
Cash and deposits	7,400,118	8,433,610
Accounts receivable – trade	200,952	197,404
Real estate for sale	23,548,720	25,026,039
Real estate for sale in process	1,018,042	3,900,287
Operating investments in capital	–	1,053,066
Other	2,233,033	2,170,384
Allowance for doubtful accounts	(1,455)	(2,162)
Total current assets	34,399,411	40,778,629
Non-current assets		
Property, plant and equipment		
Buildings	180,844	198,567
Accumulated depreciation	(73,098)	(81,231)
Buildings (net)	107,746	117,336
Tools, furniture, and fixtures	118,675	124,051
Accumulated depreciation	(81,404)	(91,028)
Tools, furniture, and fixtures (net)	37,270	33,023
Vehicles (net)	7,926	7,984
Accumulated depreciation	(7,621)	(6,596)
Vehicles (net)	305	1,388
Land	30,587	30,587
Total property, plant and equipment	175,910	182,335
Intangible assets		
Goodwill	59,188	42,277
Other	49,065	38,639
Total intangible fixed assets	108,254	80,917
Investments and other assets		
Investment securities	478,860	366,418
Deferred tax assets	400,597	378,887
Other	232,839	226,636
Total investments and other assets	1,112,297	971,942
Total non-current assets	1,396,462	1,235,195
Deferred assets		
Share issuance cost	22,126	8,183
Establishment costs	32,724	25,314
Total deferred assets	54,851	33,498
Total assets	35,850,726	42,047,323

(Unit: Thousands of yen)

	Previous consolidated fiscal year (year ended December 31, 2020)	Current consolidated fiscal year (year ended December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable – trade	718,808	574,730
Short-term loans payable	30,000	253,046
Current portion of bonds	219,400	442,500
Current portion of long-term loans payable	1,651,481	1,490,761
Income taxes payable	133,692	208,232
Other	2,660,622	3,279,923
Total current liabilities	5,414,005	6,249,193
Non-current liabilities		
Bonds payable	627,500	185,000
Long-term loans payable	16,488,893	20,707,687
Other	103,415	87,726
Total non-current liabilities	17,219,809	20,980,413
Total liabilities	22,633,814	27,229,607
Net assets		
Shareholders' equity		
Capital stock	5,590,097	6,084,269
Capital surplus	4,601,359	5,100,853
Retained earnings	3,383,660	3,589,513
Treasury shares	(62,120)	(50,264)
Total shareholders' equity	13,512,998	14,724,370
Accumulated other comprehensive income		
Foreign currency translation adjustments	(305,634)	57,548
Valuation difference on available-for-sale securities	(3,506)	(5,270)
Total accumulated other comprehensive income	(309,141)	52,278
Subscription rights to shares	13,055	11,477
Non-controlling interests	—	29,589
Total net assets	13,216,911	14,817,716
Total liabilities and net assets	35,850,726	42,047,323

(2) Consolidated Profit and Loss Statement and Consolidated Comprehensive Income Statement

Consolidated Profit and Loss Statement

(Unit: Thousands of yen)

	Previous consolidated fiscal year (Apr. 1, 2020 – Dec. 31, 2020)	Current consolidated fiscal year (Jan. 1, 2021 – Dec. 31, 2021)
Net sales	16,840,798	24,961,158
Cost of sales	13,693,478	20,229,966
Gross profit	3,147,319	4,731,192
Selling, general and administrative expenses	2,501,567	3,797,856
Operating income	645,752	933,336
Non-operating income		
Interest and dividend income	222	7,365
Insurance income	844	35,466
Interest on tax refund	2,419	225
Benefit income	2,000	—
Income on difference to simplified tax such as consumption tax, etc.	15,859	13,172
Other	2,046	14,985
Total non-operating income	23,392	71,215
Non-operating expenses		
Interest expenses	184,572	262,972
Borrowing fee	23,342	55,052
Amortization of establishment costs	5,775	7,774
Other	28,229	28,346
Total non-operating expenses	241,920	354,145
Ordinary income	427,223	650,406
Extraordinary income		
Gain on sales of non-current assets	336	—
Gain on reversal of subscription rights to shares	5,082	—
Total extraordinary income	5,418	—
Net income before income taxes	432,642	650,406
Income taxes – current	189,971	302,321
Income taxes adjustment	(22,317)	34,565
Total income taxes	167,654	336,886
Net income	264,988	313,519
Income attributable to non-controlling interests	—	1,239
Net income attributable to owners of parent	264,988	312,280

Consolidated Comprehensive Income Statement

(Unit: Thousands of yen)

	Previous consolidated fiscal year (Apr. 1, 2020 – Dec. 31, 2020)	Current consolidated fiscal year (Jan. 1, 2021 – Dec. 31, 2021)
Net income	264,988	313,519
Other comprehensive income		
Valuation difference on available-for-sale securities	(404)	(1,763)
Foreign currency translation adjustments	(198,889)	363,183
Total other comprehensive income	(199,293)	361,419
Comprehensive income	65,694	674,939
(Breakdown)		
Comprehensive income attributable to owners of parent	65,694	673,699
Comprehensive income attributable to non-controlling interests	—	1,239

(Important subsequent events)

A.D.Designbuild Co., Ltd. and Sumikawa Works Co., Ltd., our wholly owned subsidiaries, concluded a merger agreement on December 23, 2021, to go into effect on April 1, 2022 (tentative), in which A.D.Designbuild would be the surviving company and Sumikawa Works would be the absorbed entity.