

Year ended December 31, 2019 **FY 2019 Non-consolidated Financial Results** February 7, 2020

(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, Second Section
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, 2020

Planned filing of a financial report: March 26, 2020

Date of scheduled payment of dividends: March 27, 2020

Earnings supplementary explanatory documents: None

Earnings presentation: None

(Amounts less than ¥1 million are truncated)

1. NON-CONSOLIDATED FINANCIAL RESULTS FOR FY 2019 (January 1, 2019 to December 31, 2019)

(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 2019 ended December 31, 2019	6,338	1.3	800	-20.2	816	-12.8	481	-18.9
FY 2018 ended December 31, 2018	6,257	0.0	1,003	-0.9	936	-8.0	593	-39.0

	Profit per share-basic	Profit per share-diluted	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY 2019 ended December 31, 2019	81.56	81.34	8.3	11.1	12.6
FY 2018 ended December 31, 2018	88.26	87.83	10.2	12.8	16.0

(Reference) Gain (loss) on investment by equity method: FY 2019: ¥- million FY 2018: ¥- 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, 2019	7,007	5,506	78.6	950.46
As of December 31, 2018	7,675	6,098	79.5	900.82

(Reference) Shareholders' equity: As of December 31, 2019: ¥5,506 million As of December 31, 2018: ¥6,098 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 2019 ended December 31, 2019	426	-17	-1,118	3,027
FY 2018 ended December 31, 2018	1,459	-440	-81	3,736

2. DIVIDENDS

(Record date)	Dividends per share					Total dividend amount (Full year)	Payout ratio	Ratio of dividends to net assets
	End of first quarter	Interim	End of third quarter	Fiscal year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2018 ended December 31, 2018	-	0.00	-	14.00	14.00	95	15.9	1.6
FY 2019 ended December 31, 2019	-	0.00	-	30.00	30.00	176	36.8	3.2
FY 2020 ending December 31, 2020 (Forecast)	-	0.00	-	32.00	32.00		39.5	

3. FORECAST OF NON-CONSOLIDATED RESULTS FOR FY 2020 (January 1, 2020 to December 31, 2020)

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

Full year	Net sales		Operating income		Ordinary income		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	6,400	1.0	800	-0.1	800	-2.0	470	-2.4	81.11

*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: None
- (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, 2019: 7,796,800 shares As of December 31, 2018: 7,796,800 shares
- (ii) Number of shares of treasury stock at end of period
As of December 31, 2019: 2,003,465 shares As of December 31, 2018: 1,026,965 shares
- (iii) Average number of shares outstanding for each period
As of December 31, 2019: 5,902,478 shares As of December 31, 2018: 6,721,703 shares

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

Note regarding 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 significantly from any expressed future performance herein due to various factors.

For matters relating to results forecasts, please refer to “1. SUMMARY OF BUSINESS RESULTS,” “(4) Future Outlook” on page 5 of the Attachment.

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1. SUMMARY OF BUSINESS RESULTS

(1) Summary of Business Results for Current Period

According to the Bank of Japan's Tankan survey in December 2019, the diffusion index (DI) for major manufacturing firms dropped five percentage points from the September 2019 survey to zero percentage points, and that for major non-manufacturing firms, it dropped one percentage points from the previous survey to 20 percentage points. The DI for small and medium-sized manufacturers dropped five percentage points from the previous survey to minus nine percentage points, and that of non-manufacturers dropped three percentage point to seven percentage points. The forecast DI for the next three months is unchanged for major manufacturers and is down two percentage points for major non-manufacturers, which indicates that many companies are concerned about uncertainties in overseas economies and are cautious about the business outlook.

Under the above-mentioned economic conditions, the overall budget for public works projects of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), with which the Company has a close business relationship, for fiscal 2020 was approved by the Cabinet meeting. The totals earmarked for "disaster prevention and safety subsidies" and "general social infrastructure development subsidies" are almost at the same level as in fiscal 2019, or at 96% of the previous year's level. Separately from this, a total of ¥29,659 million, an increase of 90% from the previous fiscal year, is earmarked for the budget for expenses related to sewerage works, including individual subsidies for flood control measures. In addition, a total of ¥340 billion is appropriated for the sewerage works as emergency response measures based on the "Three-year emergency response plan for disaster prevention, disaster mitigation, and building national resilience" for critical infrastructure over the three-year period from the second supplementary budget for fiscal 2018 to fiscal 2020.

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 infrastructure stock in the country by sector after the road infrastructure stock. Among these, most of the population has access to water supplies, with the total length of water pipes reaching around 660,000 kilometers across Japan. However, the national average annual rate of renewing water pipes is as low as 0.75%, 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 they are expected to deteriorate further due to the slow progress in renewing the water pipes infrastructure, much of which was built during the high-growth period. Therefore, renewing aged water pipes has become an important issue for stable supplies of safe water.

Meanwhile, 91.4% of the population of Japan has access to sewage treatment facilities (as of the end of FY2018), but only 79.3% has access to sewers, which means nearly 11 million people still live without access to sewage treatment facilities; promoting sewage services needs to be accelerated. 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 culturally strong living environment, are thus in demand. In addition, needs are growing for flood control measures to protect human lives and assets from localized torrential rainfall and large typhoons, which have occurred frequently in recent years, anti-seismic measures such as quake-resistant toilet facilities, and measures for reinforcing water and sewerage systems to make them tsunami resistant.

The Company, in this operating environment, worked 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 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 MLIT: Strengthening earthquake recovery and reconstruction support and implementing national measures for safety and peace of mind; early reduction 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 operations including sewerage operations management strategy formulation operations. In overseas markets, the Company has been working to win orders by tapping into projects in emerging nations through public-private partnerships.

With regard to its internal work environment, the Company has worked to distribute profits to employees and increase revenue by boosting productivity and reducing costs through the following measures: providing 90 percent of its employees with smartphones and notebook PCs and creating an office environment in which a free address system and a wireless LAN system are available to introduce a telework environment, allowing employees to work anywhere not only in the office but also outside the office; facilitating prompt information-sharing 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 health management; utilizing internal systems, such as a staggered working hours system and promoting the use of paid leave, that allow each employee to work flexibly according to his/her own circumstances.

As a result, the non-consolidated orders received during the fiscal year under review amounted to ¥6,144 million, an increase of 14.2% compared with the previous fiscal year. The main causes for the increase in orders received are considered to be the increase in the number of orders received as a result of placement of orders for which we have been working on project formation since the previous fiscal year, receipt of order for a large-scale turnkey design and construction project, and improvement of production systems due to hiring of work-ready engineers. On the other hand, net sales amounted to ¥6,338 million, a 1.3% increase from the previous fiscal year. Operating income amounted to ¥800 million, a decrease of 20.2% compared with the previous fiscal year, and ordinary income decreased 12.8% to ¥816 million. Profit amounted to ¥481 million, a decrease of 18.9% compared with the previous fiscal year. Extraordinary loss was recorded due mainly to the occurrence of the cost of correction as a result of lack of confirmation on the part of both ordering party and party receiving order.

Results by operating division were as follows.

[Engineering Consultant Department]

The Engineering Consultant Department received orders totaling ¥5,693 million during the fiscal year under review, an increase of 12.6% compared with the previous fiscal year. Sales by the department decreased 0.4%, to ¥5,846 million.

[Information Processing Department]

In the Information Processing Department, orders received increased 38.6% compared with the previous fiscal year, to ¥451 million. Sales by the department increased 27.4%, to ¥491 million.

(2) Summary of Financial Position for Current Period

(Current assets)

Current assets at the end of the fiscal year under review amounted to ¥5,568 million (down 10.1% from the end of the previous fiscal year). The main factors contributing to this change included a decrease in cash and deposits due to purchase of treasury stock and an increase in accounts receivable-completed operation.

(Noncurrent assets)

Noncurrent assets at the end of the fiscal year under review stood at ¥1,438 million (down 2.8% from the end of the previous fiscal year). The main factors contributing to this change included a decrease in investments and other assets as a result of redemption of investment securities.

(Current liabilities)

Current liabilities at the end of the fiscal year under review stood at ¥1,311 million (down 0.8% from the end of the previous fiscal year). The main factors contributing to this change included a decrease in advances received on uncompleted services due to decline of payments received for operations and increases in income taxes payable and accrued consumption taxes.

(Noncurrent liabilities)

Noncurrent liabilities at the end of the fiscal year under review stood at ¥189 million (down 25.7% from the

end of the previous fiscal year). The main factors contributing to this change included a decrease in provision for retirement benefits.

(Net assets)

Net assets at the end of the fiscal year under review amounted to ¥5,506 million (down 9.7% from the end of the previous fiscal year). The main factors contributing to this change included an increase in treasury stock due to purchase through a tender offer, despite an increase in retained earnings due to the recording of profit.

(3) Summary of Cash Flows for Current Period

Cash and cash equivalents stood at ¥3,027 million (down 19.0% from the end of the previous fiscal year) at the end of the fiscal year under review. Significant factors contributing to this change included the posting of profit before income taxes, and purchase of treasury stock.

The main factors contributing to changes in cash flows during the fiscal year under review were as follows:

(Cash flows from operating activities)

Net cash provided in operating activities amounted to ¥426 million (decreased 70.8% compared with the previous fiscal year).

The main factor contributing to this change was the posting of profit before income taxes and a decrease in advances received on uncompleted services.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥17 million (decreased 96.0% compared with the previous fiscal year).

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

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,118 million (increased 1,279.0% compared with the previous fiscal year).

Significant factors contributing to this change included the purchase of treasury stock.

	FY 2017	FY 2018	FY 2019
Shareholders' equity ratio (%)	79.7	79.5	78.6
Shareholders' equity ratio on a market value basis (%)	66.1	80.2	81.2
Interest-bearing debt to cash flow ratio (years)	0.16	0.04	0.11
Interest coverage ratio (times)	224.54	758.75	128.56

Ratio formula:

Shareholders' equity ratio: Shareholders' equity / total assets

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

Interest-bearing debts to cash flow ratio (years): Interest-bearing liabilities / cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / interest payments

Notes:

1. Market capitalization is calculated by multiplying the share price at end of period by the number of shares outstanding at end of period (excluding treasury stock).
2. Cash flows in these indicators refer to net cash from operating activities as stated in the Non-consolidated Statements of Cash Flows. Interest-bearing liabilities are all liabilities presented on the Non-consolidated Balance Sheets that are subject to interest expenses. Interest payments are those stated in the Non-consolidated Statements of Cash Flows.

(4) Future Outlook

The national budget for disaster prevention and safety subsidies allocated to operating expenses of local governments and social infrastructure improvement subsidies is expected to remain at the same level. In light of such external environmental business factors affecting orders, the Company's target project budget is likely to be guaranteed. However, the majority of orders for local governments' public procurement are placed through price competitive auction. Accordingly, the Company expects to continue to face various issues to address to achieve its management goals, such as competition among firms, fluctuations of bidding prices, and an increase in sales cost due to an increase in rebuilding and renewal operations that require complex and advanced experiences and expertise, and an increase in personnel expenses to respond to recruiting activities that are becoming increasingly difficult year by year and to prevent turnover, secure, and foster talented human resources.

The Company, meanwhile, has achieved a year-on-year increase in productivity and corporate image. It has done this through company-wide awareness reforms aimed at achieving the objectives of having every employee work with a sense of management and establishing an organization with an open culture, which have been consistently pursued under the present management structure, and aimed at providing industry-leading pleasant working conditions and a good in-house system. The Company is facing issues such as passing on techniques of aged engineers with extensive experience and securing and fostering young employees who will lead the next generation. And our activities for hiring new graduates and mid-career workers are delivering results at each business location through measures, such as continuous improvement of earnings, increase in operating margin and share price, building a solid financial base, firmly establishing a corporate image of pleasant working environment, and promoting corporate coverage in the general media.

The greatest management resource of the Company is human capital, and we will further strive to secure, foster and retain talented human resources and work to solve management issues. With a growing number of local governments expected to experience a decrease in staffing levels, it will be difficult to continue to manage water and sewerage operations only by local government staff. Accordingly, the Company will aim to obtain sustainable orders and increase revenue by supporting the sustainable provision of water and sewerage services, which are vital for the lives of people, by offering the consultation services it has cultivated to date according to the individual circumstances of local governments.

Water supply and sewerage budgets in Japan are expected to continue placing emphasis on, for example, building water supply and sewerage facilities in areas without them; measures related to earthquakes, floods, and disaster prevention; programs to address an aging infrastructure; support services to reinforce operating foundations; and enhancing the vitality of local communities. Hence, the Company will aggressively carry out sales programs to meet such needs and strengthen its production system. At the same time, the Company will, in consideration of profitability, continuously engage in the overseas water-related business, mainly in emerging Asian countries, where economic development is remarkable and demand for water supply and sewerage infrastructure is expected to grow.

In the fiscal year ending December 31, 2020, the Company forecasts orders to increase 0.9%, to ¥6,200 million, and net sales to increase 1.0%, to ¥6,400 million. Operating income is forecast to decrease 0.1%, to ¥800 million, and ordinary income to decrease 2.0%, to ¥800 million. Profit is forecast to decrease 2.4%, to ¥470 million.

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 have much necessity to procure funds from overseas. Considering these, the Company applies the Japanese accounting standards.

3. FINANCIAL STATEMENTS AND PRIMARY NOTES

(1) Non-consolidated Balance Sheets

	FY 2018 (as of December 31, 2018)	FY 2019 (as of December 31, 2019)
Category	Amount (thousand yen)	Amount (thousand yen)
Assets		
Current assets		
Cash and deposits	4,452,537	3,743,180
Accounts receivable—completed operation	1,685,356	1,750,203
Costs on uncompleted services	1,320	4,723
Prepaid expenses	32,616	36,021
Advances receivable from group affiliates	216	216
Other	55,586	60,417
Allowance for doubtful accounts	-31,663	-26,240
Total current assets	6,195,970	5,568,523
Noncurrent assets		
Property, plant and equipment		
Buildings, net	194,788	209,838
Structures, net	0	0
Tools, furniture and fixtures, net	27,681	34,015
Land	150,015	150,015
Lease assets, net	51,138	40,634
Total property, plant and equipment	423,624	434,503
Intangible assets		
Leasehold right	3,321	3,321
Software	116,788	115,479
Lease assets	4,685	3,243
Telephone subscription right	3,711	3,711
Total intangible assets	128,506	125,755
Investments and other assets		
Investment securities	531,807	473,282
Shares of subsidiaries and associates	50,000	50,000
Long-term loans receivable from employees	10,948	9,612
Insurance funds	64,529	66,039
Guarantee deposits	147,133	159,928
Long-term prepaid expenses	2,132	3,061
Deferred tax assets	94,373	89,837
Other	28,769	28,769
Allowance for doubtful accounts	-2,200	-2,200
Total investments and other assets	927,495	878,330
Total noncurrent assets	1,479,626	1,438,589
Total assets	7,675,596	7,007,113

	FY 2018 (as of December 31, 2018)	FY 2019 (as of December 31, 2019)
Category	Amount (thousand yen)	Amount (thousand yen)
Liabilities		
Current liabilities		
Accounts payable—operating	192,854	170,388
Lease obligations	22,954	22,205
Accounts payable—other	88,352	56,562
Accrued expenses	151,718	194,098
Income taxes payable	131,450	230,950
Accrued consumption taxes	39,799	122,498
Advances received on uncompleted services	535,610	344,578
Deposits received	102,940	107,948
Provision for bonuses	38,912	40,302
Provision for loss on order received	12,593	9,044
Provision for share benefit	-	12,707
Asset retirement obligations	5,107	-
Total current liabilities	1,322,294	1,311,285
Noncurrent liabilities		
Lease obligations	34,204	22,928
Provision for share benefit	24,695	15,226
Provision for retirement benefits	138,302	94,782
Long-term accounts payable—other	8,400	6,720
Asset retirement obligations	48,836	49,467
Total noncurrent liabilities	254,439	189,125
Total liabilities	1,576,733	1,500,410
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	703,995	704,775
Total capital surpluses	2,875,303	2,876,083
Retained earnings		
Other retained earnings		
General reserve	2,000,000	2,500,000
Retained earnings brought forward	726,952	612,909
Total retained earnings	2,726,952	3,112,909
Treasury stock	-623,560	-1,610,179
Total shareholders' equity	6,071,695	5,471,813
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	26,733	34,510
Total valuation and translation adjustments	26,733	34,510
Subscription rights to shares	433	378
Total net assets	6,098,862	5,506,702
Total liabilities and net assets	7,675,596	7,007,113

(2) Non-consolidated Statements of Operations

	FY 2018 (from January 1, 2018 to December 31, 2018)	FY 2019 (from January 1, 2019 to December 31, 2019)
Category	Amount (thousand yen)	Amount (thousand yen)
Contracts completed	6,257,188	6,338,536
Cost of completed work	3,953,174	4,194,843
Gross profit	2,304,013	2,143,693
Selling, general and administrative expenses	1,300,381	1,343,204
Operating income	1,003,632	800,489
Non-operating income		
Interest income	278	326
Interest on securities	4,119	5,500
Dividend income	7,190	7,958
Insurance income	1,000	-
Commission fee	2,430	2,430
Gain on valuation of investment securities	-	17,236
Gain on redemption of investment securities	-	13,096
Foreign exchange gains	-	645
Other	3,681	5,842
Total non-operating income	18,699	53,036
Non-operating expenses		
Interest expenses	1,923	3,316
Expenses for securities transactions	24,337	33,010
Loss on sales of investment securities	20,886	-
Loss on valuation of investment securities	35,735	-
Foreign exchange losses	2,692	-
Other	524	783
Total non-operating expenses	86,100	37,109
Ordinary income	936,231	816,416
Extraordinary loss		
Loss on retirement of noncurrent assets	1,038	4,626
Loss on construction compensation	-	31,800
Total extraordinary loss	1,038	36,426
Profit before income taxes	935,192	779,989
Income taxes—current	189,722	297,393
Income taxes-deferred	152,188	1,171
Total income taxes	341,910	298,565
Profit	593,281	481,424

**(3) Non-consolidated Statements of Changes in Net Assets
FY 2018 (from January 1, 2018 to December 31, 2018)**

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surpluses	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	715,307	2,886,615	1,100,000	1,114,757	2,214,757
Changes of items during the period							
Provision of general reserve					900,000	-900,000	-
Dividends of surplus						-81,085	-81,085
Profit						593,281	593,281
Purchase of treasury stock							
Disposal of treasury stock			-11,312	-11,312			
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	-11,312	-11,312	900,000	-387,804	512,195
Balance at the end of current period	1,093,000	2,171,308	703,995	2,875,303	2,000,000	726,952	2,726,952

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	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	-669,783	5,524,589	58,509	58,509	1,287	5,584,386
Changes of items during the period						
Provision of general reserve		-				-
Dividends of surplus		-81,085				-81,085
Profit		593,281				593,281
Purchase of treasury stock	-29	-29				-29
Disposal of treasury stock	46,252	34,940			-853	34,086
Net changes of items other than shareholders' equity			-31,776	-31,776		-31,776
Total changes of items during the period	46,222	547,105	-31,776	-31,776	-853	514,475
Balance at the end of current period	-623,560	6,071,695	26,733	26,733	433	6,098,862

FY 2019 (from January 1, 2019 to December 31, 2019)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surpluses	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	703,995	2,875,303	2,000,000	726,952	2,726,952
Changes of items during the period							
Provision of general reserve					500,000	-500,000	-
Dividends of surplus						-95,467	-95,467
Profit						481,424	481,424
Purchase of treasury stock							
Disposal of treasury stock			780	780			
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	780	780	500,000	-114,043	385,956
Balance at the end of current period	1,093,000	2,171,308	704,775	2,876,083	2,500,000	612,909	3,112,909

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	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	-623,560	6,071,695	26,733	26,733	433	6,098,862
Changes of items during the period						
Provision of general reserve		-				-
Dividends of surplus		-95,467				-95,467
Profit		481,424				481,424
Purchase of treasury stock	-1,042,800	-1,042,800				-
Disposal of treasury stock	56,181	56,961			-55	56,906
Net changes of items other than shareholders' equity			7,776	7,776		7,776
Total changes of items during the period	-986,618	-599,881	7,776	7,776	-55	-592,160
Balance at the end of current period	-1,610,179	5,471,813	34,510	34,510	378	5,506,702

(4) Non-consolidated Statements of Cash Flows

	FY 2018 (from January 1, 2018 to December 31, 2018)	FY 2019 (from January 1, 2019 to December 31, 2019)
Category	Amount (thousand yen)	Amount (thousand yen)
Cash flows from operating activities		
Profit before income taxes	935,192	779,989
Depreciation and amortization	84,245	88,272
Increase /decrease in allowance for doubtful accounts	12,663	-5,423
Interest and dividends income	-11,588	-13,786
Interest expenses	1,923	3,316
Loss on retirement of property, plant and equipment	1,038	4,626
Loss on construction compensation	-	31,800
Loss (gain) on sales of investment securities	20,886	-
Loss (gain) on valuation of investment securities	35,735	-17,236
Loss (gain) on redemption of investment securities	-	-13,096
Increase/decrease in notes and accounts receivable—trade	421,408	-64,847
Increase/decrease in costs on uncompleted services	-1,320	-3,402
Increase/decrease in notes and accounts payable—trade	-70,893	-22,465
Increase/decrease in advances received on uncompleted services	239,888	-191,032
Increase/decrease in provision for bonuses	2,792	1,390
Increase/decrease in provision for loss on order received	-4,721	-3,549
Increase /decrease in provision for share benefit	-556	3,238
Increase/decrease in provision for retirement benefits	-58,749	-43,520
Other	27,693	81,757
Subtotal	1,635,638	616,031
Interest and dividends income received	11,589	13,788
Interest expenses paid	-1,923	-3,316
Proceeds from insurance income	1,000	-
Income taxes paid	-186,952	-200,155
Net cash provided by (used in) operating activities	1,459,351	426,348

	FY 2018 (from January 1, 2018 to December 31, 2018)	FY 2019 (from January 1, 2019 to December 31, 2019)
Category	Amount (thousand yen)	Amount (thousand yen)
Cash flows from investing activities		
Purchase of property, plant and equipment	-47,170	-61,809
Purchase of intangible assets	-54,057	-41,624
Purchase of investment securities	-501,040	-100,333
Proceeds from sales of investment securities	180,113	727
Proceeds from redemption of investment securities	-	200,000
Payments for lease and guarantee deposits	-13,347	-15,508
Proceeds from collection of lease and guarantee deposits	1,078	1,076
Other	-5,730	-79
Net cash provided by (used in) investing activities	-440,154	-17,551
Cash flows from financing activities		
Repayments of lease obligations	-26,011	-24,420
Purchase of treasury stock	-29	-1,042,800
Proceeds from disposal of treasury stock	-	42,800
Proceeds from exercise of share options	26,040	1,680
Cash dividends paid	-81,085	-95,467
Net cash used in financing activities	-81,087	-1,118,208
Effect of exchange rate change on cash and cash equivalents	-380	-6
Net increase/decrease in cash and cash equivalents	937,729	-709,417
Balance of cash and cash equivalents at beginning of the year	2,798,825	3,736,554
Balance of cash and cash equivalents at end of the year	3,736,554	3,027,137

(5) Notes regarding the Non-consolidated Financial Statements

(Matters Affecting the Assumption of a Going Concern)

No applicable items.

(Changes in Presentation)

(Application of Partial Amendments to the Accounting Standard for Tax Effect Accounting)

The Company has applied the “Partial Amendments to the Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under noncurrent liabilities.

As a result, ¥31,141,000 of deferred tax assets under current assets are included in ¥94,373,000 of deferred tax assets under investments and other assets.

(Notes regarding the Statements of Changes in Net Assets)

The Company, based on the resolution of the Board of Directors meeting held on November 5, 2018, purchased 1,000,000 shares of treasury stock for ¥1,000,000,000. In addition, following the additional contribution to the Employee Stock Ownership Plan (J-ESOP), the Company, based on the resolution of the Board of Directors meeting held on August 7, 2019, disposed of 50,000 shares of treasury stock through third-party allotment to the Trust & Custody Services Bank, Ltd. as the allottee as of August 23, 2019. Accordingly, capital surplus and treasury stock increased by ¥2,286,000, respectively. As a result, capital stock amounted to ¥2,876,083,000 and treasury stock amounted to ¥1,610,179,000 at the end of the fiscal year under review.

(Segment Information)

[Segment Information]

Previous fiscal year (from January 1 to December 31, 2018) and fiscal year under review (from January 1 to December 31, 2019)

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

(Profit and Loss under Equity Method)

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

(Per Share Information)

	FY 2018 (from January 1, 2018 to December 31, 2018)	FY 2019 (from January 1, 2019 to December 31, 2019)
Net assets per share	¥900.82	¥950.46
Profit per share	¥88.26	¥81.56
Diluted profit per share	¥87.83	¥81.34

Note: 1. The basis for calculating profit per share and diluted profit per share is as follows:

	FY 2018 (from January 1, 2018 to December 31, 2018)	FY 2019 (from January 1, 2019 to December 31, 2019)
Profit per share		
Profit for the period (thousand yen)	593,281	481,424
Amount not attributed to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent attributed to common stock (thousand yen)	593,281	481,424
Average number of common stock outstanding for the period (shares)	6,721,703	5,902,478
Diluted profit per share		
Profit adjustment (thousand yen)	-	-
Increase in number of common stock (shares)	32,950	16,160
(of which the amount of subscription rights to shares)(shares)	32,950	16,160

Overview of dilutive shares not included in the calculation of diluted profit per share because of their anti-dilutive effect	-	-
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Note: 2. The basis for calculation of net assets per share is as follows:

	FY 2018 (from January 1, 2018 to December 31, 2018)	FY 2019 (from January 1, 2019 to December 31, 2019)
Net assets for the period (thousand yen)	6,098,862	5,506,702
Deduction amount from total net assets (thousand yen)	433	378
(of which the amount of subscription rights to shares)(thousand yen)	(433)	(378)
Net assets attributed to common stock (thousand yen)	6,098,428	5,506,323
Closing number of common stock used in the calculation of net assets per share (shares)	6,769,835	5,793,335

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 calculation of the average number of shares outstanding during the period, used for calculating profit per share (67,005 shares as of December 31, 2018; 66,350 shares as of December 31, 2019).

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" (68,100 shares as of December 31, 2018; 79,800 shares as of December 31, 2019).

(Significant Subsequent Events)

No applicable items.