

(All financial information herein has been prepared in accordance with accounting principles generally accepted in Japan. This document is an English translation from the original Japanese-language document. This translation is not subject to auditing standards in the U.S.)

Listed company name: Original Engineering Consultants Co., Ltd. Stock listing: Tokyo Stock Exchange, Standard Market
 Code number: 4642 (URL) <https://www.oec-solution.co.jp>
 Representative: (Title) President & Representative Director (Name) Nobuhiko Suga
 Contact person (Title) Director & General Manager of Financial Affairs Division (Name) Kaoru Kira Tel: (03) 6757-8800
 Planned Annual General Meeting of Shareholders: March 26, 2024
 Planned date of payment of dividends: March 27, 2024
 Planned filing of a financial report: March 26, 2024
 Earnings supplementary explanatory documents: None
 Earnings presentation: None

(Amounts less than ¥1 million are truncated)

1. NON-CONSOLIDATED FINANCIAL RESULTS FOR FY2023 (January 1, 2023, to December 31, 2023)

(1) Non-consolidated Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2023 ended December 31, 2023	6,633	2.3	773	4.5	787	5.3	477	14.9
FY2022 ended December 31, 2022	6,486	4.5	739	28.5	748	19.6	415	10.5

	Profit per share-basic	Profit per share-diluted	Return on Equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY2023 ended December 31, 2023	81.23	-	7.5	10.2	11.7
FY2022 ended December 31, 2022	70.94	-	6.9	10.2	11.4

(Reference) Gain (loss) on investment by equity method: FY2023: ¥- million FY2022: ¥- million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	7,886	6,493	82.3	1,101.67
As of December 31, 2022	7,598	6,153	81.0	1,047.31

(Reference) Shareholders' equity: As of December 31, 2023: ¥6,493 million As of December 31, 2022: ¥6,153 million

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
FY 2023 ended December 31, 2023	399	63	-224	3,265
FY2022 ended December 31, 2022	691	-277	-225	3,026

2. DIVIDENDS

	Dividends per share					Total dividend amount (Full year)	Payout ratio	Ratio of dividends to net assets
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2022 ended December 31, 2022	-	0.00	-	32.00	32.00	190	45.1	3.1
FY 2023 ended December 31, 2023	-	0.00	-	32.00	32.00	190	39.4	3.0
FY2024 ending December 31, 2024 (forecast)	-	0.00	-	32.00	32.00		41.9	

3. FORECAST OF NON-CONSOLIDATED RESULTS FOR FY2024 (January 1, 2024, to December 31, 2024)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit		Profit per share-basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,700	1.0	700	-9.5	710	-9.9	450	-5.7	76.35

*NOTES

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatements:

- (i) Changes in accounting policies in accordance with revision of accounting standards: Yes
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatements: None

(2) Number of outstanding shares (common stock)

- (i) Number of shares outstanding at end of period, including treasury stock
As of December 31, 2023: 7,796,800 shares As of December 31, 2022: 7,796,800 shares
- (ii) Number of shares of treasury stock at end of period
As of December 31, 2023: 1,902,933 shares As of December 31, 2022: 1,921,033 shares
- (iii) Average number of shares outstanding for each period
As of December 31, 2023: 5,876,528 shares As of December 31, 2022: 5,858,706 shares

* The summary of financial results is not subject to audit by certified public accountants or audit corporations.

* Note regarding appropriate use of forecasts and forward-looking statements

The business results forecasts presented are based on information available to the Company at the present time and are subject to potential risks and uncertainty. Accordingly, actual results may differ from any projections due to various factors. For matters relating to results forecasts, please refer to “1. SUMMARY OF BUSINESS RESULTS,” “(4) Future Outlook” on page 4 of the Attachment.

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1. SUMMARY OF BUSINESS RESULTS

(1) Summary of Business Results for Current Period

According to a provisional calculation of the Cabinet Office, Japan's water and sewerage infrastructure assets amount to approximately ¥130 trillion, which indicates that the water and sewerage infrastructure stock is the second-largest in the country by sector after that of roads. Among these, most of the population has access to water supplies, with the total length of water pipes reaching around 740,000 kilometers across Japan. However, the national average annual rate of renewing water pipes is as low as 0.65%, which means that it will take almost 130 years to renew all of these pipes. The statutory useful life of water pipes is 40 years, but their aging rate is expected to keep increasing due to the slow progress in renewing the water pipe infrastructure, much of which was built during the high-growth period. Therefore, renewing aged water pipes has become an important issue for the stable supply of safe water.

In the sewerage field, the number of people with access to sewage treatment facilities is 92.9% in Japan (as of the end of FY2022), but only 81.0% have access to sewers, which means nearly 8.8 million people still live without access to wastewater treatment plants. Therefore, it is necessary to accelerate the spread of sewage treatment. While the need to construct new facilities is on the decrease, a great number of water and sewage facilities that were rapidly built during the high-growth period are reaching the end of their useful lives every year. Maintenance and renewal of these infrastructure assets, which are indispensable for ensuring a safe, secure and cultural life, are thus in demand. There is a growing need for flood countermeasures to protect lives and assets from the torrential rains as well as wind and flood damage frequently caused by large typhoons in recent years, earthquake resistance so that toilets can be used even in the event of earthquakes, reinforcement measures to make sewage facilities resistant to tsunamis, and initiatives for "green innovation sewage systems" to transform society into a decarbonized and recycling-oriented one.

Out of Japan's national budget for FY2023, passed and enacted in March 2023, the total amount to be allocated to "General Social Infrastructure Development," including the water and sewerage budget, which is closely connected with the business of the Company, is a national expenditure of ¥1,361.0 billion. This amount is broken down to ¥818.6 billion for disaster prevention and safety subsidies and ¥542.4 billion for general social infrastructure development subsidies. Among them, the preliminary national budget for the sewerage system is about ¥477.2 billion in total. On the other hand, the total of sewerage operational cost in ordinance-designated cities across the country and the Tokyo metropolitan area, which have large budgets, is ¥624.6 billion, an increase of 2.3% from the beginning of the previous fiscal year.

The Company, in this operating environment, has been working aggressively to win orders mainly in the water supply field, particularly for services related to asset management in line with the Water Supply Division of the Ministry of Health, Labour and Welfare's (MHLW) new water supply vision that focuses on the key words of "safety, strength, sustainability, collaboration and challenge." In the sewerage field, the Company pursues orders in line with the seven major themes set by the Sewerage and Wastewater Management Department of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT): Strengthening earthquake recovery and reconstruction support and implementing national measures for safety and peace of mind; early elimination of areas lacking sewerage infrastructure; promoting water environmental management; improving facilities management and operations; strengthening sewerage management; promoting measures to achieve a low-carbon, recycling-oriented society; and, promoting international water businesses through globalization and private-public initiatives. We also make efforts to obtain orders for services related to support by the Ministry of Internal Affairs and Communications for introducing local public enterprise-based accounting into small-scale water supply and sewerage operations, in accordance with the Local Public Enterprise Act, as well as services including those to formulate management strategies on sewerage operations. In the domestic market, we are doubling down on sales activities to cultivate new fields and customers, based on our long track record, while capturing project orders that have high order-repeat rates through offering fine-tuned technological proposals and flexible customer service. We do this on the back of our superiority resulting from an accumulated knowledge of the status of facility development and operational issues in local public entities who are our existing customers. In overseas markets, the Company has been working to win orders by tapping into projects in emerging nations through public-private partnerships.

On the other hand, with regard to its internal work environment, the Company has provided 90% of its employees with smartphones and notebook PCs and created an office environment with free address (no assigned seating). Employees can also work from home or outside the office using a teleworking environment. Specifically, the Company is providing the following internal systems: facilitating prompt information-sharing and chatting between different levels, on which the Company has worked to raise awareness internally; speedily responding to departmental issues by checking management benchmarks by department when necessary; conducting appropriate budget management, process control, progress management, and outsourcing management for orders received for projects; upgrading in-house engineers' skills; securing and fostering young employees who will lead the next generation; reducing overtime to comply with the revised Labor Standards Act; promoting well-being management; utilizing internal systems, such as a staggered working hours system; and promoting the use of paid leave, by which each employee can work flexibly according to his/her own circumstances. In our internal business management system, we have digitized the approval function for each business workflow, from receiving an order for design work, starting the project, preparing and changing the execution budget, and completing the project, thereby accelerating budget management and reducing printing. Through these efforts, we are striving to improve productivity and reduce costs, and to increase employee returns and earnings.

During the current fiscal year, we have shaken off the fear of COVID-19 and believe that communication has become more active, faster, and more sophisticated than before the coronavirus pandemic due to our improved communication literacy. As for customer relations, in-person meetings, online meetings and on-site inspections have gone smoothly with many clients.

Furthermore, we provided training in advance for managers to improve their interviewing skills to lead career

development training for subordinates. At a later stage, career development training was held for the targeted young employees, in an effort to improve the company's organizational strength over the medium to long term. With regard to overseas projects, restrictions on travel to and from Japan and the target countries have been lifted, and it is now possible to travel to those countries.

As a result, orders received during the fiscal year amounted to ¥6,807 million (up 5.4% year-on-year). We believe that the main factors for the increase in orders were the increase in the average unit price of orders received and the receipt of large projects. Contracts completed posted ¥6,633 million (up 2.3% year on year). Operating income amounted to ¥773 million (up 4.5% year on year), and ordinary income was ¥787 million (up 5.3% year on year). Profit stood at ¥477 million (up 14.9% year on year).

Results by operating division were as follows.

[Engineering Consultant Department]

The Engineering Consultant Department received total orders of ¥6,399 million (up 5.7% year-on-year).

Contracts completed by the department were ¥6,203 million (up 3.7% year on year).

[Information Processing Department]

In the Information Processing Department, orders received were ¥407 million (up 1.9% year-on-year). Contracts completed by the department was ¥430 million (down 14.6% year on year).

(2) Summary of Financial Position for Current Period

(Current assets)

Current assets for the current fiscal year totaled ¥6,554 million (up 6.9% from the previous fiscal year). The main factors contributing to this change included an increase in “Cash and deposits” due to the receipt of payment for operations.

(Noncurrent assets)

Noncurrent assets for the current fiscal year stood at ¥1,331 million (down 9.2% year-on-year). This was mainly due to a decrease in “Investment securities” caused by their redemption.

(Current liabilities)

Current liabilities for the current fiscal year amounted to ¥1,293 million (down 1.6% year-on-year). This was mainly due to a decrease in “Accounts payable—operating” resulting from payments to subcontractors.

(Noncurrent liabilities)

Noncurrent liabilities for the fiscal year amounted to ¥99 million (down 23.1% year-on-year). The main factors contributing to this change were a drop in “Lease obligations” due to a decrease in lease contracts and a decrease in “Long-term accounts payable—other.”

(Net assets)

Net assets for FY2023 were ¥6,493 million (up 5.5% year-on-year). This was mainly due to an increase in “retained earnings” resulting from the posting of net income.

(3) Summary of Cash Flows for Current Period

The balance of cash and cash equivalents (hereinafter “funds”) at the end of the fiscal year was ¥3,265 million (up 7.9% year-on-year).

The status of each cash flow in the current fiscal year and its factors are as follows:

(Cash flows from operating activities)

Funds obtained from operating activities amounted to ¥399 million (down 42.3% year-on-year).

This was mainly due to the recording of income before income taxes, an increase in trade receivables, and a decrease in advances received on uncompleted contracts.

(Cash flows from investing activities)

Funds acquired through investing activities amounted to ¥63 million (use of ¥277 million in the previous fiscal year).

This was mainly due to the acquisition and redemption of investment securities and acquisition of noncurrent assets.

(Cash flows from financing activities)

Funds used by financing activities amounted to ¥224 million (down 0.3% year-on-year).

The main factor contributing to this change was the payment of cash dividends.

	FY2021 ended December 31, 2021	FY2022 ended December 31, 2022	FY 2023 ended December 31, 2023
Shareholders' equity ratio (%)	83.3	81.0	82.3
Shareholders' equity ratio on a market value basis (%)	82.2	62.2	82.2
Interest-bearing debt to cash flow ratio (years)	0.39	0.12	0.15
Interest coverage ratio (times)	86.41	251.05	197.70

Shareholders' equity ratio:

Shareholders' equity / total assets

Shareholders' equity ratio on a market value basis: Market capitalization / total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/cash flows

Interest coverage ratio: cash flows/interest payments

Notes:

1. Market capitalization is calculated by multiplying the closing stock price at end of period by the number of shares issued at end of period (excluding treasury stock).
2. Cash flows are those from operating activities stated in the Non-consolidated Statement of Cash Flows. Interest-bearing liabilities cover all liabilities presented on the Non-consolidated Balance Sheet that are subject to interest expenses. Interest payments are based on interest expenses on the Non-consolidated Statement of Cash Flows.

(4) Future outlook

According to an outline of the Ministry of Land, Infrastructure, Transport and Tourism's fiscal 2024 budget for public works projects, which has close ties with projects in our company, ¥870.7 billion (1.02 times year on year) in the Disaster Prevention and Safety Grant and ¥506.5 billion (0.92 times year on year) in the General Grant for Social Infrastructure Development are expected to be appropriated for sewerage projects by local governments. On the other hand, in light of the transfer of water supply maintenance and management administration to the Ministry of Land, Infrastructure, Transport and Tourism in April 2024, the total amount of individual subsidies to sewerage systems is expected to be ¥95.6 billion, 1.24 times higher than the previous year, due to the establishment of a new project to promote the integrated efficiency and strengthening of infrastructure of water and sewerage systems, in addition to subsidies for sewerage disaster prevention projects, subsidies for sewerage projects, and sewerage project survey costs.

In fiscal 2023, the impact of the coronavirus pandemic on social and economic activities decreased, and the budgets related to water supply and sewerage projects by local governments were generally executed as planned. These included countermeasures to combat the aging of and give earthquake resistance to facilities, resolving the underdevelopment of sewage systems, countermeasures against flooding of inland waters, expansion of area coverage and communalization, countermeasures against infiltration during rainy weather, and decarbonization. In June 2023,

the Cabinet Office published a revised version of the PPP/PFI Promotion Action Plan, whose aim was to realize 100 projects in total, under a concession system under the name of “Water PPP” and another similar system, a public-private partnership in which maintenance, management and renewal are integrated in a long-term contract. For fiscal 2024, we expect that the momentum for introducing “Water PPP” will increase, especially among small and medium-sized local public entities whose business execution capabilities are deteriorating, while the trend in other sectors will continue to be the same as in fiscal 2023.

In order to meet these needs, engineers with extensive experience continue to strive for self-improvement and join forces. In addition, we have established a Special Team for Water PPP Countermeasures within the company in order to address future issues. Furthermore, the DX Promotion Department will strive to resolve social issues not only in the main water supply and sewerage field but also in the river, waste and environment and overseas business fields by upgrading digitization services for water supply and sewerage information with ICT technologies that have been developed and accumulated over the years, as well as by collaborating with our business partners.

Orders for local governments’ public procurement, which account for the majority of the Company’s orders received, are placed through price auctions. As might be expected, contract prices and asking prices vary widely in most cases. Accordingly, the Company is aware that it is expected to make management efforts to overcome various challenges to achieve its management goals. These include competition among firms; fluctuations in bidding prices; higher costs of work due to an increase in planning and designing operations for rebuilding and renewal that require complex and advanced experience and expertise; an increase in personnel expenses to respond to recruiting activities that are becoming increasingly difficult year by year and to prevent turnover of, secure, and foster talented human resources.

Meanwhile, we feel there has been an improvement in the corporate image thanks to measures taken by the management consistently rather than on a temporary basis to provide an effective working environment, based on personal dialogue between top management and all employees that has been held annually for more than 10 years. Such measures include aiming to have company-wide awareness reform take root to ensure “everyone is committed to working with a sense of management” while “building an open organizational culture.” The company has also worked on its employment support system aimed at balancing childcare and work while respecting the diverse values that continue to evolve.

Passing on techniques of senior engineers and securing and fostering young employees who will lead the next generation remain critical management issues for the Company. Based on its solid financial base, the Company will endeavor to overcome management issues by continuing to improve and provide a work environment that accommodates employees, improve employee satisfaction, and work on hiring talented human resources.

A growing number of local governments are seeing a decline in the number of employees in parallel with the shrinking population and we believe that collaboration with and support from private companies are as essential as ever in order to sustain water and sewage services in the future. Under such social circumstances, our company aims to resolve social issues and enhance corporate value by providing customized consulting services tailored to meet social needs, thereby contributing to sustaining water and sewerage services essential for people’s safe and secure lives.

In the fiscal year ending December 31, 2024, the Company forecasts orders will decrease to ¥6,700 million (down 1.6% year-on-year) and contracts completed will rise to ¥6,700 million (up 1.0% year-on-year). Operating income is forecast to decrease to ¥700 million (down 9.5% year-on-year) and ordinary income to fall to ¥710 million (down 9.9% year-on-year). Profit is forecast to drop to ¥450 million (down 5.7% year-on-year).

2. BASIC POLICY FOR THE SELECTION OF ACCOUNTING STANDARDS

The Company’s stakeholders are mostly domestic shareholders, creditors and business partners, and hence the Company does not see much necessity to procure funds from overseas. Considering these factors, the Company applies Japanese accounting standards.

3. FINANCIAL STATEMENTS AND PRIMARY NOTES

(1) Non-consolidated Balance Sheet

	FY2022 (as of December 31, 2022)	FY2023 (as of December 31, 2023)
	(Thousands of yen)	(Thousands of yen)
Assets		
Current assets		
Cash and deposits	3,742,336	3,981,339
Accounts receivable—completed operation and contract assets	2,301,975	2,495,744
Costs on uncompleted services	8,714	1,594
Prepaid expenses	43,856	49,986
Advances receivable from group affiliates	200	273
Other	67,069	72,815
Allowance for doubtful accounts	-32,360	-47,047
Total current assets	6,131,793	6,554,707
Noncurrent assets		
Property, plant and equipment		
Buildings, net	190,584	161,026
Structures, net	0	0
Tools, furniture and fixtures, net	22,229	22,805
Land	150,015	150,015
Lease assets, net	81,648	55,981
Total property, plant and equipment	444,478	389,828
Intangible assets		
Leasehold right	3,321	3,321
Software	121,082	115,397
Lease assets	290	159
Telephone subscription right	3,711	3,711
Total intangible assets	128,404	122,590
Investments and other assets		
Investment securities	499,466	441,982
Shares of subsidiaries and associates	50,000	50,000
Long-term loans receivable from employees	3,432	2,911
Insurance funds	78,998	78,907
Guarantee deposits	167,318	167,750
Long-term prepaid expenses	4,242	9,179
prepaid pension costs	-	16,350
Deferred tax assets	63,620	26,298
Other	28,769	27,969
Allowance for doubtful accounts	-2,200	-2,200
Total investments and other assets	893,647	819,148
Total noncurrent assets	1,466,530	1,331,567
Total assets	7,598,324	7,886,274

	FY2022 (as of December 31, 2022)	FY2023 (as of December 31, 2023)
	(Thousands of yen)	(Thousands of yen)
Liabilities		
Current liabilities		
Accounts payable—operating	433,918	375,176
Lease obligations	32,846	31,789
Accounts payable—other	51,798	50,725
Accrued expenses	215,092	171,252
Income taxes payable	174,711	182,852
Accrued consumption taxes	29,805	115,556
Advances received on uncompleted contracts	195,043	162,428
Deposits received	108,262	115,270
Provision for bonuses	41,336	42,723
Reserve for shareholder benefits	-	8,789
Provision for loss on orders received	17,378	21,443
Provision for share benefit	14,796	15,516
Total current liabilities	1,314,989	1,293,524
Noncurrent liabilities		
Lease obligations	51,445	26,440
Provision for share benefit	18,310	22,369
Provision for retirement benefits	2,797	-
Long-term accounts payable—other	6,720	-
Asset retirement obligations	50,325	50,869
Total noncurrent liabilities	129,598	99,679
Total liabilities	1,444,588	1,393,204
Net assets		
Shareholders' equity		
Capital stock	1,093,000	1,093,000
Capital surplus		
Legal capital surplus	2,171,308	2,171,308
Other capital surplus	702,924	702,924
Total capital surplus	2,874,232	2,874,232
Retained earnings		
Other retained earnings		
General reserve	3,000,000	3,000,000
Retained earnings brought forward	694,204	980,823
Total retained earnings	3,694,204	3,980,823
Treasury stock	-1,555,708	-1,541,231
Total shareholders' equity	6,105,728	6,406,823
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	48,007	86,246
Total valuation and translation adjustments	48,007	86,246
Total net assets	6,153,735	6,493,070
Total liabilities and net assets	7,598,324	7,886,274

(2) Non-consolidated Statements of Operations

	FY2022 (From January 1, 2022, to December 31, 2022)	FY2023 (From January 1, 2023, to December 31, 2023)
	(Thousands of yen)	(Thousands of yen)
Net sales of contracts completed	6,486,264	6,633,148
Costs of completed contracts	4,369,908	4,429,537
Gross profit	2,116,355	2,203,610
Selling, general and administrative expenses	1,376,601	1,430,472
Operating income	739,754	773,138
Non-operating income		
Interest income	96	84
Interest on securities	4,250	4,025
Dividend income	6,956	7,978
Contribution for secondment employees	2,708	3,044
Commission fee	2,430	2,430
Gain on investments in silent partnerships	-	412
Gain on valuation of investment securities	-	2,817
Foreign exchange gains	456	1,686
Other	7,658	5,845
Total non-operating income	24,555	28,324
Non-operating expenses		
Interest expenses	2,755	2,020
Expenses for securities transactions	9,103	11,006
Loss on valuation of investment securities	2,741	-
Other	1,465	650
Total non-operating expenses	16,065	13,677
Ordinary income	748,244	787,784
Extraordinary income		
Reversal of provision for construction warranty	-	635
Total extraordinary income	-	635
Extraordinary loss		
Loss on retirement of noncurrent assets	0	1,618
Warranties for completed construction	64,680	-
Loss on valuation of golf club membership	-	800
Total extraordinary loss	64,680	2,418
Profit before income taxes	683,564	786,000
Income taxes—current	264,309	288,061
Income taxes—deferred	3,648	20,586
Total income taxes	267,957	308,647
Profit	415,606	477,353

(3) Non-consolidated Statement of Changes in Net Assets
FY2022 (from January 1, 2022, to December 31, 2022)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at the beginning of current period	1,093,000	2,171,308	702,924	2,874,232	3,000,000	499,411	3,499,411
Cumulative effects of changes in accounting policies						-30,077	-30,077
Balance at the beginning of current period reflecting changes in accounting policies	1,093,000	2,171,308	702,924	2,874,232	3,000,000	469,334	3,469,334
Changes during the period							
Dividends of surplus						-190,736	-190,736
Profit						415,606	415,606
Purchase of treasury stock							
Disposal of treasury stock							
Net changes of items other than shareholders' equity							
Total changes during the period	-	-	-	-	-	224,870	224,870
Balance at the end of current period	1,093,000	2,171,308	702,924	2,874,232	3,000,000	694,204	3,694,204

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	-1,569,735	5,896,907	17,979	17,979	5,914,887
Cumulative effects of changes in accounting policies		-30,077			-30,077
Balance at the beginning of current period reflecting changes in accounting policies	-1,569,735	5,866,830	17,979	17,979	5,884,810
Changes during the period					
Dividends of surplus		-190,736			-190,736
Profit		415,606			415,606
Purchase of treasury stock	-49	-49			-49
Disposal of treasury stock	14,076	14,076			14,076
Net changes of items other than shareholders' equity			30,027	30,027	30,027
Total changes during the period	14,027	238,897	30,027	30,027	268,925
Balance at the end of current period	-1,555,708	6,105,728	48,007	48,007	6,153,735

FY2023 (from January 1, 2023, to December 31, 2023)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				General reserve	Retained earnings brought forward		
Balance at the beginning of current period	1,093,000	2,171,308	702,924	2,874,232	3,000,000	694,204	3,694,204
Changes during the period							
Dividends of surplus						-190,734	-190,734
Profit						477,353	477,353
Purchase of treasury stock							
Disposal of treasury stock							
Net changes of items other than shareholders' equity							
Total changes during the period	-	-	-	-	-	286,618	286,618
Balance at the end of current period	1,093,000	2,171,308	702,924	2,874,232	3,000,000	980,823	3,980,823

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	-1,555,708	6,105,728	48,007	48,007	6,153,735
Changes during the period					
Dividends of surplus		-190,734			-190,734
Profit		477,353			477,353
Purchase of treasury stock		-			-
Disposal of treasury stock	14,476	14,476			14,476
Net changes of items other than shareholders' equity			38,239	38,239	38,239
Total changes during the period	14,476	301,095	38,239	38,239	339,334
Balance at the end of current period	-1,541,231	6,406,823	86,246	86,246	6,493,070

(4) Non-consolidated Statement of Cash Flows

	FY2022 (From January 1, 2022, to December 31, 2022)	FY2023 (From January 1, 2023, to December 31, 2023)
	(Thousands of yen)	(Thousands of yen)
Cash flows from operating activities		
Profit before income taxes	683,564	786,000
Depreciation and amortization	109,141	126,497
Increase (decrease) in allowance for doubtful accounts	3,120	14,687
Interest and dividends income	-11,303	-12,088
Interest expenses	2,755	2,020
Reversal of provision for construction warranty	-	-635
Loss on retirement of property, plant and equipment	0	1,618
Warranties for completed construction	64,680	-
Loss on valuation of golf club membership	-	800
Loss (gain) on valuation of investment securities	2,741	-2,817
Decrease (increase) in notes and accounts receivable–trade	-145,065	-193,768
Decrease (increase) in costs on uncompleted contracts	-7,952	7,119
Increase (decrease) in notes and accounts payable–trade	193,898	-58,741
Increase (decrease) in advances received on uncompleted contracts	78,313	-32,614
Increase (decrease) in provision for bonuses	1,199	1,387
Increase (Decrease) in provision for shareholder benefits	-	8,789
Increase (decrease) in provision for loss on orders received	-1,129	4,064
Increase (decrease) in provision for share benefit	784	4,778
Increase (decrease) in provision for retirement benefits	-35,881	-2,797
Increase (decrease) in prepaid pension expenses	-	-16,350
Other	-21,501	90,399
Subtotal	917,364	728,351
Interest and dividends income received	11,303	11,330
Interest expenses paid	-2,755	-2,020
Payment of warranties for completed construction	-4,680	-59,364
Income taxes paid	-229,508	-278,893
Cash flows from operating activities	691,723	399,402
Cash flows from investing activities		
Purchase of property, plant and equipment	-23,491	-10,460
Purchase of intangible assets	-44,906	-42,097
Purchase of investment securities	-200,000	-200,200
Proceeds from redemption of investment securities	-	310,000
Proceeds from withdrawal of investments in silent partnerships	-	5,476
Payments for lease and guarantee deposits	-4,210	-914
Proceeds from collection of lease and guarantee deposits	230	305
Other	-4,627	1,856
Cash flows from investing activities	-277,005	63,965
Cash flows from financing activities		
Repayments of lease obligations	-34,502	-33,849
Purchase of treasury stock	-49	-
Cash dividends paid	-190,736	-190,734
Cash flows from financing activities	-225,288	-224,584
Effect of exchange rate change on cash and cash equivalents	416	207
Net increase (decrease) in cash and cash equivalents	189,845	238,990
Balance of cash and cash equivalents at beginning of the year	2,836,362	3,026,208
Balance of cash and cash equivalents at end of the year	3,026,208	3,265,199

(5) Notes regarding the Non-consolidated Financial Statements

(Matters Affecting the Assumption of a Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year, and decided to apply the new accounting policies provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment specified in Paragraph 27-2 of the Guidelines for the Application of Accounting Standards for the Calculation of Market Value. The application of this accounting standard has no impact on the financial statements.

(Segment Information)

[Segment Information]

FY2022 (From January 1, 2022, to December 31, 2022) and FY2023 (From January 1, 2023, to December 31, 2023)

Since the Company’s business operations comprising engineering consulting and related services are conducted within a single business segment, segment information is omitted.

(Equity Method Profit or Loss)

All affiliated companies owned by the Company are deemed insignificant group companies in terms of earnings and surplus standards, and therefore their figures are not shown.

(Per Share Information)

	FY2022 (From January 1, 2022, to December 31, 2022)	FY2023 (From January 1, 2023, to December 31, 2023)
Net assets per share	¥1,047.31	¥1,101.67
Profit per share	¥70.94	¥81.23
Diluted profit per share	-	-

(Note) 1. Diluted profit per share is not presented because there are no dilutive shares.

(Note) 2. The basis for calculating profit per share is as follows:

	FY2022 (From January 1, 2022, to December 31, 2022)	FY2023 (From January 1, 2023, to December 31, 2023)
Profit per share		
Profit for the period (thousand yen)	415,606	477,353
Amount not attributable to common shareholders (thousand yen)	-	-
Profit on common stock (thousand yen)	415,606	477,353
Average number of common stock outstanding for the period (shares)	5,858,706	5,876,528

(Note) 3. The basis for calculation of net assets per share is as follows:

	FY2022 (as of December 31, 2022)	FY2023 (as of December 31, 2023)
Total net assets (thousand yen)	6,153,735	6,493,070
Amount to be deducted from total net assets (thousand yen)	-	-
Net assets related to common stock at the end of the period (thousand yen)	6,153,735	6,493,070
Closing number of common stock used in the calculation of net assets per share (shares)	5,875,767	5,893,867

The Company's shares held in trust that are recognized as treasury stock in shareholders' equity are included in the treasury stock deducted in the calculation of the average number of shares during the period for calculation of profit per share (101,818 shares as of December 31, 2022; 83,939 shares as of December 31, 2023).

The Company's shares held in trust that are recognized as treasury stock within shareholders' equity are included in the treasury stock deducted from the number of shares outstanding at end of the period, used for calculating "net assets per share" (84,700 shares as of December 31, 2022; 66,600 shares as of December 31, 2023).

(Significant Subsequent Events)

Not applicable.