

Year ended December 31, 2024

FY2024 Non-consolidated Financial Results

February 10, 2025

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

Listed company name: Original Engineering Consultants Co., Ltd.

Stock listing: Tokyo Stock Exchange,
Standard Market

Code number: 4642

URL <https://www.oec-solution.co.jp>

Representative: (Title) President & Representative Director (Name) Nobuhiko Suga

Contact person: (Title) Director & General Manager of Financial Affairs Division (Name) Kaoru Kira Tel: (03) 6757-8800

Planned Annual General Meeting of Shareholders: March 26, 2025

Date of scheduled payment of dividends: March 27, 2025

Planned filing of a financial report: March 26, 2025

Earnings supplementary explanatory documents : None

Earnings presentation: None

(Amounts less than ¥1 million are truncated)

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

(1) Non-consolidated Operating Results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2024 ended December 31, 2024	7,122	7.4	845	9.4	862	9.4	650	36.2
FY2023 ended December 31, 2023	6,633	2.3	773	4.5	787	5.3	477	14.9

	Profit per share- basic	Profit per share- diluted	Return on Equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY2024 ended December 31, 2024	110.31	-	9.6	10.6	11.9
FY2023 ended December 31, 2023	81.23	-	7.5	10.2	11.7

(Reference) Gain (loss) on investment by equity method: FY2024: ¥ - million FY2023: ¥ - million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2024 ended December 31, 2024	8,310	7,059	85.0	1,194.00
FY2023 ended December 31, 2023	7,886	6,493	82.3	1,101.67

(Reference) Shareholders' equity: As of December 31, 2024: ¥7,059 million As of December 31, 2023: ¥6,493 million

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
FY2024 ended December 31, 2024	241	-152	-222	3,132
FY2023 ended December 31, 2023	399	63	-224	3,265

2. DIVIDENDS

	Dividends per share					Total dividend amount (Full year)	Payout ratio	Ratio of dividends to net assets
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2023 ended December 31, 2023	-	0.00	-	32.00	32.00	190	39.4	3.0
FY2024 ended December 31, 2024	-	0.00	-	32.00	32.00	190	29.0	2.8
FY2025 ending December 31, 2025 (forecast)	-	0.00	-	35.00	35.00		38.5	

3. FORECAST OF NON-CONSOLIDATED RESULTS FOR FY2025 (January 1, 2025 to December 31, 2025)

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

	Net sales		Operating income		Ordinary income		Profit		Profit per share-basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	7,200	1.1	850	0.5	855	-0.8	537	-17.4	90.82

* NOTES

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

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

(2) Number of outstanding shares (common stock)

(i) Number of shares outstanding at end of period, including treasury stock	As of December 31, 2024:	7,796,800 shares	As of December 31, 2023:	7,796,800 shares
(ii) Number of shares of treasury stock at end of period	As of December 31, 2024:	1,884,262 shares	As of December 31, 2023:	1,902,933 shares
(iii) Average number of shares outstanding for each period	As of December 31, 2024:	5,894,365 shares	As of December 31, 2023:	5,876,528 shares

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

* Note regarding forecasts and forward-looking statements

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

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1. SUMMARY OF BUSINESS RESULTS

(1) Summary of Business Results for Current Period

According to a provisional calculation of the Cabinet Office, Japan's water and sewerage infrastructure assets amount to approximately ¥130 trillion, which indicates that the water and sewerage infrastructure stock is the second-largest in the country by sector after that of roads. Among these, the penetration rate of water supplies is 98.3% as of March 31, 2022, with the total length of water pipes reaching around 740,000 kilometers across Japan. However, the national average annual rate of renewing water pipes is as low as 0.64%, which means that it will take about 130 years to renew all of these pipes. The statutory useful life of water pipes is 40 years, and much of the stock was built during the high-growth period of the 1970s. There are issues such as aging infrastructure, slow progress in making water pipes earthquake-resistant (with the earthquake-resistance conformity rate of key water pipes at the end of fiscal 2022 being 42.3%), and a decrease in water charges received due to a declining population and other factors. Further, many water utilities operators are of a small scale with a vulnerable management foundation, resulting in insufficient provision for systematic renewal. Water supply maintenance and management administration, which had been under the purview of the Ministry of Health, Labour and Welfare for many years, was transferred to the Ministry of Land, Infrastructure, Transport and Tourism for management and maintenance of the infrastructure and to the Ministry of Environment for water quality and hygiene in April 2024. As a result, the fiscal 2024 budget requests for water projects include the establishment of a new project to promote the integrated efficiency and strengthening of infrastructure of water and sewerage systems to support integrated measures for water supply and sewerage, and the expansion of project survey costs regarding water infrastructure improvement.

In the sewage field, the number of people with access to sewage treatment facilities is 93.3% in Japan (as of the end of FY2023), but only 81.4% have access to sewers, which means nearly 8.3 million people still live without access to wastewater treatment plants. Therefore, it is necessary to accelerate the spread of sewage treatment. While the need to construct new facilities is on the decrease, a great number of water and sewage facilities that were rapidly built during the high-growth period are reaching the end of their useful lives every year. Maintenance and renewal of these infrastructure assets, which are indispensable for ensuring a safe, secure and cultural life, are thus in demand. In addition, needs are growing for flood control measures to protect human lives and assets from localized torrential rainfall and large typhoons, which have occurred frequently in recent years, anti-seismic measures such as quake-resistant toilet facilities, measures for reinforcing water and sewerage systems to make them tsunami resistant, and initiatives to create “green innovation sewerage systems” in line with a shift to a decarbonized and recycling-oriented society.

Out of Japan's national budget for FY2024, passed and enacted in March 2024, the total amount to be allocated to “General Social Infrastructure Development,” including the water and sewage budget, which is closely connected with the business of the Company, is a national expenditure of ¥1,361.3 billion. This amount is broken down to ¥856.3 billion for disaster prevention and safety subsidies and ¥505.1 billion for general social infrastructure development subsidies. Among them, the national budget for the sewerage system is unofficially announced as about ¥476.9 billion in total, roughly at the same level as ¥477.2 billion for the previous fiscal year.

In this operating environment, with the themes set by the Water Supply and Sewerage Group of the Ministry of Land, Infrastructure, Transport and Tourism in mind, the Company pursues orders for services related to asset management in line with the new water supply vision in the water supply field, and those in line with seven major themes in the sewerage field. These are: strengthening earthquake recovery and reconstruction support and implementing national measures for safety and peace of mind; promptly reducing areas lacking sewerage infrastructure; promoting water environmental management; improving facility management and operations; strengthening sewerage management; promoting measures to achieve a low-carbon, recycling-oriented society; and promoting international water businesses through globalization and private-public initiatives.

One of the themes for the fiscal year under review is the full-scale promotion of “Water PPP” (public-private partnerships) advocated by the government. In Japan, with the backdrop of a declining population, local governments, except for some municipalities such as ordinance-designated cities with large populations and those in their surrounding areas, are seeing a decline in the number of employees in charge of water supply and sewerage projects and are experiencing difficulty in securing sufficient budgets. Under these circumstances, the government

is promoting concession projects (which establish the right to operate a facility for the private sector while maintaining the ownership of the facility in the public sector) in water supply, sewerage, and industrial water supply. However, a concession which is supposed to be “partial privatization” is generally understood as “privatization,” causing such concession to be avoided by water utilities which are particularly allergic to privatization.

With this background, on June 2, 2023, the government approved the PPP/PFI Promotion Action Plan (revised in 2023) to newly establish a public-private partnership aimed at gradually shifting to concession projects in water supply, sewerage and industrial water supply as an integrated management and renewal system, and define it together with concession projects as “Water PPP.” The Action Plan considers water supply, sewerage, and industrial water supply as priority areas, and sets an ambitious target of realizing 100 water supply projects, 100 sewerage projects, and 25 industrial water supply projects, a total of 225, over 10 years from fiscal 2022 to fiscal 2031, with national subsidies planned. In response to such developments, the Company is working to secure orders for services related to both schemes of “renewal support type,” a scheme that supports local governments in renewing infrastructure by formulating renewal plans and through construction management (CM), and “renewal implementation type,” a scheme where entities maintain, manage and renew infrastructure in an integrated manner as a system to integrally optimize maintenance, management and renewal, under the Water PPP which is being strongly promoted by the government.

Summarizing our efforts to win orders in the domestic market, we are doubling down on sales activities to cultivate new fields and customers. We are doing so based on our long track record, while capturing project orders that have high order-repeat rates through offering fine-tuned technological proposals and flexible customer service. We do this on the back of our superiority resulting from accumulated knowledge of the status of facility development and operational issues in local public entities who are our existing customers.

In order to enter into new business domains, we are working to win orders for educational support projects that make use of virtual spaces created by the metaverse and regional promotion activities, for which needs are growing at some local governments. In overseas markets, the Company has been working to win orders by tapping into projects in emerging nations through public-private partnerships.

On the other hand, with regard to its internal work environment, the Company has provided 90% of its employees with smartphones and notebook PCs and created an office environment with free addresses (no assigned seating). So, employees can work at home and outside the office using a teleworking environment. Specifically, the Company is providing the following internal systems which focus on the perspective of the employees: facilitating prompt information-sharing and chatting between different levels, on which the Company has worked to raise awareness internally; speedily responding to departmental issues by checking management benchmarks by department when necessary; conducting appropriate budget management, process control, progress management, and outsourcing management for projects secured; upgrading in-house engineers’ skills; securing and fostering young employees who will lead the next generation; reducing overtime to comply with the revised Labor Standards Act; promoting well-being management, as represented by the fact that approximately 40% of employees use Apple Watches loaned by the Company for voluntary health promotion; utilizing internal systems, such as a staggered working hours system; and promoting the use of maternity/parental leave systems and paid leaves, as well as a custom-made work system which enables each employee to work from a place according to his/her own circumstances. In our internal business management system, we have digitized the approval function for each business workflow, from receiving an order for design work, starting the project, preparing and changing the execution budget, and completing the project, thereby accelerating budget management and reducing printing. Through these efforts, we are striving to improve productivity and reduce costs, and to increase employee returns and earnings.

As a result, orders received during the fiscal year amounted to ¥7,476 million (up 9.8% year-on-year). We believe that the main factors for the increase in orders were orders for disaster recovery support projects due to the Noto Peninsula Earthquake and disasters from torrential rainfall that occurred in various regions, as well as an increase in the average unit price of orders received and an increase in the number of orders received for large projects under multi-year contracts. Contracts completed posted ¥7,122 million (up 7.4% year on year). Operating income amounted to ¥845 million (up 9.4% year on year), and ordinary income was ¥862 million (up 9.4% year on

year). Profit stood at ¥650 million (up 36.2% year on year).

Results by operating division were as follows.

[Engineering Consultant Department]

The Engineering Consultant Department received total orders of ¥6,933 million (up 8.3% year-on-year).

Contracts completed by the department were ¥6,630 million (up 6.9% year on year).

[Information Processing Department]

In the Information Processing Department, orders received were ¥542 million (up 33.1% year-on-year).

Contracts completed by the department were ¥491 million (up 14.3% year on year).

(2) Summary of Financial Position for Current Period

(Current assets)

Current assets for the current fiscal year totaled ¥6,696 million (up 2.2% from the previous fiscal year). This was mainly due to an increase in accounts receivable—completed operation and contract assets, which is accounts receivable—operating.

(Noncurrent assets)

Noncurrent assets for the current fiscal year stood at ¥1,614 million (up 21.3% year-on-year). The main factors contributing to this change included an increase in investment securities as a result of purchase of investment securities and an increase in fair value of investment securities held.

(Current liabilities)

Current liabilities for the current fiscal year amounted to ¥1,094 million (down 15.4% year-on-year). This was mainly due to an increase in accounts payable—operating resulting from payments to subcontractors and a decrease in income taxes payable.

(Noncurrent liabilities)

Noncurrent liabilities for the fiscal year amounted to ¥157 million (up 57.6% year-on-year). The main factors contributing to this change were a drop in lease obligations due to a decrease in lease contracts and an increase in deferred tax liabilities.

(Net assets)

Net assets for FY2024 were ¥7,059 million (up 8.7% year-on-year). This was mainly due to an increase in retained earnings resulting from the posting of profit.

(3) Summary of Cash Flows for Current Period

The balance of cash and cash equivalents (hereinafter “net cash”) at the end of the fiscal year was ¥3,132 million (down 4.1% year-on-year).

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

(Cash flows from operating activities)

Net cash obtained from operating activities amounted to ¥241 million (down 39.5% year-on-year).

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

(Cash flows from investing activities)

Net cash used by investing activities amounted to ¥152 million (¥63 million provided in the previous fiscal year).

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

(Cash flows from financing activities)

Net cash used by financing activities amounted to ¥222 million (down 0.8% year-on-year).

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

	FY2022 ended December 31, 2022	FY2023 ended December 31, 2023	FY2024 ended December 31, 2024
Shareholders' equity ratio (%)	81.0	82.3	85.0
Shareholders' equity ratio on a market value basis (%)	62.2	82.2	79.6
Interest-bearing debt to cash flow ratio (years)	0.12	0.15	0.12
Interest coverage ratio (times)	251.05	197.70	204.06

Shareholders' equity ratio: Shareholders' equity / total assets

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

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

Interest coverage ratio: Cash flows / interest payments

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

(4)Future outlook

According to an outline of the Ministry of Land, Infrastructure, Transport and Tourism's fiscal 2025 budget for public works projects, which has close ties with projects in the Company, ¥846.9 billion (0.97 times year on year) in the Disaster Prevention and Safety Grant and ¥487.4 billion (0.96 times year on year) in the General Grant for Social Infrastructure Development are expected to be appropriated for sewerage projects by local governments. On the other hand, in light of the transfer of water supply maintenance and management administration to the Ministry of Land, Infrastructure, Transport and Tourism in April 2024, the total amount of individual subsidies to sewerage systems is expected to be ¥111.6 billion, 1.21 times higher than the previous year, due to the establishment of a new project to promote the integrated efficiency and strengthening of infrastructure of water and sewerage systems, in addition to subsidies for sewerage disaster prevention projects, subsidies for sewerage projects, and sewerage project survey costs.

In fiscal 2024, the impact of the coronavirus pandemic on social and economic activities decreased, and the budgets related to water supply and sewerage projects by local governments were generally executed as planned. These included countermeasures to combat the aging of and give earthquake resistance to facilities, resolving the underdevelopment of sewage systems, countermeasures against flooding of inland waters, expansion of area coverage and communalization, countermeasures against infiltration during rainy weather, and decarbonization. In June 2023, the Cabinet Office published a revised version of the PPP/PFI Promotion Action Plan, whose aim was to realize 100 projects in total, under a concession system under the name of "Water PPP" and another similar system, a public-private partnership in which maintenance, management and renewal are integrated in a long-term contract.

In fiscal 2024, there has been growing momentum for introducing "Water PPP," especially among small and medium-sized local public entities whose business execution capabilities are deteriorating, given that it was made a requirement to introduce "Water PPP," starting from fiscal 2027, in order to use the General Grant for Social Infrastructure Development for rebuilding sewage pipes of sewerage systems.

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

Orders for local governments' public procurement, which account for the majority of the Company's

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

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

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

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

In the fiscal year ending December 31, 2025, the Company forecasts orders will decrease to ¥6,800 million (down 8.9% year-on-year) and contracts completed will rise to ¥7,200 million (up 1.1% year-on-year). Operating income is forecast to increase to ¥850 million (up 0.5% year-on-year) and ordinary income to fall to ¥855 million (down 0.8% year-on-year). Profit is forecast to drop to ¥537 million (down 17.4% year-on-year).

2. BASIC POLICY FOR THE SELECTION OF ACCOUNTING STANDARDS

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

3. FINANCIAL STATEMENTS AND PRIMARY NOTES

(1) Non-consolidated Balance Sheet

	Amount (thousand yen)	
	FY2023 (as of December 31, 2023)	FY2024 (as of December 31, 2024)
Assets		
Current assets		
Cash and deposits	3,981,339	3,848,332
Accounts receivable—completed operation and contract assets	2,495,744	2,764,365
Costs on uncompleted services	1,594	2,609
Prepaid expenses	49,986	75,036
Advances receivable from group affiliates	273	116
Other	72,815	78,031
Allowance for doubtful accounts	-47,047	-72,279
Total current assets	6,554,707	6,696,211
Noncurrent assets		
Property, plant and equipment		
Buildings, net	161,026	151,975
Structures, net	0	-
Tools, furniture and fixtures, net	22,805	45,769
Land	150,015	47,658
Lease assets, net	55,981	28,434
Total property, plant and equipment	389,828	273,838
Intangible assets		
Leasehold right	3,321	3,321
Software	115,397	114,370
Lease assets	159	63
Telephone subscription right	3,711	3,711
Total intangible assets	122,590	121,466
Investments and other assets		
Investment securities	441,982	767,611
Shares of subsidiaries and associates	50,000	50,000
Long-term loans receivable from employees	2,911	2,380
Insurance funds	78,907	81,793
Guarantee deposits	167,750	184,479
Long-term prepaid expenses	9,179	6,126
Prepaid pension costs	16,350	101,044
Deferred tax assets	26,298	-
Other	27,969	27,969
Allowance for doubtful accounts	-2,200	-2,200
Total investments and other assets	819,148	1,219,206
Total noncurrent assets	1,331,567	1,614,510
Total assets	7,886,274	8,310,722

Amount (thousand yen)

	FY2023 (as of December 31, 2023)	FY2024 (as of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable—operating	375,176	377,459
Lease obligations	31,789	21,337
Accounts payable—other	50,725	51,005
Accrued expenses	171,252	176,690
Income taxes payable	182,852	56,773
Accrued consumption taxes	115,556	96,533
Advances received on uncompleted contracts	162,428	114,285
Deposits received	115,270	125,174
Provision for bonuses	42,723	44,947
Reserve for shareholder benefits	8,789	5,000
Provision for loss on orders received	21,443	6,856
Provision for share benefit	15,516	18,025
Total current liabilities	1,293,524	1,094,090
Noncurrent liabilities		
Lease obligations	26,440	8,321
Provision for share benefit	22,369	23,192
Asset retirement obligations	50,869	54,689
Deferred tax liabilities	-	70,877
Total noncurrent liabilities	99,679	157,080
Total liabilities	1,393,204	1,251,170
Net assets		
Shareholders' equity		
Capital stock	1,093,000	1,093,000
Capital surplus		
Legal capital surplus	2,171,308	2,171,308
Other capital surplus	702,924	728,646
Total capital surplus	2,874,232	2,899,954
Retained earnings		
Other retained earnings		
General reserve	3,000,000	3,000,000
Retained earnings brought forward	980,823	1,440,269
Total retained earnings	3,980,823	4,440,269
Treasury stock	-1,541,231	-1,548,162
Total shareholders' equity	6,406,823	6,885,061
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	86,246	174,490
Total valuation and translation adjustments	86,246	174,490
Total net assets	6,493,070	7,059,551
Total liabilities and net assets	7,886,274	8,310,722

(2) Non-consolidated Statements of Operations

	Amount (thousand yen)	
	FY2023 (From January 1, 2023, to December 31, 2023)	FY2024 (From January 1, 2024, to December 31, 2024)
Net sales of contracts completed	6,633,148	7,122,236
Costs of completed contracts	4,429,537	4,733,739
Gross profit	2,203,610	2,388,497
Selling, general and administrative expenses	1,430,472	1,542,585
Operating income	773,138	845,912
Non-operating income		
Interest income	84	185
Interest on securities	4,025	750
Dividend income	7,978	9,713
Contribution for secondment employees	3,044	3,036
Commission fee	2,430	1,417
Gain on investments in silent partnerships	412	2,593
Gain on sale of investment securities	-	254
Gain on valuation of investment securities	2,817	5,492
Foreign exchange gains	1,686	2,414
Other	5,845	4,490
Total non-operating income	28,324	30,347
Non-operating expenses		
Interest expenses	2,020	1,184
Expenses for securities transactions	11,006	10,187
Other	650	2,823
Total non-operating expenses	13,677	14,195
Ordinary income	787,784	862,064
Extraordinary income		
Gain on sale of noncurrent assets	-	25,216
Reversal of provision for construction warranty	635	-
Total extraordinary income	635	25,216
Extraordinary loss		
Loss on retirement of noncurrent assets	1,618	139
Loss on valuation of golf club membership	800	-
Total extraordinary loss	2,418	139
Profit before income taxes	786,000	887,142
Income taxes—current	288,061	177,683
Income taxes—deferred	20,586	59,277
Total income taxes	308,647	236,960
Profit	477,353	650,181

(3) Non-consolidated Statement of Changes in Net Assets

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

Amount (thousand yen)

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

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

FY2024 (from January 1, 2024, to December 31, 2024)

Amount (thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other Capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at the beginning of current period	1,093,000	2,171,308	702,924	2,874,232	3,000,000	980,823	3,980,823
Changes during the period							
Dividends of surplus						-190,734	-190,734
Profit						650,181	650,181
Purchase of treasury stock							
Disposal of treasury stock			25,722	25,722			
Net changes of items other than shareholders' equity							
Total changes during the period	-	-	25,722	25,722	-	459,446	459,446
Balance at the end of current period	1,093,000	2,171,308	728,646	728,646	3,000,000	1,440,269	4,440,269

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	-1,541,231	6,406,823	86,246	86,246	6,493,070
Changes during the period					
Dividends of surplus		-190,734			-190,734
Profit		650,181			650,181
Purchase of treasury stock	-64,189	-64,189			-64,189
Disposal of treasury stock	57,258	82,981			82,981
Net changes of items other than shareholders' equity			88,243	88,243	88,243
Total changes during the period	-6,931	478,237	88,243	88,243	566,481
Balance at the end of current period	-1,548,162	6,885,061	174,490	174,490	7,059,551

(4) Non-consolidated Statement of Cash Flows

	Amount (thousand yen)	
	FY2023 (From January 1, 2023, to December 31, 2023)	FY2024 (From January 1, 2024, to December 31, 2024)
Cash flows from operating activities		
Profit before income taxes	786,000	887,142
Depreciation and amortization	126,497	103,897
Increase (decrease) in allowance for doubtful accounts	14,687	25,232
Interest and dividends income	-12,088	-10,649
Interest expenses	2,020	1,184
Reversal of provision for construction warranty	-635	-
Loss (gain) on sale of property, plant and equipment	-	-25,216
Loss on retirement of property, plant and equipment	1,618	139
Loss on valuation of golf club membership	800	-
Loss (gain) on sale of investment securities	-	-254
Loss (gain) on valuation of investment securities	-2,817	-5,492
Decrease (increase) in notes and accounts receivable-trade	-193,768	-268,621
Decrease (increase) in costs on uncompleted contracts	7,119	-1,014
Increase (decrease) in notes and accounts payable-trade	-58,741	2,282
Increase (decrease) in advances received on uncompleted contracts	-32,614	-48,143
Increase (decrease) in provision for bonuses	1,387	2,224
Increase (decrease) in provision for shareholder benefits	8,789	-3,789
Increase (decrease) in provision for loss on orders received	4,064	-14,586
Increase (decrease) in provision for share benefit	4,778	3,331
Increase (decrease) in provision for retirement benefits	-2,797	-
Decrease (increase) in prepaid pension costs	-16,350	-84,694
Other	90,399	-32,889
Subtotal	728,351	530,083
Interest and dividends income received	11,330	10,561
Interest expenses paid	-2,020	-1,184
Payment of warranties for completed construction	-59,364	-
Income taxes paid	-278,893	-297,824
Cash flows from operating activities	399,402	241,635
Cash flows from investing activities		
Purchase of property, plant and equipment	-10,460	-47,942
Proceeds from sale of property, plant and equipment	-	150,000
Purchase of intangible assets	-42,097	-41,800
Purchase of investment securities	-200,200	-300,000
Proceeds from sale of investment securities	-	462
Proceeds from redemption of investment securities	310,000	100,000
Proceeds from withdrawal of investments in silent partnerships	5,476	5,797
Payments for lease and guarantee deposits	-914	-18,071
Proceeds from collection of lease and guarantee deposits	305	990
Other	1,856	-1,662
Cash flows from investing activities	63,965	-152,226
Cash flows from financing activities		
Repayments of lease obligations	-33,849	-31,919
Purchase of treasury stock	-	-64,189
Proceeds from disposal of treasury stock	-	64,150
Cash dividends paid	-190,734	-190,734
Cash flows from financing activities	-224,584	-222,694
Effect of exchange rate change on cash and cash equivalents	207	266
Net increase (decrease) in cash and cash equivalents	238,990	-133,018
Balance of cash and cash equivalents at beginning of the year	3,026,208	3,265,199
Balance of cash and cash equivalents at end of the year	3,265,199	3,132,180

(5) Notes regarding the Non-consolidated Financial Statements

(Matters Affecting the Assumption of a Going Concern)

Not applicable.

(Segment Information)

[Segment Information]

FY2023 (From January 1, 2023, to December 31, 2023) and FY2024 (From January 1, 2024, to December 31, 2024)

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

(Equity Method Profit or Loss)

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

(Per Share Information)

	FY2023 (From January 1, 2023, to December 31, 2023)	FY2024 (From January 1, 2024, to December 31, 2024)
Net assets per share	¥1,101.67	¥1,194.00
Profit per share-basic	¥81.23	¥110.31
Profit per share-diluted	-	-

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

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

	FY2023 (From January 1, 2023, to December 31, 2023)	FY2024 (From January 1, 2024, to December 31, 2024)
Profit per share-basic		
Profit for the period (thousand yen)	477,353	650,181
Amount not attributable to common shareholders (thousand yen)	-	-
Profit on common stock (thousand yen)	477,353	650,181
Average number of common stock outstanding for the period (shares)	5,876,528	5,894,365

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

	FY2023 (as of December 31, 2023)	FY2024 (as of December 31, 2024)
Total net assets (thousand yen)	6,493,070	7,059,551
Amount to be deducted from total net assets (thousand yen)	-	-
Net assets related to common stock at the end of the period (thousand yen)	6,493,070	7,059,551
Closing number of common stock used in the calculation of net assets per share (shares)	5,893,867	5,912,538

The Company's shares held in trust that are recognized as treasury stock in shareholders' equity are included in the treasury stock deducted in the calculation of the average number of shares during the period for calculation of profit per share (83,939 shares as of December 31, 2023; 84,122 shares as of December 31, 2024).

The Company's shares held in trust that are recognized as treasury stock within shareholders' equity are included in the treasury stock deducted from the number of shares outstanding at end of the period, used for calculating "net assets per share" (66,600 shares as of December 31, 2023; 97,900 shares as of December 31, 2024).

(Significant Subsequent Events)

[Acquisition of Company, etc., through Share Acquisition]

At the meeting of its Board of Directors held on December 25, 2024, the Company resolved to acquire all of the shares of CRUXSYSTEM INC. and make it a subsidiary. The Company concluded a share transfer agreement on January 16, 2025, and acquired the shares on the following day.

1. Outline of Business Combination

(1) The name of the acquiree and its business

Name of the acquiree: CRUXSYSTEM INC.

Description of business: Development and sale of computer software, consulting on information processing systems, dispatching of information processing engineers

(2) Main reasons for the business combination

The Company is primarily engaged in consulting services such as investigation, planning, design and management of water infrastructure, centering on water supply and sewerage. In recent years, as demand for maintenance and management, as well as renewal of aging water infrastructure, increases, the Company has been focusing on consulting services that utilize solution systems, such as facility information management and asset management system construction, based on our abundant experience and system development capabilities.

CRUXSYSTEM INC. has a strong track record in the development of GIS systems for local governments by IT engineers and social infrastructure systems and business systems for various industrial fields. By acquiring the shares of the company and welcoming it as a new partner, we plan to respond to changes in the water supply and sewerage business and expand our business in the system development domain in various fields, including railways, electric power and airports. We concluded that this would be extremely useful for strengthening the competitiveness of the Group as a whole and achieving sustainable growth, and therefore decided to acquire the shares of the company.

(3) Date of business combination

January 17, 2025 (deemed acquisition date: February 28, 2025)

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company after the combination

No change.

(6) Percentage of voting rights to be acquired

100.0%

(7) Main grounds for deciding on the acquiring company

It is because the Company acquires the shares in exchange for cash.

2. Breakdown of Acquisition Cost of the Acquiree and Consideration by Type

Consideration for the acquisition	Cash and deposits	¥2,310,000 thousand
Acquisition cost		¥2,310,000 thousand

3. Description and amount of major acquisition-related expenses

Brokerage fees, etc.: ¥123,094 thousand

4.Amount and cause of resulting goodwill, and amortization method and period thereof

They have not been finalized at this time.

5.Amounts of assets accepted and liabilities assumed as of the date of the business combination, and the major breakdown thereof

They have not been finalized at this time.

(Borrowing of Large Amount of Funds)

At the meeting of its Board of Directors held on December 25, 2024, the Company resolved to borrow funds for the acquisition of the shares of CRUXSYSTEM INC. as follows:

1.Overview of the financing

(i) Lender	Resona Bank, Ltd.
(ii) Loan amount	¥1,500,000 thousand
(iii) Loan execution date	January 17, 2025
(iv) Repayment date	December 30, 2031
(v) Borrowing rate	Base interest rate + spread (floating rate)
(vi) Assets pledged as collateral or guarantees	None