

Year Ended December 31, 2022 **FY2022 Non-consolidated Financial Results** February 7, 2023

(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 Original Engineering Consultants Co., Ltd. Stock listing Tokyo Stock Exchange, Standard Market name:

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 Financial Affairs Division

Planned Annual General Meeting of Shareholders: March 28, 2023

Planned date of payment of dividends: March 29, 2023

Planned filing of a financial report: March 28, 2023

Earnings supplementary explanatory documents: None

Earnings presentation: None

(Amounts less than ¥1 million are truncated)

1. NON-CONSOLIDATED FINANCIAL RESULTS FOR FY2022 (January 1, 2022 to December 31, 2022)

(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	%
FY2022 ended December 31, 2022	6,486	4.5	739	28.5	748	19.6	415	10.5
FY2021 ended December 31, 2021	6,207	-1.1	575	-13.4	625	-3.4	376	0.2

	Profit per share-basic	Profit per share-diluted	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY2022 ended December 31, 2022	70.94	-	6.9	10.2	11.4
FY2021 ended December 31, 2021	64.38	-	6.5	8.9	9.3

(Reference) Gain (loss) on investment by equity method: FY2022: ¥- million FY2021: ¥- 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, 2022	7,598	6,153	81.0	1,047.31
As of December 31, 2021	7,099	5,914	83.3	1,009.67

(Reference) Shareholders' equity: As of December 31, 2022: ¥6,153 million As of December 31, 2021: ¥5,914 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
FY2022 ended December 31, 2022	691	-277	-225	3,026
FY2021 ended December 31, 2021	282	120	-227	2,836

## 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	%	%
FY2021 ended December 31, 2021	-	0.00	-	32.00	32.00	190	49.7	3.2
FY2022 ended December 31, 2022	-	0.00	-	32.00	32.00	190	45.1	3.1
FY2023 ending December 31, 2023 (Forecast)	-	0.00	-	32.00	32.00		47.0	

## 3. FORECAST OF NON-CONSOLIDATED RESULTS FOR FY2023 (January 1, 2023 to December 31, 2023)

(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	6,500	0.2	650	-12.1	660	-11.8	400	-3.8	68.08

### \*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, 2022: 7,796,800 shares As of December 31, 2021: 7,796,800 shares
- (ii) Number of shares of treasury stock at end of period  
As of December 31, 2022: 1,921,033 shares As of December 31, 2021: 1,938,573 shares
- (iii) Average number of shares outstanding for each period  
As of December 31, 2022: 5,858,706 shares As of December 31, 2021: 5,841,597 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 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 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 730,000 kilometers across Japan. However, the national average annual rate of renewing water pipes is as low as 0.67%, 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 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 sewage field, 92.6% of the population of Japan has access to sewage treatment facilities (as of the end of FY2021), but only 80.6% has access to sewers, which means nearly 9,300,000 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, measures for reinforcing water and sewerage systems to make them tsunami resistant, and initiatives to create "green innovation sewerage systems" in line with a shift to a decarbonized and recycling-oriented society.

Out of Japan's national budget for FY2022, passed and enacted in March 2022, 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 ¥1,381.3 billion. This amount is broken down into ¥800.9 billion for disaster prevention and safety subsidies and ¥580.3 billion for general social infrastructure development subsidies.

Since where subsidies will be spent is left to the discretion of local government, the allocated amount dedicated to water and sewerage operations is not known. On the other hand, the total of sewerage operational costs in ordinance-designated cities with a large budget across the country and the Tokyo metropolitan area is ¥620.2 billion, an increase of 1.4% from the beginning of the previous 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 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 those to formulate a strategy for sewerage operation management. 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). So, employees can work at home and 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 this period, we further improved the program of our internal business management system to digitize the approval function of each business workflow from receiving an order for design work, starting the project, preparing and changing the working budget, and then completing the project, thereby accelerating the budget management. Through these efforts, we are striving to improve productivity and reduce costs, and to increase employee returns and earnings.

In the first half of the fiscal year, the impact of government-led efforts to prevent the spread of COVID-19 in Japan, which continued from the previous year, sometimes affected customer response. Further, employees and their family members were infected with the novel coronavirus or came into close contact with it, which sometimes affected

business progress. However, we continued our business activities by taking measures that give full consideration to the safety and security of our employees under a well-developed internal system. As a response measure to projects that require various types of expertise, the Company made efforts to build a more efficient production system, leveraging the Company's human resources in distant offices by making effective use of online meetings.

In Japan, from April when the fiscal period for public offices starts, the business budgets of local governments related to the Company were generally carried out as planned, and our order-taking activities went well. On the other hand, with regard to overseas projects, on-site works have progressed because traveling was permitted to some regions where travel restrictions were eased.

As a result, orders received during the fiscal year amounted to ¥6,457 million (up 1.9% 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. On the other hand, net sales of completed contracts totaled ¥6,486 million (compared with ¥6,207 million in the previous fiscal year), operating income came to ¥739 million (compared with ¥575 million in the previous fiscal year), ordinary income was ¥748 million (compared with ¥625 million in the previous fiscal year), and profit totaled ¥415 million (compared with ¥376 million in the previous fiscal year).

Results by operating division were as follows.

[Engineering Consultant Department]

The Engineering Consultant Department received total orders of ¥6,057 million (up 4.6% year-on-year).

Meanwhile, net sales of completed contracts amounted to ¥5,982 million (¥5,763 million in the previous fiscal year).

[Information Processing Department]

In the Information Processing Department, orders received were ¥400 million (down 26.5% year-on-year). And net sales of completed contracts amounted to ¥503 million (¥443 million in the previous fiscal year).

## **(2) Summary of Financial Position for Current Period**

(Current assets)

Current assets for fiscal year totaled ¥6,131 million (up 5.2% 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 fiscal year stood at ¥1,466 million (up 15.2% year-on-year). This was mainly due to an increase in “investment securities” through the acquisition of investment securities.

(Current liabilities)

Current liabilities for the fiscal year amounted to ¥1,314 million (up 32.3% year-on-year). This was mainly due to an increase in “accounts payable—operating” caused by an increase in outsourcing expenses, as well as an increase in “advances received on uncompleted contracts” due to an increase in receipts of proceeds from business operations.

(Noncurrent liabilities)

Noncurrent liabilities for the fiscal year amounted to ¥129 million (down 32.2% year-on-year). The main factors contributing to this change included a drop in “lease obligations” due to a decrease in lease contracts and a decrease in “provision for retirement benefits.”

(Net assets)

Net assets for FY2022 were ¥6,153 million (up 4.0% year-on-year). This was mainly due to an increase in “retained earnings” resulting from the posting of profit.

### (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 ¥3,026 million (up 6.7% 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 ¥691 million (up 144.9% year-on-year).

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

#### (Cash flows from investing activities)

Funds used by investing activities amounted to ¥277 million (acquisition of ¥120 million in the previous fiscal year).

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

#### (Cash flows from financing activities)

Funds used by financing activities amounted to ¥225 million (down 1.0% year-on-year).

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

	FY2020	FY2021 ended December 31, 2021	FY2022 ended December 31, 2022
Shareholders' equity ratio (%)	81.2	83.3	81.0
Shareholders' equity ratio on a market value basis (%)	81.1	82.2	62.2
Interest-bearing debt to cash flow ratio (years)	-	0.39	0.12
Interest coverage ratio (times)	-	86.41	251.05

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 closing stock price at end of period by the number of shares issued at end of period (excluding treasury stock).
2. Cash flows from operating activities are used in the Non-consolidated Statement of Cash Flows. Interest-bearing liabilities are all liabilities presented on the Non-consolidated Balance Sheet that are subject to interest expenses. For interest payments, the amount of interest paid on the Non-consolidated Statement of Cash Flows is used.

### (4) Future Outlook

According to the outline of the Ministry of Land, Infrastructure, Transport and Tourism's fiscal 2023 budget for public works projects, which has close ties with projects in our company, ¥831.3 billion (1.02 times year on year) in the Disaster Prevention and Safety Grant and ¥549.2 billion (0.94 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, expenses related to sewerage increased by ¥77,300 million, 1.41 times more than the previous fiscal year, mainly due to expenses for strengthening measures against flooding by sewerage.

In fiscal 2022, the third year of COVID-19, the impact of the pandemic on social and economic activities has decreased, and the budgets related to water supply and sewerage projects by local governments were generally executed as budgeted. These included countermeasures to combat aging and give earthquake resistance to facilities, resolving the underdevelopment of sewage systems, countermeasures against flooding of inland waters, expansion of area coverage and communalization, and countermeasures against infiltration during rainy weather, decarbonization. The Company expects this trend will continue in fiscal 2023 as well.

In order to respond to these needs, the Company will strive to resolve social issues not only in its main water supply and sewerage field but also in the river, waste and environment, and overseas fields. It will do so by encouraging experienced engineers to continue making self-improvements, bringing their capabilities together, and upgrading digitization services for water supply and sewerage information based on its information and communications technology (ICT) technologies that have been developed and accumulated over the years by the DX

Promotion Department of the Company.

Orders for local governments' public procurement activities, which account for the majority of the Company's orders received, are placed through price competitive 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 works due to an increase in planning and designing operations for rebuilding and renewal that require complex and advanced experience 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 of, secure, and foster talented human resources. The Company, meanwhile, has had a solid sense of an improvement in its 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. It has also done this by firmly establishing a far-sighted corporate culture which has enabled a smooth company-wide transition to working from home and telework amid the pandemic.

And it has provided an effective work environment by doing research on the latest industry trends and having interviews with its employees. 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 expected to experience a decrease in staffing levels, and the cooperation with and support of private companies are considered essential for continuing water supply and sewerage operations. Under such circumstances, the Company will contribute to the continuation of water supply and sewerage services, which are vital for the safe and secure lives of people, as well as solving social challenges and improving corporate value by customizing and providing the consulting services that it has cultivated to meet the needs of society.

In the fiscal year ending December 31, 2023, the Company forecasts orders will increase to ¥6,500 million (up 0.7% year-on-year), and net sales of completed contracts will rise to ¥6,500 million (up 0.2% year-on-year). Operating income is forecast to decrease to ¥650 million (down 12.1% year-on-year), and ordinary income to fall to ¥660 million (down 11.8% year-on-year). Profit is forecast to drop to ¥400 million (down 3.8% 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 have 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

	FY2021 (as of December 31, 2021)	FY2022 (as of December 31, 2022)
	(Thousands of yen)	(Thousands of yen)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,552,478	3,742,336
Accounts receivable–completed operation	2,202,044	-
Accounts receivable–completed operation and contract assets	-	2,301,975
Costs on uncompleted services	761	8,714
Prepaid expenses	37,099	43,856
Advances receivable from group affiliates	258	200
Other	62,828	67,069
Allowance for doubtful accounts	-29,240	-32,360
<b>Total current assets</b>	<b>5,826,230</b>	<b>6,131,793</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings, net	205,274	190,584
Structures, net	0	0
Tools, furniture and fixtures, net	28,569	22,229
Land	150,015	150,015
Lease assets, net	108,564	81,648
<b>Total property, plant and equipment</b>	<b>492,423</b>	<b>444,478</b>
<b>Intangible assets</b>		
Leasehold right	3,321	3,321
Software	122,771	121,082
Lease assets	763	290
Telephone subscription right	3,711	3,711
<b>Total intangible assets</b>	<b>130,567</b>	<b>128,404</b>
<b>Investments and other assets</b>		
Investment securities	260,506	499,466
Shares of subsidiaries and associates	50,000	50,000
Long-term loans receivable from employees	4,092	3,432
Insurance funds	73,124	78,998
Guarantee deposits	163,747	167,318
Long-term prepaid expenses	6,799	4,242
Deferred tax assets	65,667	63,620
Other	28,769	28,769
Allowance for doubtful accounts	-2,200	-2,200
<b>Total investments and other assets</b>	<b>650,508</b>	<b>893,647</b>
<b>Total noncurrent assets</b>	<b>1,273,498</b>	<b>1,466,530</b>
<b>Total assets</b>	<b>7,099,729</b>	<b>7,598,324</b>



	FY2021 (as of December 31, 2021)	FY2022 (as of December 31, 2022)
	(Thousands of yen)	(Thousands of yen)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable—operating	240,019	433,918
Lease obligations	33,699	32,846
Accounts payable—other	69,262	51,798
Accrued expenses	160,555	215,092
Income taxes payable	141,001	174,711
Accrued consumption taxes	45,394	29,805
Advances received on uncompleted contracts	116,730	195,043
Deposits received	112,600	108,262
Provision for bonuses	40,137	41,336
Provision for loss on orders received	20,290	17,378
Provision for share benefit	14,076	14,796
<b>Total current liabilities</b>	<b>993,767</b>	<b>1,314,989</b>
<b>Noncurrent liabilities</b>		
Lease obligations	77,640	51,445
Provision for share benefit	18,245	18,310
Provision for retirement benefits	38,678	2,797
Long-term accounts payable—other	6,720	6,720
Asset retirement obligations	49,789	50,325
<b>Total noncurrent liabilities</b>	<b>191,074</b>	<b>129,598</b>
<b>Total liabilities</b>	<b>1,184,841</b>	<b>1,444,588</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,093,000	1,093,000
<b>Capital surplus</b>		
Legal capital surplus	2,171,308	2,171,308
Other capital surplus	702,924	702,924
<b>Total capital surplus</b>	<b>2,874,232</b>	<b>2,874,232</b>
<b>Retained earnings</b>		
Other retained earnings		
General reserve	3,000,000	3,000,000
Retained earnings brought forward	499,411	694,204
<b>Total retained earnings</b>	<b>3,499,411</b>	<b>3,694,204</b>
Treasury stock	-1,569,735	-1,555,708
<b>Total shareholders' equity</b>	<b>5,896,907</b>	<b>6,105,728</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	17,979	48,007
<b>Total valuation and translation adjustments</b>	<b>17,979</b>	<b>48,007</b>
<b>Total net assets</b>	<b>5,914,887</b>	<b>6,153,735</b>
<b>Total liabilities and net assets</b>	<b>7,099,729</b>	<b>7,598,324</b>

**(2) Non-consolidated Statements of Operations**

	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
	(Thousands of yen)	(Thousands of yen)
Net sales of completed contracts	6,207,413	6,486,264
Costs of completed contracts	4,289,650	4,369,908
Gross profit	1,917,763	2,116,355
Selling, general and administrative expenses	1,341,993	1,376,601
Operating income	575,769	739,754
Non-operating income		
Interest income	119	96
Interest on securities	2,200	4,250
Dividend income	6,122	6,956
Contribution for secondment employees	2,792	2,708
Dividends from silent partnerships	10,756	-
Commission fee	2,430	2,430
Gain on sales of investment securities	1,240	-
Gain on redemption of investment securities	38,545	-
Foreign exchange gains	1,021	456
Other	3,627	7,658
Total non-operating income	68,856	24,555
Non-operating expenses		
Interest expenses	3,268	2,755
Expenses for securities transactions	9,481	9,103
Loss on valuation of investment securities	5,568	2,741
Other	720	1,465
Total non-operating expenses	19,039	16,065
Ordinary income	625,586	748,244
Extraordinary income		
Reversal of provision for construction warranty	1,067	-
Total extraordinary income	1,067	-
Extraordinary loss		
Loss on retirement of noncurrent assets	732	0
Warranties for completed construction	-	64,680
Total extraordinary loss	732	64,680
Profit before income taxes	625,921	683,564
Income taxes-current	233,917	264,309
Income taxes-deferred	15,945	3,648
Total income taxes	249,863	267,957
Profit	376,057	415,606

**(3) Non-consolidated Statement of Changes in Net Assets**  
**FY2021 (from January 1, 2021 to December 31, 2021)**

(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	694,421	2,865,729	2,800,000	512,171	3,312,171
Changes during the period							
Provision of general reserve					200,000	-200,000	-
Dividends of surplus						-188,817	-188,817
Profit						376,057	376,057
Purchase of treasury stock							
Disposal of treasury stock			8,502	8,502			
Net changes of items other than shareholders' equity							
Total changes during the period	-	-	8,502	8,502	200,000	-12,759	187,240
Balance at the end of current period	1,093,000	2,171,308	702,924	2,874,232	3,000,000	499,411	3,499,411

	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	-1,575,325	5,695,575	4,145	4,145	5,699,721
Changes during the period					
Provision of general reserve		-			-
Dividends of surplus		-188,817			-188,817
Profit		376,057			376,057
Purchase of treasury stock	-57,158	-57,158			-57,158
Disposal of treasury stock	62,747	71,250			71,250
Net changes of items other than shareholders' equity			13,833	13,833	13,833
Total changes during the period	5,589	201,332	13,833	13,833	215,166
Balance at the end of current period	-1,569,735	5,896,907	17,979	17,979	5,914,887

**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							
Provision of general reserve							
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					
Provision of general reserve		-			-
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

**(4) Non-consolidated Statement of Cash Flows**

	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
	(Thousands of yen)	(Thousands of yen)
Cash flows from operating activities		
Income before income taxes	625,921	683,564
Depreciation and amortization	112,202	109,141
Increase/decrease in allowance for doubtful accounts	3,000	3,120
Interest and dividends income	-19,198	-11,303
Interest expenses	3,268	2,755
Reversal of provision for construction warranty	-1,067	-
Loss on retirement of property, plant and equipment	732	0
Warranties for completed construction	-	64,680
Loss (gain) on sales of investment securities	-1,240	-
Loss (gain) on valuation of investment securities	5,568	2,741
Loss (gain) on redemption of investment securities	-38,545	-
Decrease (increase) in notes and accounts receivable–trade	-56,572	-145,065
Decrease (increase) in costs on uncompleted contracts	-447	-7,952
Increase (decrease) in notes and accounts payable–trade	-27,244	193,898
Increase (decrease) in advances received on uncompleted contracts	-31,012	78,313
Increase (decrease) in provision for bonuses	164	1,199
Increase (decrease) in provision for loss on order received	8,707	-1,129
Increase (decrease) in provision for share benefit	1,673	784
Increase (decrease) in provision for retirement benefits	-25,877	-35,881
Other	-49,702	-21,501
Subtotal	510,328	917,364
Interest and dividends income received	19,198	11,303
Interest expenses paid	-3,268	-2,755
Payment of warranties for completed construction	-35,632	-4,680
Income taxes paid	-208,205	-229,508
Cash flows from operating activities	282,420	691,723
Cash flows from investing activities		
Purchase of property, plant and equipment	-15,540	-23,491
Purchase of intangible assets	-45,981	-44,906
Purchase of investment securities	-310,000	-200,000
Proceeds from sales of investment securities	100,862	-
Proceeds from redemption of investment securities	400,040	-
Payments for lease and guarantee deposits	-3,824	-4,210
Proceeds from collection of lease and guarantee deposits	478	230
Other	-5,132	-4,627
Cash flows from investing activities	120,900	-277,005
Cash flows from financing activities		
Repayments of lease obligations	-38,663	-34,502
Purchase of treasury stock	-57,158	-49
Proceeds from disposal of treasury stock	57,120	-
Cash dividends paid	-188,817	-190,736
Cash flows from financing activities	-227,519	-225,288
Effect of exchange rate change on cash and cash equivalents	468	416
Net increase (decrease) in cash and cash equivalents	176,270	189,845
Balance of cash and cash equivalents at beginning of the year	2,660,092	2,836,362
Balance of cash and cash equivalents at end of the year	2,836,362	3,026,208

## (5) Notes regarding the Non-consolidated Financial Statements

(Matters Affecting the Assumption of a Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standards for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, referred to as “Accounting Standard for Revenue Recognition”) from the beginning of the first quarter of fiscal year, and recognizes revenue in the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to a customer.

Previously, the Company had applied the percentage-of-completion method to operations for which the certainty of results was recognized in the progress portion, and the completed-construction method to other operations. However, we changed the method to recognize revenue over a certain period of time as the performance obligation is satisfied. We estimate the progress in the fulfilment of performance obligations using the input method based on costs incurred.

As for the application of the Accounting Standard for Revenue Recognition, etc., the Company complies with the transitional treatment set forth in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, adding or subtracting the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter to retained earnings at the beginning of the first quarter, and applying the new accounting policy from the opening balance.

As a result, for the fiscal year, net sales of completed contracts and costs of completed contracts increased ¥45,131 thousand and ¥1,782 thousand, respectively, and operating income, ordinary income and income before income taxes grew ¥43,348 thousand, respectively. In addition, the effect of retained earnings on the balance at the beginning of the fiscal year is immaterial.

As a result of adopting the Accounting Standard for Revenue Recognition, “Accounts receivable—completed operation,” which was presented in “Current assets” in the balance sheet for the previous fiscal year, was included in “Accounts receivable—completed operation and contract assets” from the first quarter. We did not restate the previous fiscal year using a new presentation method in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition. In addition, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12, March 31, 2020), we did not present detailed information on revenues from contracts with customers for the fiscal year.

(Application of Accounting Standards for Calculation of Fair Value)

The Company has applied the “Accounting Standard for Calculation of Fair Value” (ASBJ Statement No. 30, July 4, 2019; hereinafter, referred to as “Fair Value Accounting Standard”) from the beginning of the first quarter of the fiscal year, and will apply the new accounting policies provided by the Fair Value Accounting Standards prospectively in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

This application has no impact on the quarterly financial statements.

(Change in presentation method)

(Income statement related)

In the previous fiscal year, “Contribution for secondment employees,” which was included in “Other” under “Non-operating income,” exceeded 10/100 of the total amount of non-operating income, and as a result, this item is presented separately from the current fiscal year. In order to reflect this change in presentation method, the financial statements for the previous fiscal year have been reclassified.

As a result, the ¥6,419 thousand shown in “Other” under “Non-operating income” in the Non-consolidated Statement of Operations for the previous fiscal year has been reclassified as ¥2,792 thousand in “Contribution for secondment employees” and ¥3,627 thousand in “Other.”

(Segment Information)

[Segment Information]

Previous fiscal year (January 1, 2021 to December 31, 2021) and current fiscal year (January 1, 2022 to December 31, 2022)

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 in terms of earnings and surplus standards, and therefore their figures are not shown.

(Per Share Information)

	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
Net assets per share	¥1009.67	¥1,047.31
Profit per share	¥64.38	¥70.94
Diluted profit per share	-	-

Note 1. Quarterly 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:

	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
Profit per share		
Profit for the period (thousand yen)	376,057	415,606
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent attributed to common stock (thousand yen)	376,057	415,606
Average number of common stock outstanding for the period (shares)	5,841,597	5,858,706

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

	FY2021 (as of December 31, 2021)	FY2022 (as of December 31, 2022)
Total net assets (thousand yen)	5,914,887	6,153,735
Amount to be deducted from total net assets (thousand yen)	-	-
Net assets related to common stock at the end of the period (thousand yen)	5,914,887	6,153,735
Closing number of common stock used in the calculation of net assets per share (shares)	5,858,227	5,875,767

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 (80,984 shares as of December 31, 2021; 101,818 shares as of December 31, 2022).

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" (102,300 shares as of December 31, 2021; 84,700 shares as of December 31, 2022).

(Significant Subsequent Events)

Not applicable.