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



February 14, 2024

Company name: NJS Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2325
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 Scheduled date of general shareholders' meeting: March 26, 2024
 Scheduled date of commencing dividend payments: March 27, 2024
 Scheduled date of filing securities report: March 28, 2024
 Availability of supplementary explanatory materials on annual financial results: Yes
 Schedule of annual financial results briefing session: Yes (for institutional investors and 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 changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2023	22,027	14.5	1,618	(16.3)	1,704	(15.3)	1,997	15.7
December 31, 2022	19,231	(0.4)	1,934	(29.9)	2,012	(29.6)	1,726	(10.5)

(Note) Comprehensive income: Fiscal year ended December 31, 2023: ¥2,234 million [17.6%]
 Fiscal year ended December 31, 2022: ¥1,900 million [0.5%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2023	209.33	—	8.4	5.9	7.3
December 31, 2022	181.03	—	7.8	7.2	10.1

(Reference) Equity in earnings of affiliated companies: Fiscal year ended December 31, 2023: ¥ – million
 Fiscal year ended December 31, 2022: ¥ – million

(2) Consolidated Financial Status

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	29,493	24,552	83.0	2,566.90
As of December 31, 2022	28,178	23,082	81.7	2,413.81

(Reference) Equity: As of December 31, 2023: ¥24,490 million
 As of December 31, 2022: ¥23,030 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2023	1,524	2,419	(771)	17,188
December 31, 2022	1,953	(950)	(866)	13,980

2. Dividends

	Annual dividends					Total dividends (annual)	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, 2022	—	35.00	—	40.00	75.00	717	41.4	3.2
Fiscal year ended December 31, 2023	—	40.00	—	45.00	85.00	812	40.6	3.4
Fiscal year ending December 31, 2024 (Forecast)	—	45.00	—	45.00	90.00		55.4	

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	—	—	—	—	—	—	—	—	—
Full year	22,500	2.1	2,300	42.1	2,350	37.9	1,550	(22.4)	162.46

* Notes:

(1) Changes in significant subsidiaries during the fiscal year under review: None

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly included: —

Excluded: — (Company name: —)

(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

(3) Total number of issued shares (common shares)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2022
1) Total number of issued shares at the end of the year (including treasury shares)	10,048,000 shares	10,048,000 shares
2) Total number of treasury shares at the end of the year	506,954 shares	506,909 shares
3) Average number of shares during the year	9,541,051 shares	9,538,548 shares

(Reference) Summary 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 changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	18,598	10.3	1,409	(23.4)	1,478	(23.1)	1,941	29.6
December 31, 2022	16,859	(3.4)	1,841	(29.9)	1,922	(29.0)	1,497	(18.1)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	203.44	—
December 31, 2022	157.03	—

(2) Non-consolidated Financial Status

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2023	27,754	23,142	83.4	2,425.62
December 31, 2022	26,532	21,677	81.7	2,271.98

(Reference) Equity: As of December 31, 2023: ¥23,142 million

As of December 31, 2022: ¥21,677 million

* These 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

Forward-looking statements, such as performance forecasts, made in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc., may differ significantly due to various factors. For the assumptions for financial results forecast, etc., please refer to “(4) Future Outlook” under “1. Overview of Operating Results, etc.” on page 4 of the attached document.

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1. Overview of Operating Results, etc.

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

First of all, we would like to express our sincere sympathy to the people affected by the Noto Peninsula earthquake in Ishikawa Prefecture, which occurred on January 1, 2024.

During the period under review (the year ended December 31, 2023), the global economy remained uncertain due to such factors as the prolonged crisis in Ukraine, rising tensions in the Middle East, global monetary tightening in response to rising prices, and the economic stagnation in China. Meanwhile in Japan, the employment and income factors have improved, and the economy was on a gradual recovery path, but the impact of the Noto Peninsula earthquake may be a cause for concern.

Concerning the water supply and sewerage business in Japan, related utilities are leaving behind the “national minimum” era and are entering a new era which requires additional values in response to social issues and local needs. Said issues include climate change and intensifying disasters, as well as the decrease of business sustainability due to declining population and aging infrastructure. Also, in addition to the needs to restore water and sewage services as soon as possible in the areas affected by the Noto Peninsula Earthquake, it will be essential to redevelop infrastructure based on reconstruction and community development plans.

The society is now focused on infrastructure values, the main point is to improve the service and the performance, and there are growing trends to utilize private sector resources. In June 2023, the Government launched the “Water PPP” scheme to promote public-private partnership projects in the water supply and sewerage sector. For private companies, while this will create a new market, it will also require a high level of operational skills and human resources.

Therefore, the NJS Group (the “Group”) announced the "NJS Growth Strategy for a Multi-function Company" and clarified its growth strategy to create a new business as a leader in operating water-related businesses. The Group has been working to grow in the fields of solutions and operation, optimizing business plans and facility renewal plans, developing infrastructure inspection systems, enhancing earthquake countermeasures and flooding simulations, and developing regional resource recycling and energy systems.

To further develop the company foundation, the Group is working with companies from other industries to develop innovation, training employees to provide solutions, ensuring psychological safety in the working environment, improving wellbeing status, and promoting childcare leave for male employees.

As a result, for the fiscal year under review, the Group posted consolidated orders received of ¥22,671 million (up 22.9% year on year, the same shall apply hereafter) and net sales of ¥22,027 million (up 14.5%).

In terms of profits, the Group primarily strived for active investment in human resources and IT as well as technological development, then posted operating profit of ¥1,618 million (down 16.3%), ordinary profit of ¥1,704 million (down 15.3%), and profit attributable to owners of parent of ¥1,977 million (up 15.7%).

Operating results by segment are as follows.

[Domestic operations]

In domestic operations, we have been engaged in research and design projects for the reconstruction of infrastructure facilities; disaster response projects; inspection services to raise the efficiency of infrastructure inspections; and PPP services and operations to promote public-private collaborative projects, etc.

As a result, orders received were ¥18,521 million (up 8.4%), net sales were ¥17,230 million (up 3.1%), and operating profit was ¥1,521 million (down 30.8%).

[Overseas operations]

In overseas operations, we promoted projects to develop water-related infrastructure in the emerging countries of Asia, the Middle East, and Africa.

As a result, orders received were ¥4,150 million (up 205.1% year on year, the same shall apply hereafter), net sales were ¥4,594 million (up 101.1%), and operating income was ¥37 million (operating loss was ¥364 million in the previous fiscal year).

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

At the end of the fiscal year under review, total assets amounted to ¥29,493 million, up ¥1,315 million from the end of the previous fiscal year. This was mainly due to an increase of ¥3,208 million in cash and deposits, an increase of ¥541 million in notes, accounts receivable-completed operation and contract assets, a decrease of ¥1,107 million in costs on service contracts in progress under current assets, a decrease of ¥1,892 million in tangible fixed assets due to the impact of real estate sales, and an increase of ¥417 million in investment securities due to the impact of higher market values of stock holdings as a result of stock market activity.

At the end of the fiscal year under review, total liabilities amounted to ¥4,941 million, down ¥154 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥598 million in accounts payable for operations, an increase of ¥258 million in income taxes payable, and an increase of ¥199 million in other current liabilities.

At the end of the fiscal year under review, net assets amounted to ¥24,552 million, up ¥1,469 million from the end of the previous fiscal year. This was mainly due to an increase of ¥1,232 million in retained earnings after deducting dividends paid from profit attributable to owners of parent and an increase of ¥290 million in unrealized gains on marketable securities. As a result, the equity ratio was 83.0%.

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

Status of cash flows

At the end of the fiscal year under review, the balance of cash and cash equivalents amounted to ¥17,188 million, up ¥3,208 million from the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Funds provided by operating activities were ¥1,524 million (¥1,953 million in the previous fiscal year).

This is mainly attributable to profit before income taxes and minority interests of ¥2,867 million, gain on sales of fixed assets of (¥1,301) million, an increase in notes receivable, accounts receivable for completed operations and contract assets of (¥514) million, decrease in costs on uncompleted operations of ¥1,123 million, decrease in accounts payable for services of (¥600) million and income taxes paid of (¥643) million.

(Cash Flows from Investing Activities)

Funds acquired in investing activities were ¥2,419 million (funds used was ¥950 million in the previous fiscal year).

This is mainly attributable to purchases of property, plant and equipment of (¥252) million, purchases of intangible assets of (¥243) million, proceeds from sales of property, plant and equipment of ¥3,100 million, and payments for lease and guarantee deposits of (¥216) million.

(Cash Flows from Financing Activities)

Funds used in financing activities were ¥771 million (¥866 million in the previous fiscal year).

This is mainly attributable to dividends paid of (¥764) million.

(Reference) Trends in cash flow indicators

Indicator	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023
Equity ratio (%)	75.6	78.5	78.0	81.7	83.0
Equity ratio at fair value (%)	67.7	75.8	67.0	68.9	88.1
Cash flow vs. interest-bearing debt (years)	0.1	0.0	0.0	0.0	—
Interest coverage ratio (times)	295.9	16,652.9	4,759.4	102,929.7	935,794.2

(Note) All indicators are calculated based on financial figures on a consolidated basis as follows.

- (1) Equity ratio: Equity/Total assets
- (2) Equity ratio at fair value: Market capitalization/Total assets
Market capitalization is calculated based on the number of shares issued excluding treasury shares.
- (3) Cash flow vs interest-bearing debt: Interest-bearing debt/Cash flows from operating activities
- (4) Interest coverage ratio: Cash flows from operating activities/Interest payment

(4) Future Outlook

Following the NJS Company Purpose "Pass on healthy water and environment to the next generation", the Group will promote the transformation into a Multi-function Company and enhance our corporate value, through the following principals.

- (1) Expansion of business areas
Expand business areas into operations management, as well as strengthen consulting, software, and inspection businesses.
- (2) Strengthening solutioning capacities
Promote technology improvement and employee training, through business operating and expansion of business areas, to be able to provide solutions for management issues.
- (3) Promote innovation
Foster innovation focused on improving service and performance of our "Multi-function Company" style.
- (4) Human resource development
Secure and train professional and management personnel in a wide range of fields, as well as encouraging employee awareness and skills development.
- (5) Collaboration with business partners
Promote collaboration and co-creation in a wide range of fields, including consultants, construction and maintenance companies, local companies, NPOs, universities and research institutions.

With regard to the consolidated financial results forecast for the year ending December 31, 2024, the Group is forecasting consolidated orders of ¥22,800 million (up 0.6% year on year, the same shall apply hereafter), consolidated net sales of ¥22,500 million (up 2.1%), operating income of ¥2,300 million (up 42.1%), ordinary income of ¥2,350 million (up 37.9%) and net income attributable to shareholders of the parent of ¥1,550 million (down 22.4%).

2. Basic Policy on Selection of Accounting Standards

The Group's policy is to prepare its consolidated financial statements based on accounting standards generally accepted in Japan (J-GAAP). The Group will appropriately deal with the future application of International Financial Reporting Standards upon monitoring various developments in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	13,980,087	17,188,267
Notes receivable	3,446	953
Accounts receivable from completed operations	1,496,880	1,549,579
Contract asset	3,904,028	4,395,059
Costs on service contracts in progress	1,720,956	613,213
Other	466,568	480,036
Allowance for doubtful accounts	(30,032)	(28,906)
Total current assets	21,541,934	24,198,203
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,042,881	863,050
Accumulated depreciation	(1,605,913)	(217,586)
Buildings and structures, net	1,436,967	645,463
Machinery and equipment	138,014	141,465
Accumulated depreciation	(122,711)	(128,450)
Machinery and equipment, net	15,302	13,015
Vehicles	25,425	35,034
Accumulated depreciation	(19,141)	(21,641)
Vehicles, net	6,284	13,393
Tools, furniture and fixtures	605,824	704,616
Accumulated depreciation	(441,664)	(499,270)
Tools, furniture and fixtures, net	164,159	205,346
Land	1,447,464	299,978
Total property, plant and equipment	3,070,179	1,177,197
Intangible assets		
Goodwill	110,752	87,019
Software	581,089	620,168
Telephone subscription right	22,008	21,935
Other	4	—
Total intangible assets	713,854	729,124
Investments and other assets		
Investment securities	1,241,524	1,658,569
Deferred tax assets	628,236	568,398
Other	1,039,762	1,223,398
Allowance for doubtful accounts	(56,669)	(60,904)
Total investments and other assets	2,852,853	3,389,461
Total non-current assets	6,636,886	5,295,782
Total assets	28,178,821	29,493,986

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - operating	1,384,059	785,515
Current portion of long-term borrowings	1,436	—
Income taxes payable	334,641	592,818
Contract liabilities	252,984	244,819
Provision for bonuses	770,541	778,365
Provision for loss on order received	49,800	103,525
Provision for shareholder benefit program	—	19,100
Other	1,446,417	1,646,294
Total current liabilities	4,239,880	4,170,439
Non-current liabilities		
Retirement benefit liability	534,451	510,963
Provision for retirement benefits for directors (and other officers)	36,186	39,194
Provision for share awards for directors (and other officers)	39,503	54,193
Deferred tax liabilities	38,952	38,930
Asset retirement obligations	120,809	99,134
Other	86,583	28,963
Total non-current liabilities	856,486	771,379
Total liabilities	5,096,367	4,941,819
Net assets		
Shareholders' equity		
Share capital	520,000	520,000
Capital surplus	276,555	276,555
Retained earnings	22,473,675	23,705,817
Treasury shares	(792,470)	(792,569)
Total shareholders' equity	22,477,761	23,709,804
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	442,797	732,961
Foreign currency translation adjustment	(16,593)	12,680
Remeasurements of defined benefit plans	126,435	35,471
Total accumulated other comprehensive income	552,639	781,113
Non-controlling interests	52,053	61,249
Total net assets	23,082,454	24,552,167
Total liabilities and net assets	28,178,821	29,493,986

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	19,231,835	22,027,578
Cost of sales	11,705,743	14,783,840
Gross profit	7,526,091	7,243,737
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	281,249	296,392
Salaries and allowances	1,494,886	1,560,491
Bonuses	376,818	302,864
Provision for bonuses	278,596	268,078
Retirement benefit expenses	78,590	8,168
Provision for share awards for directors (and other officers)	14,731	14,689
Provision for retirement benefits for directors (and other officers)	4,481	3,008
Legal and other welfare expenses	390,635	409,673
Travel and transportation expenses	130,806	164,223
Rent expenses	274,268	271,689
Depreciation	92,891	114,317
Provision of allowance for shareholder benefit programs	—	19,100
Provision of allowance for doubtful accounts	—	3,859
Amortization of goodwill	7,910	23,732
Research and development expenses	618,401	790,588
Other	1,547,122	1,374,213
Total selling, general and administrative expenses	5,591,389	5,625,089
Operating profit	1,934,701	1,618,648
Non-operating income		
Interest income	9,200	13,861
Dividend income	26,297	29,677
Foreign exchange gains	20,914	19,375
Other	22,851	37,445
Total non-operating income	79,263	100,360
Non-operating expenses		
Interest expenses	18	1
Loss on cancellation of insurance policies	1,042	—
Provision of allowance for doubtful accounts	—	12,810
Other	65	1,923
Total non-operating expenses	1,126	14,736
Ordinary profit	2,012,838	1,704,272
Extraordinary income		
Gain on sale of non-current assets	—	1,305,284
Subsidy income	—	28,582
Settlement income	468,061	—
Gain on step acquisitions	73,309	—
Total extraordinary income	541,370	1,333,866
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,548	3,900
Loss on sale of investment securities	1,068	—
Loss of reduction on non-current assets	—	28,422
Impairment loss	—	138,213
Total extraordinary losses	3,616	170,536
Profit before income taxes	2,550,592	2,867,602

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Income taxes – current	729,497	888,734
Income taxes - deferred	92,847	(27,555)
Total income taxes	822,345	861,178
Profit	1,728,247	2,006,423
Profit attributable to non-controlling interests	1,457	9,196
Profit attributable to owners of parent	1,726,789	1,997,227

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	1,728,247	2,006,423
Other comprehensive income		
Valuation difference on available-for-sale securities	218	290,164
Foreign currency translation adjustment	22,164	29,273
Remeasurements of defined benefit plans, net of tax	150,313	(90,964)
Total other comprehensive income	172,696	228,473
Comprehensive income	1,900,943	2,234,897
(breakdown)		
Comprehensive income attributable to owners of parent	1,899,485	2,225,701
Comprehensive income attributable to non-controlling interests	1,457	9,196

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	520,000	300,120	21,061,671	(806,724)	21,075,066
Cumulative effects of changes in accounting policies			(58,132)		(58,132)
Restated balance	520,000	300,120	21,003,539	(806,724)	21,016,934
Changes during period					
Dividends of surplus			(669,451)		(669,451)
Profit attributable to owners of parent			1,726,789		1,726,789
Disposal of treasury stock possession of stock ownership plan trust				14,254	14,254
Acquisition of treasury stock					—
Change in scope of consolidation			412,798		412,798
Change in ownership interest of parent due to transactions with non-controlling interests		(23,564)			(23,564)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(23,564)	1,470,136	14,254	1,460,826
Balance at end of period	520,000	276,555	22,473,675	(792,470)	22,477,761

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	442,578	(38,757)	(23,877)	379,943	50,595	21,505,605
Cumulative effects of changes in accounting policies						(58,132)
Restated balance	442,578	(38,757)	(23,877)	379,943	50,595	21,447,473
Changes during period						
Dividends of surplus						(669,451)
Profit attributable to owners of parent						1,726,789
Disposal of treasury stock possession of stock ownership plan trust						14,254
Acquisition of treasury stock						—
Change in scope of consolidation						412,798
Change in ownership interest of parent due to transactions with non-controlling interests						(23,564)
Net changes in items other than shareholders' equity	218	22,164	150,313	172,696	1,457	174,154
Total changes during period	218	22,164	150,313	172,696	1,457	1,634,980
Balance at end of period	442,797	(16,593)	126,435	552,639	52,053	23,082,454

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	520,000	276,555	22,473,675	(792,470)	22,477,761
Changes during period					
Dividends of surplus			(765,085)		(765,085)
Profit attributable to owners of parent			1,997,227		1,997,227
Acquisition of treasury stock				(99)	(99)
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	1,232,141	(99)	1,232,042
Balance at end of period	520,000	276,555	23,705,817	(792,569)	23,709,804

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	442,797	(16,593)	126,435	552,639	52,053	23,082,454
Changes during period						
Dividends of surplus						(765,085)
Profit attributable to owners of parent						1,997,227
Acquisition of treasury stock						(99)
Net changes in items other than shareholders' equity	290,164	29,273	(90,964)	228,473	9,196	237,669
Total changes during period	290,164	29,273	(90,964)	228,473	9,196	1,469,712
Balance at end of period	732,961	12,680	35,471	781,113	61,249	24,552,167

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,550,592	2,867,602
Depreciation	270,656	343,815
Amortization of goodwill	7,910	23,732
Interest and dividend income	(35,498)	(43,539)
Interest expenses	18	1
Foreign exchange losses (gains)	(15,098)	(40,323)
Settlement income	(468,061)	—
Loss of reduction on non-current assets	—	28,422
Impairment loss	—	138,213
Subsidy income	—	(28,582)
Loss (gain) on step acquisitions	(73,309)	—
Loss (gain) on sale of investment securities	1,068	—
Loss (gain) on sale and retirement of non-current assets	2,548	(1,301,384)
Decrease (increase) in notes, accounts receivable- completed operation and contract assets	(2,032,222)	(514,226)
Decrease (increase) in costs on uncompleted services	2,847,600	1,123,820
Increase (decrease) in accounts payable-operating	223,995	(600,965)
Increase (decrease) in contract liabilities	(586,830)	(11,100)
Increase (decrease) in accrued consumption taxes	(118,169)	181,169
Increase (decrease) in allowance for doubtful accounts	8,042	1,210
Increase (decrease) in provision for bonuses	75,951	7,824
Increase (decrease) in retirement benefit liability	(466,929)	(23,488)
Other, net	247,635	(57,225)
Subtotal	2,439,902	2,094,976
Interest and dividends received	36,687	44,614
Interest paid	(18)	(1)
Settlement received	468,061	—
Subsidy income	—	28,582
Income taxes paid	(991,231)	(643,762)
Net cash provided by (used in) operating activities	1,953,400	1,524,408
Cash flows from investing activities		
Proceeds from cancellation of time deposits	304,150	728,394
Payments into time deposits	(327,088)	(739,232)
Purchase of property, plant and equipment	(724,415)	(252,596)
Proceeds from sale of property, plant and equipment	—	3,100,000
Purchase of intangible assets	(277,894)	(243,715)
Purchase of investment securities	(1,800)	—
Proceeds from sale of investment securities	10,187	—
Purchase of shares of subsidiaries and associates	(5,000)	—
Proceeds from acquisition of shares of subsidiaries resulting in change in scope of consolidation	56,856	—
Payments of leasehold and guarantee deposits	(3,611)	(216,870)
Proceeds from refund of leasehold and guarantee deposits	12,626	14,953
Other, net	5,027	28,179
Net cash provided by (used in) investing activities	(950,960)	2,419,113

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from financing activities		
Dividends paid	(668,768)	(764,550)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(193,920)	—
Other, net	(3,603)	(7,133)
Net cash provided by (used in) financing activities	(866,292)	(771,684)
Effect of exchange rate change on cash and cash equivalents	15,925	36,342
Net increase (decrease) in cash and cash equivalents	152,073	3,208,180
Cash and cash equivalents at beginning of period	13,460,637	13,980,087
Cash and cash equivalents from newly consolidated subsidiaries at the beginning of the year	367,376	—
Cash and cash equivalents at end of period	13,980,087	17,188,267

(5) Notes of Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of 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 referred to as the "Guidance ") from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance is applied prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the quarterly consolidated financial statements.

(Additional information)

(Adoption of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Effective from the first quarter of the current fiscal year, the Company and several domestic consolidated subsidiaries have shifted from a consolidated tax payment system to a group tax sharing system. In accordance with this change, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021); the Company has assumed that there is no effect of the change in accounting policy due to the application of Paragraph 32-(1) of PITF No. 42.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are units composing the Group for which separate financial information is available and are the subject of regular review by the Board of Directors to determine the allocation of management resources and evaluate performance.

The Group, as a "solution partner for water and environment business", engages primarily in the construction consultancy business. Business activities are conducted in Japan mainly by the Company and its domestic subsidiaries in Japan, and overseas mainly by the Company's Global Business Division and local subsidiaries in India and America, respectively. The Company's consolidated subsidiaries, as independent business units, propose independent business strategies and activities.

Therefore, the Group consists of two reportable segments classified according to region and customer, namely, "Domestic Operations" and "Overseas Operations."

2. Method of calculating amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting of business segments reported are generally the same as stated in "Significant basis of preparing consolidated financial statements."

Profits of reportable segments are amounts based on operating profit.

Inter-segment sales and transfers are based on prevailing market prices.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment and disaggregation

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Domestic operations	Overseas operations	Total				
Net sales							
Net sales to outside customers	16,717,790	2,283,967	19,001,758	230,076	19,231,835	—	19,231,835
Inter-segment net sales or transfers	6,347	5,446	11,794	—	11,794	(11,794)	—
Total	16,724,137	2,289,414	19,013,552	230,076	19,243,629	(11,794)	19,231,835
Segment profit	2,199,498	(364,296)	1,835,202	103,434	1,938,636	(3,934)	1,934,701
Segment assets	22,719,317	3,853,793	26,573,110	1,822,692	28,395,803	(216,981)	28,178,821
Other items							
Depreciation	230,394	8,347	238,741	40,768	279,509	—	279,509
Amortization of goodwill	7,910	—	7,910	—	7,910	—	7,910
Unamortized balance of goodwill	110,752	—	110,752	—	110,752	—	110,752
Increases in property, plant and equipment and intangible assets	1,391,386	14,397	1,405,784	900	1,406,684	—	1,406,684

(Notes) 1. “Others” consist of businesses that are not included in the reportable segments, mainly the real estate leasing business.

2. Details of adjustments are as follows:

(1) Adjustment of segment profit is based on intersegment eliminations.

(2) Adjustment of segment assets is based on intersegment eliminations.

3. Segment profit is adjusted with operating profit in the consolidated financial statements.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Domestic operations	Overseas operations	Total				
Net sales							
Water supply	4,644,118	3,163,632	7,807,751	—	7,807,751	—	7,807,751
Sewerage	11,865,663	262,448	12,128,112	—	12,128,112	—	12,128,112
Environment , etc.	720,342	1,168,082	1,888,424	—	1,888,424	—	1,888,424
Revenue from contracts with customers	17,230,124	4,594,163	21,824,288	—	21,824,288	—	21,824,288
Other revenue	—	—	—	203,289	203,289	—	203,289
Net sales to outside customers	17,230,124	4,594,163	21,824,288	203,289	22,027,578	—	22,027,578
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	17,230,124	4,594,163	21,824,288	203,289	22,027,578	—	22,027,578
Segment profit	1,521,418	37,665	1,559,084	59,564	1,618,648	—	1,618,648
Segment assets	26,540,828	3,436,139	29,976,968	—	29,976,968	(482,981)	29,493,986
Other items							
Depreciation	328,345	11,225	339,571	27,977	367,548	—	367,548
Amortization of goodwill	23,732	—	23,732	—	23,732	—	23,732
Unamortized balance of goodwill	87,019	—	87,019	—	87,019	—	87,019
Impairment loss	138,213	—	138,213	—	138,213	—	138,213
Increases in property, plant and equipment and intangible assets	381,303	80,451	461,755	—	461,755	—	461,755

(Notes) 1. “Others” consist of businesses that are not included in the reportable segments, mainly the real estate leasing business.

2. Details of adjustments are as follows:

Adjustment of segment assets is based on intersegment eliminations.

3. Segment profit is adjusted with operating profit in the consolidated financial statements.

[Related information]

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

1. Information by product and service

	Water Supply	Sewerage	Environmental, etc.	Other	Total
Net sales to outside customers	5,954,621	11,803,928	1,243,208	230,076	19,231,835

(Thousands of yen)

2. Information by region

(1) Net sales

Japan	Asia & Oceania	Africa	Middle East	Central & South America	North America	Total
16,947,867	1,881,167	69,565	333,234	—	—	19,231,835

(Thousands of yen)

(Note) Net sales are based on the location of the customer and classified according to country or region.

(2) Property, plants and equipment

The amount of property, plants and equipment located in Japan is not presented as it exceeds 90% of the property, plants and equipment recorded on the consolidated balance sheet.

3. Information by major customer

Name of customer	Net sales	Related segment
Japan Sewage Works Agency	2,801,255	Domestic Operations

(Thousands of yen)

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

1. Information by product and service

	Water supply	Sewerage	Environmental, etc,	Other	Total
Net sales to outside customers	7,807,751	12,128,112	1,888,424	203,289	22,027,578

(Thousands of yen)

2. Information by region

(1) Net sales

Japan	Asia & Oceania	Africa	Middle East	Central & South America	North America	Total
17,433,414	2,260,188	52,767	2,263,339	17,868	—	22,027,578

(Thousands of yen)

(Note) Net sales are based on the location of the customer and classified according to country or region.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan is not presented as it exceeds 90% of the property, plants and equipment recorded on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer	Net sales	Related segment
Japan Sewage Works Agency	2,701,769	Domestic Operations
Ministry of Construction, Housing, Municipalities and Public Works	2,224,507	Overseas Operations

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

Not applicable.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

Notes are omitted as similar information is included in the segment information.

[Information on amortization and unamortized balance of goodwill by reportable segment]

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

Notes are omitted as similar information is included in the segment information.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

Notes are omitted as similar information is included in the segment information.

[Information on gain on negative goodwill by reportable segment]

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

Not applicable.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

Not applicable.

(Per share information)

	For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net assets per share (yen)	2,413.81	2,566.9
Basic earnings per share (yen)	181.03	209.33

- (Notes) 1. Diluted earnings per share is not provided as there were no potential shares.
2. The basis for the calculation of net assets per share is as follows. Furthermore, the Company's shares held in the board benefit trust are included in the treasury shares to be deducted in the calculation of total number of shares issued as of the end of the fiscal year and average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share.

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Total net assets (Thousands of yen)	23,082,454	24,552,167
Amounts deducted from total net assets (Thousands of yen)	52,053	61,249
(Non-controlling interests (Thousands of yen))	(52,053)	(61,249)
Net assets attributable to shares of common stock (Thousands of yen)	23,030,401	24,490,918
Number of shares of common stock used to calculate net assets per share (Thousand shares)	9,541	9,541

3. The basis for the calculation of basic earnings per share is as follows.

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit attributable to owners of parent (Thousands of yen)	1,726,789	1,997,227
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent relating to common shares	1,726,789	1,997,227
Average number of common shares during the period (Thousand shares)	9,538	9,541

(Significant subsequent events)

Not applicable.