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Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]



March 26, 2024

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
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 Representative: Tetsumi Nakamura, Representative Director and President, CEO
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 Scheduled date of annual general meeting of shareholders: March 26, 2024
 Scheduled date of commencing dividend payments: March 27, 2024
 Scheduled date of filing annual securities report: March 29, 2024
 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, 2023 (January 1, 2023 - December 31, 2023)

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

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2023	93,057	11.5	10,011	24.9	10,153	23.3	7,534	28.2
December 31, 2022	83,485	—	8,017	—	8,235	—	5,874	—

(Note) Comprehensive income: Fiscal year ended December 31, 2023: 9,667 million yen [56.0%]
 Fiscal year ended December 31, 2022: 6,196 million yen [–%]

	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, 2023	542.13	—	14.7	13.3	10.8
December 31, 2022	415.49	—	13.1	11.7	9.6

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

Fiscal year ended December 31, 2023: –

Fiscal year ended December 31, 2022: –

(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 ended December 31, 2022. 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, 2023	79,914	55,093	68.7	3,958.89
As of December 31, 2022	73,296	47,719	64.8	3,360.83

(Reference) Net worth: As of December 31, 2023: 54,887million yen
As of December 31, 2022: 47,520 million yen

(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, 2023	874	(912)	(3,291)	19,654
December 31, 2022	3,804	(752)	(1,291)	22,589

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			
Fiscal year ended December 31, 2022	yen	yen	yen	yen	yen	million yen	%	%
	–	0.00	–	100.00	100.00	1,413	24.1	3.3
Fiscal year ended December 31, 2023	–	0.00	–	150.00	150.00	2,079	27.7	4.1
Fiscal year ending December 31, 2024 (Forecast)	–	0.00	–	150.00	150.00		34.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(% indicates year-on-year changes)

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent		Net income per share
Full year	million yen	%	million yen	%	million yen	%	million yen	%	yen
	89,000	(4.4)	8,400	(16.1)	8,500	(16.3)	6,100	(19.0)	439.98

*** 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, 2023: 14,159,086 shares
December 31, 2022: 14,159,086 shares

2) Total number of treasury shares at the end of the period:
December 31, 2023: 294,702 shares
December 31, 2022: 19,478 shares

3) Average number of shares during the period:
Fiscal year ended December 31, 2023: 13,898,060 shares
Fiscal year ended December 31, 2022: 14,139,660 shares

[Reference] Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 - December 31, 2023)

(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, 2023	57,439	11.8	8,563	27.7	8,912	26.9	6,652	28.7
December 31, 2022	51,359	—	6,705	—	7,024	—	5,167	—

	Net income per share	Net income per share after adjustment of potential shares
Fiscal year ended	yen	yen
December 31, 2023	478.66	—
December 31, 2022	365.43	—

(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 ended December 31, 2022. 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, 2023	62,979	48,924	77.7	3,528.78
As of December 31, 2022	58,392	44,436	76.1	3,142.70

(Reference) Net worth: As of December 31, 2023: 48,924 million yen
As of December 31, 2022: 44,436 million yen

2. Non-consolidated Financial Results Forecast for Fiscal Year Ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(% indicates year-on-year changes)

	Sales		Ordinary profit		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	yen
Full year	56,000	(2.5)	7,800	(12.5)	5,700	(14.3)	411.13

* 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.

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1. Overview of Operating Results, etc.

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

The Japanese economy in the fiscal year under review continued its moderate recovery thanks in part to the effect of various policies amid the improvement of the employment and income environments. However, risk factors exist that are placing downward pressure on economic conditions, including the impact of global monetary tightening and the future of the Chinese economy. In addition, the impact of various factors, including rising commodity prices, the situation in the Middle East, and fluctuations in financial and capital markets, will require continued monitoring.

With regard to the business environment that the CTI Group finds itself in, the domestic consulting engineering business remains robust, 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, the impacts of COVID-19 have been mostly eliminated in the Asian and the UK markets and their business environments are returning to their previous state, but in addition to the growing uncertainty caused by the situations in the Middle East and Ukraine, events worthy of concern, including the global progression of inflation and monetary tightening, have emerged.

Under this business environment, in 2023, the middle year of the Medium-term Business Plan 2024, the Group as a whole implemented many measures as it worked on the following four initiatives: 1) Promotion of business structural reform, 2) Promotion of production system reform, 3) Strengthening governance, and 4) Promotion of sustainability management.

As a result of the above, orders received by the Group during the fiscal year under review increased by 7.7% year-on-year to 92,473 million yen. Meanwhile, sales increased by 11.5% year-on-year to 93,057 million yen. Ordinary profit increased by 23.3% year-on-year to 10,153 million yen, and net income attributable to owners of the parent increased by 28.2% year-on-year to 7,534 million yen.

Results are summarized by segment below.

1. Domestic consulting engineering business

In the domestic consulting engineering business, orders received remained strong due to the Five-Year Road Program (until fiscal 2025) for Disaster Prevention, Mitigation and National Resilience. This, in addition to orders received for large-scale projects, increases in service fee rates, and other factors, led to an increase in profit margins. Accordingly, orders received for the domestic consulting engineering business increased by 6.8% year-on-year to 62,161 million yen, sales increased by 10.9% year-on-year to 64,473 million yen, and segment income increased by 29.9% year-on-year to 8,943 million yen.

2. Overseas consulting engineering business

In the overseas consulting engineering business, order intake by CTI Engineering International Co., Ltd. based in Southeast Asia was robust, as was order intake by the public works division and other divisions of the Waterman Group Plc, which operates mainly in the UK, resulting in an increase in sales. On the other hand, profit margin decreased as a result of sharp rises in overseas labor costs and other factors. Accordingly, orders received for the overseas consulting engineering business increased by 9.4% year-on-year to 30,312 million yen, sales increased by 12.9% year-on-year to 28,583 million yen, and segment income decreased by 5.2% year-on-year to 1,073 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 79,914 million yen, an increase of 9.0% compared to the end of the previous fiscal year. This was mainly due to an increase in "net defined benefit asset," in addition to "notes receivable, completed work receivables and contract assets," while "cash and bank deposits" decreased.

(Liabilities)

Total liabilities at the end of the fiscal year under review were 24,820 million yen, a decrease of 3.0% compared to the end of the previous fiscal year. This was mainly due to a decrease in “accrued income taxes, while “reserve for bonuses” increased.

(Net assets)

Net assets at the end of the fiscal year under review totaled 55,093 million yen, an increase of 15.5% compared to the end of the previous fiscal year. This was mainly due to the posting of “net income attributable to owners of the parent,” offsetting a decrease caused by an increase in treasury stock.

(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) decreased by 2,934 million yen year-on-year to 19,654 million yen.

Net cash provided by operating activities was 874 million yen, a year-on-year decrease of 77.0%. This was mainly due to proceeds from “net income before income tax” of 10,140 million yen, “depreciation and amortization” of 1,401 million yen, and an “increase in accrued consumption taxes” of 1,130 million yen which was partially offset by payments made in relation to an “increase in trade receivables and contract assets” of 7,027 million yen and “payment of corporation income tax, etc.” of 4,547 million yen.

Net cash used for investment activities was 912 million yen, a year-on-year increase of 21.3%. This was mainly due to “payments for acquisition of tangible fixed assets” of 843 million yen, despite “income from loan collection” of 255 million yen.

Net cash used for financial activities was 3,291 million yen, a year-on-year increase of 155.0%. This was mainly due to “acquisition of treasury stock” of 1,025 million yen and “dividend payments” of 1,408 million yen.

(Reference) Indicators related to cash flows

Indicator	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net worth ratio (%)	52.9	53.8	64.8	68.7
Net worth ratio based on fair value (%)	52.6	49.1	61.9	91.3
Ratio of interest- bearing debt to cash flow (years)	0.1	0.2	0.4	1.5
Interest coverage ratio (times)	168.9	105.2	70.2	15.8

(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, with the enforcement of the Revised Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry in June 2023, 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 2024 as in the previous fiscal year. The promotion of disaster prevention/mitigation measures such as river basin flood control and river and road maintenance projects as a measure against aging infrastructure is forecast to continue. It is also expected that social demands related to disaster responses, promotion of DX (digital transformation), and carbon neutrality will further increase.

In the overseas consulting engineering business, although the business in Southeast Asia overseen by CTI Engineering International Co., Ltd. continues to recover, 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, 2024, which is the final year of the Medium-term Business Plan 2024, the Company will work on the following four priority agenda items with the aim of improving outstanding issues and achieving the goals of the Medium-term Business Plan 2024.

1) Promotion of business structural reform

The Company will further enhance the competitiveness of its core businesses, including disaster prevention/mitigation, and seek to expand orders in key business fields such as information systems development, urban communities and architecture, and energy. In addition, the Company will pursue sales and marketing activities, such as the use of webinars, to facilitate market development, targeting local governments, private sectors, overseas, and elsewhere.

2) Promotion of production system reform

The Company will work to strengthen human resources as the driving force behind growth, placing priority on securing, developing, and making active use of its human resources. Further, the Company will strive to ensure quality and increase productivity through the enhancement of project management.

3) Strengthening governance through risk management

In addition to thoroughly engaging in compliance under its risk management framework that was strengthened in the previous year, the Company will further reinforce internal control throughout the Group by comprehensively and selectively monitoring issues surrounding the Group, including business risk, product quality, labor management, and information security.

4) Promotion of sustainability management

In addition to continuing to promote actions in line with the Challenges for Sustainability Promotion Plan, initiatives that will contribute to an increase in engagement, and diversity-related initiatives, the Company will strive to actively disclose details of such initiatives.

In February 2024, a self-declaration was received from an employee of the Company to the effect that personnel expenses and other costs incurred in the execution of work contracted to the Company were not recorded in that work, but were instead transferred to other work.

To investigate the contents of this report, the Company established an internal investigating committee and conducted an investigation of the details of this matter and whether or not there were any other similar cases.

Various investigative methods were employed, including interviews of relevant parties, digital forensic investigation, and questionnaires. In addition to the members of the department to which the employee who made the report belonged, 832 managers (including 116 from Group companies) with cost management authority in the Company and the Company's main Group companies were selected as subjects of the investigation.

As a result of the various investigations, it was confirmed that inappropriate cost management has been conducted at multiple locations. This involved manipulating costs on which calculations of net sales, etc. are based, using such means as recording and applying for costs to work to which they should not, by rights, be allocated in monthly operational reports, primarily for the purpose of avoiding deficits or disparities with

budgeted cost percentages.

As measures to prevent the recurrence of such incidents, the Company will work to strengthen the check functions related to cost management and conduct thorough compliance training.

The Company will not rest in its efforts to prevent recurrences and restore trust.

For the fiscal year ending December 31, 2024, the Company forecasts orders received of 86,000 million yen, down 7.0% year-on-year, sales of 89,000 million yen, operating income of 8,400 million yen, ordinary profit of 8,500 million yen, and net income attributable to owners of the parent of 6,100 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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Assets		
Current assets		
Cash and bank deposits	22,589	19,654
Notes receivable, completed work receivables and contract assets	25,979	33,814
Prepaid expenses for uncompleted services	165	107
Other	1,298	1,434
Allowance for doubtful accounts	-500	-624
Total current assets	49,532	54,387
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,560	6,700
Accumulated depreciation	-3,617	-3,750
Buildings and structures, net	2,942	2,949
Machinery and transportation equipment	1,179	1,316
Accumulated depreciation	-948	-1,065
Machinery and transportation equipment, net	231	250
Land	4,787	4,787
Lease assets	440	372
Accumulated depreciation	-253	-234
Lease assets, net	186	137
Right-of-use assets	2,306	3,020
Accumulated depreciation	-1,163	-1,737
Right-of-use assets, net	1,142	1,282
Other	2,965	3,391
Accumulated depreciation	-2,357	-2,577
Other, net	608	813
Total tangible fixed assets	9,899	10,222
Intangible fixed assets		
Lease assets	20	12
Goodwill	4,058	4,266
Other	580	462
Total intangible fixed assets	4,658	4,741
Investments and other assets		
Investment securities	4,205	4,460
Long-term loans receivable from subsidiaries and affiliates	468	639
Deferred tax assets	1,122	876
Net defined benefit asset	1,794	2,961
Other	1,720	1,744
Allowance for doubtful accounts	-106	-119
Total investments and other assets	9,204	10,563
Total fixed assets	23,763	25,526
Total assets	73,296	79,914

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable	2,992	3,018
Short-term borrowings	1,190	1,190
Lease obligations	538	641
Accrued income taxes	2,801	1,123
Contract liabilities	4,547	3,690
Reserve for bonuses	3,240	3,946
Reserve for bonuses to directors	233	272
Allowance for losses in operations	84	111
Provision for warranties for completed operation	82	-
Other	5,973	7,540
Total current liabilities	21,684	21,536
Fixed liabilities		
Long-term borrowings	201	160
Lease obligations	960	887
Provision for warranties for completed operation	574	411
Deferred tax liabilities	120	111
Net defined benefit liability	1,161	867
Asset retirement obligations	258	268
Other	614	575
Total fixed liabilities	3,891	3,283
Total liabilities	25,576	24,820
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,535	3,616
Profit surplus	38,531	44,652
Treasury stock	-14	-939
Total shareholders' equity	45,079	50,354
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,338	1,513
Foreign currency translation adjustment	606	1,593
Remeasurements of defined benefit plans	496	1,425
Total accumulated other comprehensive income	2,441	4,532
Non-controlling interests	198	206
Total net assets	47,719	55,093
Total liabilities and net assets	73,296	79,914

(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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Sales	83,485	93,057
Cost of sales	60,066	65,996
Gross profit	23,419	27,060
Selling, general and administrative expenses	15,401	17,049
Operating income	8,017	10,011
Non-operating revenues		
Interest earned	14	39
Dividend earned	93	100
Insurance dividend earned	-	28
Foreign exchange gains	44	14
House rent earned	38	38
Other	89	57
Total non-operating revenues	280	279
Non-operating expenses		
Interest expense	54	54
Commission paid	2	2
Commission for acquisition of treasury stock	-	24
Expenses for the Company's 60th anniversary project	-	30
Other	5	25
Total non-operating expenses	62	137
Ordinary profit	8,235	10,153
Extraordinary gain		
Gain on sale of non-current assets	-	29
Gain on sale of investment securities	41	59
Other	0	0
Total extraordinary gain	41	89
Extraordinary loss		
Loss from fixed assets disposal	5	37
Allowance for doubtful accounts	-	13
Unrealized loss on investment securities	-	46
Impairment loss	17	-
Other	1	4
Total extraordinary loss	25	102
Net income before income tax	8,252	10,140
Corporation tax, inhabitants taxes and enterprise tax	3,937	2,813
Deferred income taxes etc.	-1,610	-242
Total income taxes	2,327	2,571
Net income	5,924	7,569
Net income attributable to non-controlling interests	49	34
Net income attributable to owners of the parent	5,874	7,534

Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Net income	5,924	7,569
Other comprehensive income		
Other valuation difference on available-for-sale securities	-75	174
Foreign currency translation adjustment	232	994
Remeasurements of defined benefit plans, net of tax	114	929
Total other comprehensive income	271	2,097
Comprehensive income	6,196	9,667
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	6,129	9,625
Comprehensive income attributable to non-controlling interests	67	41

(3) Statement of Fluctuations in Consolidated Shareholders' Equity
 Previous 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

Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	3,535	38,531	-14	45,079
Changes of items during the period					
Dividends from surplus			-1,413		-1,413
Net income attributable to owners of the parent			7,534		7,534
Acquisition of treasury stock				-1,000	-1,000
Disposal of treasury stock		0		75	75
Changes in liabilities for written put options over non-controlling interests		80			80
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	80	6,120	-925	5,275
Balance at the end of current period	3,025	3,616	44,652	-939	50,354

	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	1,338	606	496	2,441	198	47,719
Changes of items during the period						
Dividends from surplus						-1,413
Net income attributable to owners of the parent						7,534
Acquisition of treasury stock						-1,000
Disposal of treasury stock						75
Changes in liabilities for written put options over non-controlling interests						80
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	174	987	929	2,090	7	2,098
Total changes of items during the period	174	987	929	2,090	7	7,374
Balance at the end of current period	1,513	1,593	1,425	4,532	206	55,093

(4) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Cash flow from operating activities		
Net income before income tax	8,252	10,140
Depreciation and amortization	1,227	1,401
Amortization of goodwill	283	305
Increase (decrease) in allowance for doubtful accounts	12	39
Increase (decrease) in net defined benefit liability	98	101
Decrease (increase) in net defined benefit asset	-105	-218
Increase (decrease) in reserve for bonuses	340	682
Increase (decrease) in reserve for bonuses to directors	13	14
Increase (decrease) in allowance for losses in operations	18	58
Increase (decrease) in provision for warranties for completed operation	-344	-312
Increase (decrease) in long-term accounts payable	-7	-
Interest and dividend earned	-107	-140
Interest payable	54	54
Foreign exchange loss (gain)	-39	-24
Commission for purchase of treasury shares	-	24
Unrealized loss (gain) on investment securities	-	46
Loss (gain) from fixed assets disposal	5	12
Loss (gain) on sale of investment securities	-40	-59
Impairment loss	17	-
Decrease (increase) in trade receivables and contract assets	-2,313	-7,027
Decrease (increase) in prepaid expenses for uncompleted services	113	58
Decrease (increase) in other current assets	-176	11
Increase (decrease) in account payable	718	-8
Increase (decrease) in contract liabilities	-837	-1,102
Increase (decrease) in accrued consumption taxes	-908	1,130
Increase (decrease) in other current liabilities	570	136
Other	35	10
Subtotal	6,882	5,334
Received interest and dividend	110	142
Interest payment	-54	-55
Payment of corporation income tax etc.	-3,133	-4,547
Cash flow provided by operating activities	3,804	874

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Cash flow from investment activities		
Payments for acquisition of tangible fixed assets	-560	-843
Proceeds from sale of property, plant and equipment	24	143
Payments for acquisition of intangible fixed assets	-100	-127
Payments for acquisition of investment securities	-50	-5
Proceeds from sales of investment securities	118	111
Repayments for loans	-195	-350
Income from loan collection	105	255
Payments for investments in capital	-25	-50
Other payments	-68	-58
Other proceeds	-	13
Cash flow used for investment activities	-752	-912
Cash flow from financial activities		
Net increase (decrease) in short-term borrowings	60	-
Proceeds from long-term borrowings	40	-
Repayments of long-term borrowings	-40	-40
Acquisition of treasury stock	-0	-1,025
Repayments of lease obligations	-478	-662
Dividend payments	-844	-1,408
Dividends paid to non-controlling interests	-17	-33
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-9	-120
Cash flow used for financial activities	-1,291	-3,291
Effect in fluctuation of exchange rate for cash and cash equivalents	184	395
Increase (decrease) in cash and cash equivalents	1,945	-2,934
Opening balance of cash and cash equivalents	20,527	22,589
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	116	-
Closing balance of cash and cash equivalents	22,589	19,654

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

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

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Standard Implementation Guidance”) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard Implementation Guidance in accordance with the transitional treatment as set forth in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance. This does not affect the consolidated financial statements.

(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.

3. Information on the amounts of sales, profit (loss), assets and other items by reportable segment
Previous 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.

Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(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	64,473	28,583	93,057	-	93,057
Inter-segment sales or transfers	130	17	147	-147	-
Total	64,604	28,600	93,204	-147	93,057
Segment income	8,943	1,073	10,016	-5	10,011
Segment assets	60,020	20,732	80,752	-838	79,914
Other items					
Depreciation	793	607	1,401	-	1,401
Amortization of goodwill	-	305	305	-	305

(Notes) 1. Adjustments to inter-segment sales or transfers (-147 million yen), adjustments to segment income (-5 million yen), and adjustments to segment assets -838million 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, 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)
- Sales are classified based on areas in which the Group renders its services.
 - Method of classification of country or region, and major countries or regions that belong to each region
 - Method of classification of country or region: based on geographic proximity
 - 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)
- Tangible fixed assets are classified based on the locations of the assets.
 - Method of classification of country or region, and major countries or regions that belong to each region
 - Method of classification of country or region: based on geographic proximity
 - 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

Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

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		
64,566	3,802	20,804	1,884	1,999	93,057

- (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		
8,651	0	1,408	119	42	10,222

- (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	32,125	Domestic consulting engineering business

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

Previous 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

Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

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

Previous 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

Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/ elimination	Total
Amortization of goodwill in the current fiscal year	-	305	-	305
Balance at the end of the current fiscal year	-	4,266	-	4,266

[Gain on negative goodwill by reportable segment]

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

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

(Per share information)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Net assets per share	3,360.83 yen	3,958.89 yen
Net income per share	415.49 yen	542.13 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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Net income attributable to owners of the parent (million yen)	5,874	7,534
Amounts not belonging to ordinary shareholders (million yen)	-	-
Net income attributable to owners of the parent related to common shares (million yen)	5,874	7,534
Average number of common shares for the entire fiscal year (shares)	14,139,660	13,898,060

(Significant subsequent events)

Not applicable.