

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



February 14, 2023

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
 URL: <http://www.ctie.co.jp/>
 Representative: Tetsumi Nakamura, Representative Director and President, CEO
 Contact: Naoto Suzuki, Director, Managing Executive Officer, serving as the Chief of Administration Headquarters
 Phone: +81-3-3668-4125
 Scheduled date of annual general meeting of shareholders: March 28, 2023
 Scheduled date of commencing dividend payments: March 29, 2023
 Scheduled date of filing annual securities report: March 29, 2023
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 - December 31, 2022)

(1) Consolidated Operating Results (% indicates year-on-year changes)

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2022	83,485	—	8,017	—	8,235	—	5,874	—
December 31, 2021	74,409	14.1	6,991	37.5	7,118	36.4	4,471	22.5

(Note) Comprehensive income: Fiscal year ended December 31, 2022: 6,196 million yen [—%]

Fiscal year ended December 31, 2021: 6,082 million yen [66.4%]

	Net income per share	Net income per share after adjustment of potential shares	Ratio of net income to net worth	Ratio of ordinary profit to total assets	Ratio of operating income to net sales
Fiscal year ended	yen	yen	%	%	%
December 31, 2022	415.49	—	13.1	11.7	9.6
December 31, 2021	316.25	—	12.3	10.5	9.4

(Reference) Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended December 31, 2022: —

Fiscal year ended December 31, 2021: —

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Figures for the fiscal year ended December 31, 2022 reflect these accounting standards. Accordingly, year-on-year changes are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2022	73,296	47,719	64.8	3,360.83
As of December 31, 2021	71,880	38,820	53.8	2,734.99

(Reference) Net worth: As of December 31, 2022: 47,520 million yen

As of December 31, 2021: 38,672 million yen

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Figures for the fiscal year ended December 31, 2022 reflect these accounting standards.

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financial activities	Closing balance of cash and cash equivalents
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2022	3,804	(752)	(1,291)	22,589
December 31, 2021	5,344	(671)	(1,128)	20,527

2. Dividends

	Annual dividends					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended December 31, 2021	–	0.00	–	60.00	60.00	848	19.0	2.3
Fiscal year ended December 31, 2022	–	0.00	–	100.00	100.00	1,413	24.1	3.3
Fiscal year ending December 31, 2023 (Forecast)	–	0.00	–	100.00	100.00		28.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(% indicates year-on-year changes)

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	84,000	0.6	7,200	(10.2)	7,300	(11.4)	4,900	(16.6)	346.54

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
(Note) For details, please see “3. Consolidated Financial Statements and Principal Notes, (5) Notes to Consolidated Financial Statements, (Changes in accounting policies)” on page 13 of the Attachments.
- (3) Total number of issued and outstanding shares (common shares)
1) Total number of issued and outstanding shares at the end of the period (including treasury shares):
December 31, 2022: 14,159,086 shares
December 31, 2021: 14,159,086 shares
- 2) Total number of treasury shares at the end of the period:
December 31, 2022: 19,478 shares
December 31, 2021: 19,335 shares
- 3) Average number of shares during the period:
Fiscal year ended December 31, 2022: 14,139,660 shares
Fiscal year ended December 31, 2021: 14,139,826 shares

[Reference] Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 - December 31, 2022)

(1) Non-consolidated Operating Results (% indicates year-on-year changes.)

	Sales		Operating income		Ordinary profit		Net income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2022	51,359	–	6,705	–	7,024	–	5,167	–
December 31, 2021	48,591	9.6	5,823	20.4	6,085	21.2	3,922	8.6

	Net income per share	Net income per share after adjustment of potential shares
Fiscal year ended	yen	yen
December 31, 2022	365.43	–
December 31, 2021	277.39	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Figures for the fiscal year ended December 31, 2022 reflect these accounting standards. Accordingly, year-on-year changes are not presented.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2022	58,392	44,436	76.1	3,142.70
As of December 31, 2021	57,510	37,146	64.6	2,627.07

(Reference) Net worth: As of December 31, 2022: 44,436 million yen

As of December 31, 2021: 37,146 million yen

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Figures for the fiscal year ended December 31, 2022 reflect these accounting standards.

2. Non-consolidated Financial Results Forecast for Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(% indicates year-on-year changes)

	Sales		Ordinary profit		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	yen
Full year	52,000	1.2	6,500	(7.5)	4,500	(12.9)	318.25

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Financial results forecast and other forward-looking statements made in this document are based on the information currently available to the Company and certain assumptions deemed reasonable. As such, various factors could cause actual results to differ materially from those discussed in the forward-looking statements. For the assumptions underlying the financial results forecast and notes on the use of financial results forecast, please refer to the Attachments.

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	2
(3) Overview of Cash Flows for the Fiscal Year under Review	3
(4) Future Outlook	4
2. Basic Policy on Selection of Accounting Standards.....	4
3. Consolidated Financial Statements and Principal Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Profit and Loss Account and Consolidated Statements of Comprehensive Income	7
(3) Statement of Fluctuations in Consolidated Shareholders' Equity	9
(4) Consolidated Cash Flow Statement.....	11
(5) Notes to Consolidated Financial Statements	13
(Notes on going concern assumption)	13
(Changes in accounting policies)	13
(Additional information)	14
(Segment information, etc.).....	14
(Per share information).....	19
(Significant subsequent events).....	19
4. Other	20
(1) Changes in executives	20

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

CTI Engineering Co., Ltd. (hereinafter the “Company”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review.

The Japanese economy in the fiscal year under review recovered gradually thanks in part to the effect of various policies implemented amidst the COVID-19 pandemic. However, uncertainty continues to prevail due to factors such as a downturn in overseas economies caused by global monetary tightening and the impact of rising prices.

With regard to the business environment that the CTI Group finds itself in, the domestic consulting engineering business remained as robust as it was in the previous fiscal year, on the back of the bolstering of government-led projects for disaster prevention/mitigation and the promotion of measures to build national resilience for the maintenance of aging infrastructure. In the overseas consulting engineering business, COVID-19 restrictions were relaxed in the Asian and the UK markets, but the situation in Ukraine, inflation, and other economic trends need continued monitoring.

Under this business environment, in the fiscal year under review, the Company worked on the following four initiatives in the Medium-term Business Plan 2024, which started in 2022, with the goal of “growing as a global infrastructure solution group”: 1) Business expansion by promoting cooperation among Group companies, 2) Stable management and improvement of profitability, 3) Strengthening governance, and 4) Promoting sustainability management.

As a result of the above, orders received by the Group during the fiscal year under review increased by 1.7% year-on-year to 85,887 million yen. Meanwhile, sales increased by 12.2% year-on-year to 83,485 million yen. Ordinary profit increased by 15.7% year-on-year to 8,235 million yen, and net income attributable to owners of the parent increased by 31.4% year-on-year to 5,874 million yen.

Results are summarized by segment below.

1. Domestic consulting engineering business

In the domestic consulting engineering business, the Group made systematic efforts to receive orders and carry out production in key business fields, including disaster prevention, disaster mitigation, building national resilience, maintenance and management. Accordingly, orders received for the domestic consulting engineering business decreased by 0.8% year-on-year to 58,191 million yen, sales increased by 8.3% year-on-year to 58,160 million yen, and segment income increased by 14.1% year-on-year to 6,885 million yen.

2. Overseas consulting engineering business

In the overseas consulting engineering business, CTI Engineering International Co., Ltd. based in Southeast Asia received a large-scale order, while Waterman Group Plc, which operates mainly in the UK, achieved significant growth. Accordingly, orders received for the overseas consulting engineering business increased by 7.4% year-on-year to 27,696 million yen, sales increased by 22.3% year-on-year to 25,325 million yen, and segment income increased by 18.8% year-on-year to 1,131 million yen.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

At the end of the fiscal year under review, the Group’s total assets totaled 73,296 million yen, an increase of 2.0% compared to the end of the previous fiscal year. This was mainly due to an increase in “notes receivable, completed work receivables and contract assets” and decreases in “notes receivable and completed work receivables” and “prepaid expenses for uncompleted services” following the application of the Revenue Recognition Standard, etc., while “cash and bank deposits” increased.

(Liabilities)

Total liabilities at the end of the fiscal year under review were 25,576 million yen, a decrease of 22.6% compared to the end of the previous fiscal year. This was mainly due to an increase in “contract liabilities” and a decrease

in “advances received from uncompleted services” following the application of the Revenue Recognition Standard, etc.

(Net assets)

Net assets at the end of the fiscal year under review totaled 47,719 million yen, an increase of 22.9% compared to the end of the previous fiscal year. This was mainly due to an increase in the opening balance of “profit surplus” following the application of the Revenue Recognition Standard, etc., as well as the posting of “net income attributable to owners of the parent.”

(3) Overview of Cash Flows for the Fiscal Year under Review

At the end of the fiscal year under review, cash and cash equivalents (funds) increased by 2,062 million yen year-on-year to 22,589 million yen.

Net cash provided by operating activities was 3,804 million yen, a year-on-year decrease of 28.8%. This was mainly due to proceeds from “net income before income tax” of 8,252 million yen and “depreciation and amortization” of 1,227 million yen, which was partially offset by payments made in relation to an “increase in trade receivables and contract assets” of 2,313 million yen and “payment of corporation income tax, etc.” of 3,133 million yen.

Net cash used for investment activities was 752 million yen, a year-on-year increase of 12.2%. This was mainly due to “payments for acquisition of tangible fixed assets” of 560 million yen and “payments for acquisition of intangible fixed assets” of 100 million yen.

Net cash used for financial activities was 1,291 million yen, a year-on-year increase of 14.5%. This was mainly due to “repayments of lease obligations” of 478 million yen and “dividend payments” of 844 million yen.

(Reference) Indicators related to cash flows

Indicator	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net worth ratio (%)	52.0	52.9	53.8	64.8
Net worth ratio based on fair value (%)	54.2	52.6	49.1	61.9
Ratio of interest- bearing debt to cash flow (years)	0.2	0.1	0.2	0.4
Interest coverage ratio (times)	90.8	168.9	105.2	70.2

(Note) Each indicator was calculated as follows:

- Net worth ratio: Net worth / Total assets
- Net worth ratio based on fair value: Total market value of shares / Total assets
Total market value of shares was calculated by multiplying the year-end share price (closing price) by the total number of shares outstanding (less treasury shares) at the year-end.
- Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows from operating activities
Interest-bearing debt includes all liabilities recorded on the Consolidated Balance Sheet for which interest is paid.
- Interest coverage ratio: Cash flows from operating activities / Interest paid
Interest paid is the amount of “interest payment” recorded in the Consolidated Cash Flow Statement.

(4) Future Outlook

In the domestic consulting engineering business, the national budget for public works and promotion of disaster prevention/mitigation and national land resilience are expected to remain at the same level in 2023 as in the previous fiscal year. River and road maintenance projects as a measure against aging infrastructure as well as promotion of river basin flood control as a disaster prevention/mitigation measure are forecasted to be robust. It is also expected that social demands related to disaster risk, promotion of DX (digital transformation), and carbon neutrality will further increase.

In the overseas consulting engineering business, the business in Southeast Asia overseen by CTI Engineering International Co., Ltd. is gradually recovering from the COVID-19 pandemic. Meanwhile, in the UK and Australia, where Waterman Group Plc oversees business, conditions for order intake remain uncertain due to the high inflation rate, rising wages, and other economic trends, requiring continued monitoring.

Under this business environment, in the fiscal year ending December 31, 2023, which is the second year of the Medium-term Business Plan 2024, the Company will work on the following four priority agenda items with the aim of addressing outstanding issues and achieving the goals of the Medium-term Business Plan 2024.

1) Promotion of business structural reform

The Company will enhance the competitiveness of its core businesses, centered on disaster prevention/mitigation, and seek to expand orders in key business fields such as information systems development and energy. In addition, the Company will use sales bases of all Group companies to facilitate market development, targeting local governments, private sectors, overseas, and elsewhere.

2) Promotion of production system reform

The Company will continue to strengthen human resources as the driving force behind growth, as well as pursue a shift to a new personnel management system, in which evaluations are based on performance and roles, in order to enable active participation of diverse human resources. In addition, the Company will work to increase both quality and efficiency by improving project management, as well as strive to increase productivity through DX (digital transformation).

3) Strengthening governance

The Company will establish a risk management committee to comprehensively and selectively monitor the risks that the Group faces, including business risk, product quality, labor management, and information security. The Company will also strengthen and ensure that the internal control system is implemented throughout the Group.

4) Promotion of sustainability management

The Company will support well-being measures including improvements in the workplace environment and personnel management system, promote diversity such as by recruiting diverse human resources and improving labor conditions, and drive actions based on the Challenges for Sustainability Promotion Plan including cutting CO₂ emissions and investing in green business. The details of such initiatives will be actively disclosed.

For the fiscal year ending December 31, 2023, the Company forecasts orders received of 84,000 million yen, down 2.2% year-on-year, sales of 84,000 million yen, operating income of 7,200 million yen, ordinary profit of 7,300 million yen, and net income attributable to owners of the parent of 4,900 million yen.

2. Basic Policy on Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with Generally Accepted Accounting Principles in Japan (JGAAP), taking into account comparability of consolidated financial statements between different accounting periods and companies. Concerning future adoption of the International Financial Reporting Standards (IFRS), the Group intends to take appropriate response with due consideration to various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes
(1) Consolidated Balance Sheet

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Assets		
Current assets		
Cash and bank deposits	20,527	22,589
Notes receivable and completed work receivables	9,804	-
Notes receivable, completed work receivables and contract assets	-	25,979
Prepaid expenses for uncompleted services	17,345	165
Other	965	1,298
Allowance for doubtful accounts	-456	-500
Total current assets	48,187	49,532
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,315	6,560
Accumulated depreciation	-3,423	-3,617
Buildings and structures, net	2,892	2,942
Machinery and transportation equipment	960	1,179
Accumulated depreciation	-854	-948
Machinery and transportation equipment, net	105	231
Land	4,816	4,787
Lease assets	332	440
Accumulated depreciation	-159	-253
Lease assets, net	172	186
Right-of-use assets	2,126	2,306
Accumulated depreciation	-863	-1,163
Right-of-use assets, net	1,263	1,142
Other	2,100	2,965
Accumulated depreciation	-1,652	-2,357
Other, net	447	608
Total tangible fixed assets	9,698	9,899
Intangible fixed assets		
Lease assets	12	20
Goodwill	4,208	4,058
Other	746	580
Total intangible fixed assets	4,967	4,658
Investments and other assets		
Investment securities	4,443	4,205
Long-term loans receivable from subsidiaries and affiliates	499	468
Deferred tax assets	1,051	1,122
Net defined benefit asset	1,501	1,794
Other	1,655	1,720
Allowance for doubtful accounts	-123	-106
Total investments and other assets	9,027	9,204
Total fixed assets	23,693	23,763
Total assets	71,880	73,296

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable	2,302	2,992
Short-term borrowings	900	1,190
Lease obligations	467	538
Accrued income taxes	1,831	2,801
Advances received from uncompleted services	14,268	-
Contract liabilities	-	4,547
Reserve for bonuses	2,843	3,240
Reserve for bonuses to directors	215	233
Allowance for losses in operations	118	84
Provision for warranties for completed operation	198	82
Other	6,219	5,973
Total current liabilities	29,365	21,684
Fixed liabilities		
Long-term borrowings	-	201
Long-term accounts payable	7	-
Lease obligations	1,113	960
Provision for warranties for completed operation	776	574
Deferred tax liabilities	33	120
Net defined benefit liability	1,002	1,161
Asset retirement obligations	241	258
Other	520	614
Total fixed liabilities	3,694	3,891
Total liabilities	33,059	25,576
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,610	3,535
Profit surplus	29,861	38,531
Treasury stock	-13	-14
Total shareholders' equity	36,484	45,079
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,414	1,338
Foreign currency translation adjustment	391	606
Remeasurements of defined benefit plans	381	496
Total accumulated other comprehensive income	2,187	2,441
Non-controlling interests	148	198
Total net assets	38,820	47,719
Total liabilities and net assets	71,880	73,296

(2) Consolidated Profit and Loss Account and Consolidated Statements of Comprehensive Income
Consolidated Profit and Loss Account

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Sales	74,409	83,485
Cost of sales	53,678	60,066
Gross profit	20,731	23,419
Selling, general and administrative expenses	13,740	15,401
Operating income	6,991	8,017
Non-operating revenues		
Interest earned	13	14
Dividend earned	82	93
Foreign exchange gains	8	44
House rent earned	94	38
Other	83	89
Total non-operating revenues	283	280
Non-operating expenses		
Interest expense	50	54
Commission paid	15	2
Rental expenses	54	-
Loss related to impropriety	32	-
Other	3	5
Total non-operating expenses	156	62
Ordinary profit	7,118	8,235
Extraordinary gain		
Gain on sale of investment securities	-	41
Gain on investments in investment partnerships	3	-
Other	-	0
Total extraordinary gain	3	41
Extraordinary loss		
Loss from fixed assets disposal	27	5
Loss on sale of investment securities	-	1
Unrealized loss on investment securities	212	-
Impairment loss	-	17
Other	1	0
Total extraordinary loss	241	25
Net income before income tax	6,879	8,252
Corporation tax, inhabitants taxes and enterprise tax	2,696	3,937
Deferred income taxes etc.	-337	-1,610
Total income taxes	2,359	2,327
Net income	4,520	5,924
Net income attributable to non-controlling interests	48	49
Net income attributable to owners of the parent	4,471	5,874

Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Net income	4,520	5,924
Other comprehensive income		
Other valuation difference on available-for-sale securities	250	-75
Foreign currency translation adjustment	670	232
Remeasurements of defined benefit plans, net of tax	640	114
Total other comprehensive income	1,561	271
Comprehensive income	6,082	6,196
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	6,001	6,129
Comprehensive income attributable to non-controlling interests	80	67

(3) Statement of Fluctuations in Consolidated Shareholders' Equity
 Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	4,144	26,026	-13	33,183
Changes of items during the period					
Dividends from surplus			-636		-636
Net income attributable to owners of the parent			4,471		4,471
Acquisition of treasury stock				-0	-0
Change in ownership interest of parent due to transactions with non-controlling interests		-43			-43
Changes in liabilities for written put options over non-controlling interests		-490			-490
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	-534	3,835	-0	3,300
Balance at the end of current period	3,025	3,610	29,861	-13	36,484

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,164	-247	-259	658	174	34,016
Changes of items during the period						
Dividends from surplus						-636
Net income attributable to owners of the parent						4,471
Acquisition of treasury stock						-0
Change in ownership interest of parent due to transactions with non-controlling interests						-43
Changes in liabilities for written put options over non-controlling interests						-490
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	250	638	640	1,529	-26	1,502
Total changes of items during the period	250	638	640	1,529	-26	4,803
Balance at the end of current period	1,414	391	381	2,187	148	38,820

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	3,610	29,861	-13	36,484
Cumulative effects of changes in accounting policies			3,650		3,650
Restated balance reflecting changes in accounting policies	3,025	3,610	33,512	-13	40,134
Changes of items during the period					
Dividends from surplus			-848		-848
Net income attributable to owners of the parent			5,874		5,874
Acquisition of treasury stock				-0	-0
Change in scope of consolidation			-6		-6
Changes in liabilities for written put options over non-controlling interests		-75			-75
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	-75	5,019	-0	4,944
Balance at the end of current period	3,025	3,535	38,531	-14	45,079

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,414	391	381	2,187	148	38,820
Cumulative effects of changes in accounting policies						3,650
Restated balance reflecting changes in accounting policies	1,414	391	381	2,187	148	42,470
Changes of items during the period						
Dividends from surplus						-848
Net income attributable to owners of the parent						5,874
Acquisition of treasury stock						-0
Change in scope of consolidation						-6
Changes in liabilities for written put options over non-controlling interests						-75
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	-75	214	114	254	50	304
Total changes of items during the period	-75	214	114	254	50	5,248
Balance at the end of current period	1,338	606	496	2,441	198	47,719

(4) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Cash flow from operating activities		
Net income before income tax	6,879	8,252
Depreciation and amortization	1,094	1,227
Amortization of goodwill	264	283
Increase (decrease) in allowance for doubtful accounts	-207	12
Increase (decrease) in net defined benefit liability	58	98
Decrease (increase) in net defined benefit asset	118	-105
Increase (decrease) in reserve for bonuses	790	340
Increase (decrease) in reserve for bonuses to directors	139	13
Increase (decrease) in allowance for losses in operations	18	18
Increase (decrease) in provision for warranties for completed operation	187	-344
Increase (decrease) in long-term accounts payable	-	-7
Interest and dividend earned	-95	-107
Interest payable	50	54
Foreign exchange loss (gain)	35	-39
Unrealized loss (gain) on investment securities	212	-
Loss (gain) on investments in investment partnerships	-3	-
Loss (gain) from fixed assets disposal	27	5
Loss (gain) on sale of investment securities	1	-40
Impairment loss	-	17
Decrease (increase) in sales account	-2,226	-
Decrease (increase) in trade receivables and contract assets	-	-2,313
Decrease (increase) in prepaid expenses for uncompleted services	63	113
Decrease (increase) in other current assets	-224	-176
Increase (decrease) in account payable	105	718
Increase (decrease) in advances received from uncompleted services	242	-
Increase (decrease) in contract liabilities	-	-837
Increase (decrease) in accrued consumption taxes	-532	-908
Increase (decrease) in other current liabilities	614	570
Other	11	35
Subtotal	7,627	6,882
Received interest and dividend	98	110
Interest payment	-50	-54
Payment of corporation income tax etc.	-2,330	-3,133
Cash flow provided by operating activities	5,344	3,804

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Cash flow from investment activities		
Payments for acquisition of tangible fixed assets	-360	-560
Proceeds from sale of property, plant and equipment	-	24
Payments for acquisition of intangible fixed assets	-201	-100
Payments for acquisition of investment securities	-0	-50
Proceeds from sales of investment securities	11	118
Repayments for loans	-55	-195
Income from loan collection	89	105
Payments for investments in capital	-25	-25
Proceeds from divestments	4	-
Other payments	-133	-68
Other proceeds	0	-
Cash flow used for investment activities	-671	-752
Cash flow from financial activities		
Net increase (decrease) in short-term borrowings	150	60
Proceeds from long-term borrowings	-	40
Repayments of long-term borrowings	-	-40
Acquisition of treasury stock	-0	-0
Repayments of lease obligations	-444	-478
Dividend payments	-634	-844
Dividends paid to non-controlling interests	-89	-17
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-108	-9
Cash flow used for financial activities	-1,128	-1,291
Effect in fluctuation of exchange rate for cash and cash equivalents	297	184
Increase (decrease) in cash and cash equivalents	3,842	1,945
Opening balance of cash and cash equivalents	16,684	20,527
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	116
Closing balance of cash and cash equivalents	20,527	22,589

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review. The Company now recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for such a good or service.

As a result of this application, revenue from contracts expected to satisfy performance obligations over time is recognized over time by estimating progress towards satisfaction of performance obligations and revenue from contracts expected to satisfy performance obligations at a point in time is recognized when performance obligations are satisfied, whereas the completed-contract method was previously applied to the recording of sales, except for construction work the outcome of whose activity is deemed certain during the course of the activity, to which the percentage-of-completion method was previously applied.

Progress toward satisfaction of performance obligations is estimated using the ratio of actual costs to estimated total costs (input method). Furthermore, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment as set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to profit surplus at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the fiscal year under review were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to profit surplus at the beginning of the fiscal year under review.

As a result, for the fiscal year under review, sales and the cost of sales increased by 7,329 million yen and 6,000 million yen, respectively, while operating income, ordinary profit, and net income before income tax each increased by 1,329 million yen. The opening balance of profit surplus also showed an increase of 3,650 million yen.

Following the application of the Revenue Recognition Standard, etc., “notes receivable and completed work receivables,” which were previously presented under “current assets” on the Consolidated Balance Sheet for the previous fiscal year, are now included in “notes receivable, completed work receivables and contract assets” beginning in the fiscal year under review, and “advances received from uncompleted services,” which were previously presented under “current liabilities,” are now included under “contract liabilities” beginning in the fiscal year under review. In accordance with the transitional treatment as set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment as set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Additional information)

It is difficult to foresee when the effects of the COVID-19 pandemic will end, but as of the end of the fiscal year under review, the Company assumes that the impacts of the pandemic on the Group's operating results will be limited and that the pandemic will not have a significant impact on the next fiscal year and beyond.

(Segment information, etc.)

[Segment Information]

1. Outline of reportable segments

The reportable segments of the Group are defined as operating segments within the Group whose discrete financial information is available and is reviewed by the Board of Directors regularly in order to decide the allocation of management resources and assess results.

The Group assesses results by each company constituting the Group, and the Group companies are classified into those that mainly engage in operations in Japan and those that mainly engage in operations overseas.

Accordingly, the two reportable segments of the Group are "domestic consulting engineering business" and "overseas consulting engineering business."

2. Method for computing the amounts of sales, profit (loss), assets and other items by reportable segment

The accounting method for the reported business segments conforms to the accounting policies applied for preparation of the consolidated financial statements.

Income by reportable segment is based on operating income. Inter-segment revenue and transfers are based on prevailing market prices.

As stated in "Changes in accounting policies," the Company has applied the Revenue Recognition Standard, etc. from the beginning of the fiscal year under review and changed the method of accounting for revenue recognition. Accordingly, the method of calculating business segment income or loss has also been changed. As a result of this change, for the "domestic consulting engineering business," sales and segment income for the fiscal year under review increased by 4,690 million yen and 997 million yen, respectively, and for the "overseas consulting engineering business," sales and segment income for the fiscal year under review increased by 2,639 million yen and 331 million yen, respectively, compared with the previous accounting method.

From the beginning of the fiscal year under review, Environmental Research & Solutions Co., Ltd., previously a non-consolidated subsidiary, was added to the scope of consolidation and is included in the "domestic consulting engineering business" reporting segment.

3. Information on the amounts of sales, profit (loss), assets and other items by reportable segment
Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Total	Adjustments (Note 1)	Book value on the consolidated financial statements (Note 2)
Sales					
Sales to outside customers	53,696	20,713	74,409	-	74,409
Inter-segment sales or transfers	29	13	42	-42	-
Total	53,725	20,726	74,452	-42	74,409
Segment income	6,032	951	6,984	6	6,991
Segment assets	53,486	19,233	72,720	-839	71,880
Other items					
Depreciation	654	440	1,094	-	1,094
Amortization of goodwill	-	264	264	-	264

(Notes) 1. Adjustments to inter-segment sales or transfers (-42 million yen), adjustments to segment income (6 million yen), and adjustments to segment assets (-839 million yen) are attributable to inter-segment eliminations.

2. Segment income is reconciled with operating income in the Consolidated Profit And Loss Account.

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Total	Adjustments (Note 1)	Book value on the consolidated financial statements (Note 2)
Sales					
Sales to outside customers	58,160	25,325	83,485	-	83,485
Inter-segment sales or transfers	41	27	68	-68	-
Total	58,201	25,352	83,554	-68	83,485
Segment income	6,885	1,131	8,016	1	8,017
Segment assets	54,519	19,627	74,147	-850	73,296
Other items					
Depreciation	740	486	1,227	-	1,227
Amortization of goodwill	-	283	283	-	283

(Notes) 1. Adjustments to inter-segment sales or transfers (-68 million yen), adjustments to segment income (1 million yen), and adjustments to segment assets (-850 million yen) are attributable to inter-segment eliminations.

2. Segment income is reconciled with operating income in the Consolidated Profit And Loss Account.

[Relevant Information]

Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

1. Information by products and services

The same information is disclosed in Segment Information, and is omitted here.

2. Information by areas

(1) Sales

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
53,759	2,333	15,631	1,328	1,356	74,409

- (Notes)
1. Sales are classified based on areas in which the Group renders its services.
 2. Method of classification of country or region, and major countries or regions that belong to each region
 - 1) Method of classification of country or region: based on geographic proximity
 - 2) Countries or regions that belong to classifications other than Japan
 - Asia: Philippines, Myanmar, etc.
 - Europe other than UK: Ireland, etc.
 - Other: Australia, etc.

(2) Tangible fixed assets

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
8,162	0	1,276	134	124	9,698

- (Notes)
1. Tangible fixed assets are classified based on the locations of the assets.
 2. Method of classification of country or region, and major countries or regions that belong to each region
 - 1) Method of classification of country or region: based on geographic proximity
 - 2) Countries or regions that belong to classifications other than Japan
 - Asia: Philippines, Myanmar, etc.
 - Europe other than UK: Ireland, etc.
 - Other: Australia, etc.

3. Information by major customer

(million yen)

Name of customer	Sales	Name of the relevant segment
National government of Japan	26,074	Domestic consulting engineering business

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

1. Information by products and services

The same information is disclosed in Segment Information, and is omitted here.

2. Information by areas

(1) Sales

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
58,277	3,634	18,077	1,682	1,813	83,485

(Notes) 1. Sales are classified based on areas in which the Group renders its services.

2. Method of classification of country or region, and major countries or regions that belong to each region

1) Method of classification of country or region: based on geographic proximity

2) Countries or regions that belong to classifications other than Japan

Asia: Philippines, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

(2) Tangible fixed assets

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
8,418	0	1,275	123	82	9,899

(Notes) 1. Tangible fixed assets are classified based on the locations of the assets.

2. Method of classification of country or region, and major countries or regions that belong to each region

1) Method of classification of country or region: based on geographic proximity

2) Countries or regions that belong to classifications other than Japan

Asia: Philippines, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

3. Information by major customer

(million yen)

Name of customer	Sales	Name of the relevant segment
National government of Japan	29,532	Domestic consulting engineering business

[Impairment losses on fixed assets and goodwill by reportable segment]

Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/ elimination	Total
Impairment loss	17	-	-	17

[Amortized amount and unamortized balance of goodwill by reportable segment]

Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/ elimination	Total
Amortization of goodwill in the current fiscal year	-	264	-	264
Balance at the end of the current fiscal year	-	4,208	-	4,208

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/ elimination	Total
Amortization of goodwill in the current fiscal year	-	283	-	283
Balance at the end of the current fiscal year	-	4,058	-	4,058

[Gain on negative goodwill by reportable segment]

Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

Not applicable.

(Per share information)

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Net assets per share	2,734.99 yen	3,360.83 yen
Net income per share	316.25 yen	415.49 yen

(Notes) 1. Net income per share after adjustment of potential shares is not stated because the Company has issued no potential shares.

2. Basis of calculation of net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Net income attributable to owners of the parent (million yen)	4,471	5,874
Amounts not belonging to ordinary shareholders (million yen)	-	-
Net income attributable to owners of the parent related to common shares (million yen)	4,471	5,874
Average number of common shares for the entire fiscal year (shares)	14,139,826	14,139,660

(Significant subsequent events)

Not applicable.

4. Other

(1) Changes in executives

The Company decided at the Board of Directors meeting held on February 14, 2023, to make the following changes in executives.

1) Newly appointed executives (as of March 28, 2023)

Name	New title	Current title
Naoki Fujiwara	Director, Managing Executive Officer Deputy Chief, Planning & Business Development Headquarters	Managing Executive Officer Deputy Chief, Planning & Business Development Headquarters
Atsuko Ogasawara	External Director	-
Keizo Mitsuke	Auditor	Deputy Chief, Administration Headquarters, and General Manager, General Affairs Division

2) Retiring executives (as of March 28, 2023)

Name	New title	Current title
Kazuhiro Terai	Special Adviser Chief, Research Center for Sustainable Communities	Director, Vice Chairman Chief, Research Center for Sustainable Communities
Tsutomu Akiba	Adviser	Director, Managing Executive Officer Chief, Governance Management Headquarters
Koichi Saito	Adviser	Auditor

3) Changes in other executives (including executive officers) (as of March 28, 2023)

Name	New title	Current title
Yoshiaki Nanami	Representative Director, Executive Vice President Chief, Governance Management Headquarters	Director, Senior Managing Executive Officer Managing Principal, Tokyo Main Office
Hiroshi Kiuchi	Director, Senior Managing Executive Officer Managing Principal, Osaka Main Office	Director, Managing Executive Officer Managing Principal, Osaka Main Office
Tsutomu Kasahara	Adviser	Senior Managing Executive Officer Deputy Chief, Engineering Headquarters
Mitsuho Amano	Managing Executive Officer Managing Principal, Tokyo Main Office	Managing Executive Officer Managing Principal, Tohoku Office
Katsue Nishiyama	Adviser Representative Director & CEO, Environmental Research & Solutions Co., Ltd.	Executive Officer Representative Director & CEO, Environmental Research & Solutions Co., Ltd.
Toshikazu Morito	Executive Officer Managing Principal, Tohoku Office	Executive Officer Deputy Chief, Planning & Business Development Headquarters, and General Manager, Corporate Planning Division
Hirokatsu Kanazawa	Executive Officer Deputy Chief, Engineering Headquarters	Attached to Engineering Headquarters

Hirofumi Kanai	Executive Officer Deputy Chief, Planning & Business Development Headquarters, and General Manager, International Business Division	Deputy Chief, Planning & Business Development Headquarters, and General Manager, International Business Division
Hideaki Sekine	Executive Officer Deputy Managing Principal, Tokyo Main Office (as of April 1, 2023)	Assistant Managing Principal, Tokyo Main Office
Xuesong Yang	Executive Officer Principal Chief Engineer, Engineering Headquarters	Principal Chief Engineer, Engineering Headquarters
Takeshi Ito	Executive Officer Deputy Managing Principal, Chubu Office, and General Manager, General Affairs Division (as of April 1, 2023)	Assistant Managing Principal, Chubu Office