

SECURITIES REPORT

(Report under Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal Year (60th Term)

(from January 1, 2022 to December 31, 2022)

CTI Engineering Co., Ltd.

21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo

(941-172)

60th Term (from January 1, 2022 to December 31, 2022)

SECURITIES REPORT

1. This securities report is the one obtained by attaching the table of contents to the paginating data on the securities report compiled under Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, which was submitted through the Electronic Disclosure for Investors' Network (EDINET) stipulated in Article 27-30-2 of the Act, and by outputting and printing the data.
2. This report does not include documents attached to the securities report submitted using the method mentioned above, but the audit reports are inserted at the end of this report.

(The above-mentioned audit reports are omitted from the English translation.)

CTI Engineering Co., Ltd.

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Fiscal Year	60th term (from January 1, 2022 to December 31, 2022)
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Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Part 1: CORPORATE INFORMATION

CHAPTER 1: GENERAL

1. Changes in Major Management Indices

(1) Consolidated management indices of the Company

Fiscal year		56th term	57th term	58th term	59th term	60th term
Fiscal year-end		December 2018	December 2019	December 2020	December 2021	December 2022
Sales amount	(million yen)	58,443	62,649	65,190	74,409	83,485
Ordinary profit	(million yen)	3,167	4,397	5,216	7,118	8,235
Net income attributable to owners of the parent	(million yen)	1,893	2,808	3,650	4,471	5,874
Comprehensive income	(million yen)	1,299	3,766	3,656	6,082	6,196
Net assets	(million yen)	27,810	30,929	34,016	38,820	47,719
Total assets	(million yen)	50,854	59,013	63,980	71,880	73,296
Net assets per share	(yen)	1,950.54	2,169.53	2,393.36	2,734.99	3,360.83
Net income per share	(yen)	133.94	198.59	258.17	316.25	415.49
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	54.2	52.0	52.9	53.8	64.8
Profit ratio of net worth	(%)	7.0	9.6	11.3	12.3	13.1
Price earnings ratio	(times)	11.59	11.38	9.22	7.90	7.73
Cash flow from operating business activities	(million yen)	1,873	4,798	8,687	5,344	3,804
Cash flow from investment activities	(million yen)	-1,475	-1,051	-779	-671	-752
Cash flow from financial activities	(million yen)	-76	-545	-1,185	-1,128	-1,291
Closing balance of cash and cash equivalents	(million yen)	6,722	9,873	16,684	20,527	22,589
Number of employees (plus average number of temporary employees)	(persons)	2,932 (883)	3,012 (919)	3,088 (936)	3,359 (1,078)	3,716 (1,094)

- Notes:
1. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.
 2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020), etc. have been applied from the beginning of the 60th term. Accordingly, the major management indices for the 60th term are stated after applying the above accounting standards, etc.

(2) Non-consolidated Management Indices of the Company

Fiscal year		56th term	57th term	58th term	59th term	60th term
Fiscal year-end		December 2018	December 2019	December 2020	December 2021	December 2022
Sales amount	(million yen)	36,768	41,068	44,322	48,591	51,359
Ordinary profit	(million yen)	2,821	3,942	5,019	6,085	7,024
Net income	(million yen)	1,778	2,629	3,613	3,922	5,167
Capital stock	(million yen)	3,025	3,025	3,025	3,025	3,025
Number of outstanding shares	(shares)	14,159,086	14,159,086	14,159,086	14,159,086	14,159,086
Net assets	(million yen)	27,852	30,583	33,610	37,146	44,436
Total assets	(million yen)	43,667	48,687	52,628	57,510	58,392
Net assets per share	(yen)	1,969.72	2,162.91	2,377.00	2,627.07	3,142.70
Cash dividend per share (Interim dividend per share)	(yen)	25.00 (-)	35.00 (-)	45.00 (-)	60.00 (-)	100.00 (-)
Net income per share	(yen)	125.76	185.99	255.53	277.39	365.43
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	63.8	62.8	63.9	64.6	76.1
Profit ratio of net worth	(%)	6.5	9.0	11.3	11.1	12.2
Price earnings ratio	(times)	12.34	12.15	9.32	9.01	8.78
Dividend payout ratio	(%)	19.9	18.8	17.6	21.6	27.4
Number of employees (plus average number of temporary employees)	(persons)	1,574 (462)	1,633 (491)	1,729 (507)	1,815 (520)	1,912 (531)
Total shareholder return (Comparative indicator: TOPIX Net Total Return Index)	(%) (%)	137.0 (84.0)	201.6 (99.2)	216.0 (106.6)	231.4 (120.2)	301.9 (117.2)
Highest stock price	(yen)	1,758	2,295	2,538	2,861	3,450
Lowest stock price	(yen)	1,134	1,335	1,241	2,204	2,106

- Notes:
1. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.
 2. The highest and lowest stock prices on and before April 3, 2022 are those recorded on the First Section of the Tokyo Stock Exchange. The highest and lowest stock prices on and after April 4, 2022 are those recorded on the Prime Market of the Tokyo Stock Exchange.
 3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020), etc. have been applied from the beginning of the 60th term. Accordingly, the major management indices for the 60th term are stated after applying the above accounting standards, etc.

2. Chronology

Construction Technique Institute, the predecessor of the Company, was founded in August 1945. After the war ended, amidst the urgent need to reconstruct the country, the Institute conducted research, planning and design operations in various fields in order to improve infrastructure, including the building of a dam to secure electric power. Subsequently, in order to further expand the scope of its business operations, the Institute established a new stock corporation in April 1963.

The major milestones and transitions that the Company has undergone since being established as a stock corporation are as follows.

Date	Outline
April 1963	Established “Kensetsu Giken KK” in Ginza-nishi (Ginza 3-chome at present), Chuo-ku, Tokyo to conduct engineering consulting business
April 1963	Started business at the Head Office and Osaka Office in Minami-ku (Chuo-ku at present), Osaka at the same time as company establishment
February 1964	Changed trading name to “KK Kensetsu Gijutsu Kenkyujo (= CTI Engineering Co., Ltd.)”
December 1964	Registered at the Ministry of Construction as a construction consultant (No. 39-133)
June 1967	Opened Fukuoka Liaison Office (Fukuoka Office at present) in Fukuoka-shi, Fukuoka
April 1969	Moved the Head Office to Nihombashi-koamicho, Chuo-ku, Tokyo
September 1973	Moved the Head Office to Nihombashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (CTI Engineering International Co., Ltd. at present) in the Head Office to increase the number of oversea project orders
April 1976	Opened Sendai Liaison Office (Tohoku Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” (CTI REED Co., Ltd. at present) to be exclusively engaged in construction management projects
June 1988	Opened Sapporo Liaison Office (Hokkaido Office at present) in Chuo-ku, Sapporo
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
April 1991	Opened Tokyo Office (Tokyo Main Office at present) in Nihombashi-honcho, Chuo-ku, Tokyo in preparation for larger-scale business
April 1994	Opened CM Headquarters in the Head Office to participate in “Construction Management (CM)” business acting as an agent in construction projects ranging from planning and design through to selection of constructor and construction control
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaraki
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
March 1999	Established CTI Engineering International Co., Ltd. to isolate overseas operations making it independent of other operations
April 1999	Assigned the goodwill of the overseas division to the CTI Engineering International
June 1999	Stock listed on the First Section of the Tokyo Stock Exchange
December 1999	Established Management Techno Co., Ltd. to be exclusively engaged in management businesses
April 2003	CTI Academy Co., Ltd. (CTI Frontier Co., Ltd. at present) was established to specialize in training, the conducting of seminars, and other businesses.
May 2005	In the company’s 60th year of operations, the head office was relocated to Nihombashi Hamacho, Chuo-ku, Tokyo.
June 2006	On June 1, 2006, the Fukuoka Association of Land Readjustment transferred its commercial operations to the Company’s wholly owned subsidiary, Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006) (presently Japan Urban Engineering Co., Ltd.)
January 2008	Established Wuhan CTI-CRSRI Engineering & Environment Co., Ltd. to implement environmental consulting services with Changjiang River Scientific Research Institute
October 2010	The Company’s wholly owned subsidiary, Chi-ken Sogo Consultants Co., Ltd., absorbed the construction consultant business of SUMIKO CONSULTANTS CO., LTD. (presently Sumiko Resources Exploration & Development Co., Ltd.) and started operations.
March 2014	Established CTI Myanmar Co., Ltd. to implement engineering consulting services jointly with Duwun Export & Import Co., Ltd.

Date	Outline
July 2015	Environmental Research & Solutions Co., Ltd. started its operations as the Company's wholly owned subsidiary, after receiving a share transfer from UNITIKA LTD. in the previous month
November 2015	NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. started operations as the Company's wholly owned subsidiary by way of a share transfer in the form of an incorporation-type company split.
June 2017	Waterman Group Plc started operations as the Company's wholly owned subsidiary by way of a takeover bid.
October 2020	Acquired additional shares of the Company's consolidated subsidiary CTI Engineering International Co., Ltd., and converted it into a wholly owned subsidiary
April 2021	Established a second-tier subsidiary of the Company CTI Pilipinas, Inc. in the Philippines as the location of local production and human resources cultivation in Asia
April 2021	The Company's consolidated subsidiary CTI Engineering International Co., Ltd. acquired all shares of CTI Myanmar Co., Ltd. and converted it into a wholly owned subsidiary (a wholly owned second-tier subsidiary of the Company), and the joint venture between the Company and Duwun Export & Import Co., Ltd. was dissolved.
April 2022	Transitioned from the First Section to the Prime Market of the Tokyo Stock Exchange due to a restructuring of the said exchange's market divisions

3. Business Contents

The Company's group consists of CTI Engineering Co., Ltd. (hereinafter "the Company") and other subsidiaries (hereinafter collectively "the Group"), all of which are engaged in the engineering consulting business related to social capital development, which includes public and private works for rivers, dams, roads, environment and information, etc. In the settlement of the current term, the Company has twenty-three consolidated subsidiaries and no affiliates carried by the equity method.

Descriptions of the Group's businesses, including the Company and other related companies, are shown as follows.

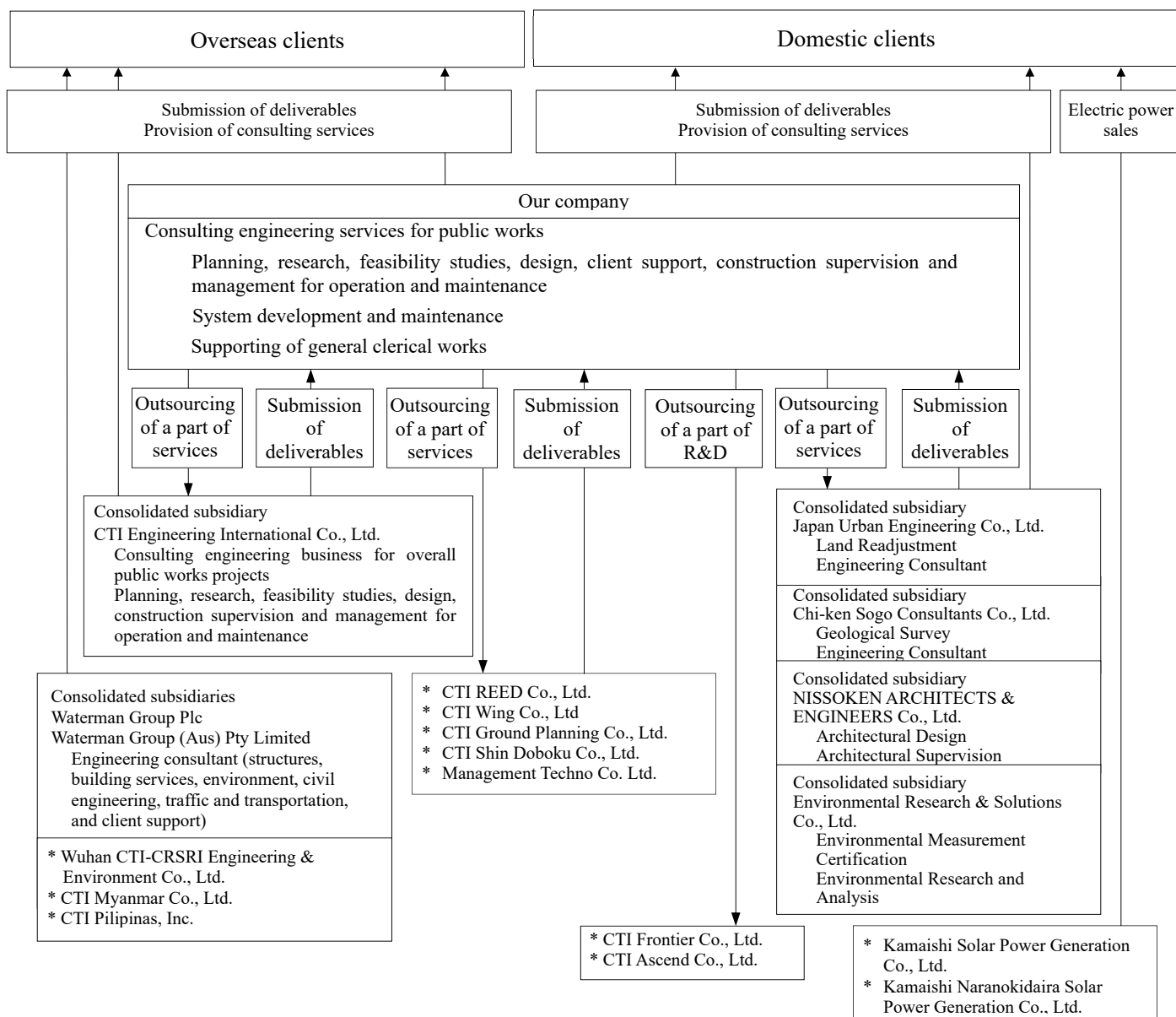
(i) Domestic consulting engineering business

The Company's major domestic consulting engineering operations include planning, research, feasibility studies, design, client support, construction supervision, management for operation and maintenance for public works in Japan as well as incidental system development, maintenance and supporting of general clerical works, land readjustment works, geological survey works, architectural design and supervision, environmental measurement certification, and environmental research and analysis. The Company is mainly in charge of all of these operations, except for land readjustment works, geological survey works, architectural design and supervision, environmental measurement certification, and environmental research and analysis. The Company's subsidiary Japan Urban Engineering Co., Ltd. is in charge of land readjustment works. The Company's subsidiary Chi-ken Sogo Consultants Co., Ltd. is in charge of geological survey works. The Company's subsidiary NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. is in charge of architectural design and supervision. The Company's subsidiary Environmental Research & Solutions Co., Ltd. is in charge of environmental measurement certification, and environmental research and analysis.

(ii) Overseas consulting engineering business

The Company's major overseas consulting engineering business includes project finding, formulation of master plans, planning, research, feasibility studies, design, construction supervision and management for operation and maintenance for overall public works projects, as well as building-related operations including structural design and facilities and equipment design. The Company is in charge of consulting engineering services together with subsidiary CTI Engineering International Co., Ltd., subsidiary Waterman Group Plc and its subsidiary. The Company's subsidiary Waterman Group Plc and its subsidiary are in charge of building-related operations.

The above description is shown in the business chart on the next page.



- Notes: 1. Companies marked with asterisks are excluded from the scope of consolidation due to a lower degree of importance concerning scale.
 2. CTI Ascend Co., Ltd. is a new subsidiary of the Company established in January 2023.

4. Situation of Consolidated Subsidiaries

Company name	Address	Capital	Major business contents	Voting right ratio (indirect ratio) (%)	Relation contents
CTI Engineering International Co., Ltd.	Koto-ku, Tokyo	100 million yen	Overseas consulting engineering	100.0	Receives orders for engineering consulting services in overseas markets.
Waterman Group Plc (Note 1)	London, UK	3.3 million pounds	Overseas consulting engineering	100.0	Mainly receives direct orders for consulting engineering services and building-related services in the UK.
Waterman Group (Aus) Pty Limited (Note 1)	Melbourne, Australia	7.6 million Australian dollars	Overseas consulting engineering	62.5 (62.5) (Note 2)	Mainly receives direct orders for building-related services in Australia.
Waterman Aspen Limited (Note 3)	London, UK	0.2 million pounds	Overseas consulting engineering	100.0 (100.0) (Note 2)	Mainly receives direct orders for engineer dispatching services in the UK.
Other subsidiaries of Waterman Group Plc: 15 companies	–	–	Overseas consulting engineering	–	
Japan Urban Engineering Co., Ltd.	Chuo-ku, Tokyo	100 million yen	Domestic consulting engineering	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for land readjustment works, from local governments.
Chi-ken Sogo Consultants Co., Ltd.	Arakawa-ku, Tokyo	100 million yen	Domestic consulting engineering	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for geological survey works, from local governments.
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.	Shibuya-ku, Tokyo	100 million yen	Domestic consulting engineering	100.0	Directly receives orders for architectural design and supervision.
Environmental Research & Solutions Co., Ltd. (Note 4)	Seika-cho, Soraku-gun, Kyoto	40 million yen	Domestic consulting engineering	100.0	Receives orders for environmental research and analysis from the Company. In addition, directly receives orders for environmental measurement certification operations, from local governments.

Notes: 1. Waterman Group Plc and Waterman Group (Aus) Pty Limited are specified subsidiaries of the Company.

2. The voting rights are all held indirectly by the Company's subsidiary Waterman Group Plc.

3. Waterman Aspen Limited's sales (excluding inter-company sales between consolidated companies) account for more than 10% of consolidated sales.

Information on major gains and losses, etc. (IFRS)	(1) Sales	9,385 million yen
	(2) Ordinary profit	441 million yen
	(3) Net income	358 million yen
	(4) Net assets	2,218 million yen
	(5) Total assets	3,588 million yen

4. Environmental Research & Solutions Co., Ltd. was a non-consolidated subsidiary until the previous consolidated fiscal year, but it has been included in the scope of consolidation from the current consolidated fiscal year due to its increased importance.

5. Situation of Employees

(1) Consolidation basis

As of December 31, 2022

Segment name	Number of employees (persons)
Domestic consulting engineering business	2,356 (605)
Overseas consulting engineering business	1,360 (489)
Total	3,716 (1,094)

Note: "Number of employees" shows the number of regular workers. For temporary employees, the average number of additional temporary workers during the year is shown in ().

(2) Non-consolidation basis

As of December 31, 2022

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
1,912 (531)	42.93	12.81	9,137,020

Notes: 1. "Number of employees" shows the number of regular workers. For temporary employees, the average number of additional temporary workers during the year is shown in ().

2. The average yearly wage contains bonus and extra wages.

(3) Situation of labor union

At the submitting company, a labor union has been organized as follows:

- (i) Name: Labor Union of CTI Engineering
- (ii) Umbrella organization: National Federation of Construction Engineering Worker's Unions for Japan
- (iii) Number of union members: 1,133 (as of December 31, 2022)
- (iv) Other: There is no matter in particular to be mentioned, and labor-management relations are maintained in a stable manner based on mutual trust.

CHAPTER 2: BUSINESS SITUATION

1. Management Policy, Business Environment, and Our Tasks Ahead, etc.

Matters related to the future stated herein were decided as of the end of the current consolidated fiscal year.

(1) Basic management policy of the Company

CTI Engineering Co., Ltd. has played its part in enhancing social capital with the company policies of integrity and technology ever since Construction Technique Institute, the predecessor of the Company, was founded in 1945.

In recent years, climate disasters have become more severe and frequent around the world due to the progress of global warming. In addition, Japan is currently facing a variety of social issues, including aging infrastructure and facilities, and a shortage of workers due to the declining birthrate and aging population.

Based on the Group's business philosophy to "contribute to a progressive, safe, pleasant, and prosperous living environment through the Group's globally recognized professional expertise and technical capabilities," the CTI Group will contribute to disaster preparedness, countering global environmental issues, establishing a safe and secure society, and the formation of a sustainable global society while reinforcing the customer trust we have accumulated so far, under the brand slogan "Creating Safety and Security for the Future."

(2) Target management indices

The Group targets sales of 84,000 million yen, operating income of 7,200 million yen, ordinary profit of 7,300 million yen, and net income attributable to owners of the parent of 4,900 million yen, as management indices for the fiscal year ending December 31, 2023.

In addition, the performance targets for the fiscal year ending December 31, 2024 under the Medium-term Business Plan 2024 are as follows:

(Consolidated)	Sales of 85,000 million yen, operating income of 7,700 million yen, operating margin of 9.1%, and ROE of 10% or more
(Non-consolidated)	Sales of 55,000 million yen, operating income of 6,400 million yen, and operating margin of 11.6%

(3) Management strategy

Based on the CTI Group's medium- to long-term vision "SPRONG 2030" with 2030 as the target year, we aim to make great strides forward as a "global infrastructure solution group," by working our way towards resolving various issues surrounding infrastructure development both in Japan and overseas, and by contributing to the achievement of SDGs.

In June 2022, we formulated and announced the "CTI Engineering Group Challenges for Sustainability" as one of our initiatives to make a leap forward. Under the "CTI Group Sustainability Challenge," we aim to realize sustainability via infrastructure development through the following challenges. By having diverse entities come together to co-create, and by utilizing the power of nature skillfully, we will propose and disclose new value that contributes to the simultaneous achievement of "disaster prevention," "environmental conservation," and "regional revitalization" in local regions.

1. Challenges in the consulting services industry

Regarding individual consulting services related to infrastructure development, we will contribute to the construction of a sustainable society by proposing services that take the following matters into consideration, improve the added value of operational results and promote the enhancement of the CTI brand.

- 1) We will propose disaster prevention and mitigation measures that take advantage of nature's buffering power and resilience against external forces.
- 2) We will propose measures that contribute to the reduction of greenhouse gases throughout the life cycle of infrastructure development.
- 3) We will propose measures that contribute to the reduction of waste throughout the life cycle of infrastructure development.
- 4) We will propose measures that contribute to a harmonious coexistence with the natural environment throughout the life cycle of infrastructure development.
- 5) We will propose measures that contribute to regional revitalization by utilizing ecosystem services provided by natural capital.

2. Undertake challenges aimed at promoting a sustainable society

The CTI Group strives to increase its corporate value through obtaining the trust and empathy of its stakeholders, by working to reduce the environmental impact of its corporate activities, and contributing to businesses that improve the sustainability of local communities.

- 1) Reduce carbon dioxide emissions from our corporate activities to effectively zero by 2030.
- 2) We will establish a CTI Group Sustainable Investment Budget Framework, invest in projects that improve the sustainability of local communities, and promote related R&D and human resource development.

(4) Business environment and our tasks ahead

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

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

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

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

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

Under this business environment, in the 61st term, which is the second year of the Medium-term Business Plan 2024, we will work on the following four priority agenda items with the aim of addressing outstanding issues and achieving the goals of the Medium-term Business Plan 2024.

1) Promotion of business structural reform

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

2) Promotion of production system reform

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

3) Strengthening governance

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

4) Promotion of sustainability management

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

The Group's greatest management resources are its people and technical capabilities. We believe that valuing our "people" will lead to us enhancing our "technical capabilities," which will in turn lead to the sustainable growth of the Group. In April 2023, we will celebrate the 60th anniversary of the establishment of our public company (78 years since our founding). All of our employees and executives will continue to make concerted efforts with their utmost energy to carry out CTI Engineering's social mission as a construction consultant with an important role in the security and safety of people's lives.

2. Business Risks

Out of the items related to business situation and status of accounting stated in this securities report, the major risks that are recognized to possibly have a significant impact on the Group's financial position, business performance or status of cash flows are as stated below.

Matters related to the future stated herein were determined by the Group as of the end of the current consolidated fiscal year. Also, please note that the following section does not cover all the risks that the Group faces.

(1) Dependence on public enterprises

The Group's business depends greatly on public works, so its business performance may be affected by public works trends.

In view of such risks, the Group shall strengthen the cooperation between Group companies, further raise the competitiveness of its existing businesses, take initiatives to expand its business domains, and work on securing more orders.

(2) Responsibility for contract non-compliance regarding deliverables

Due to the highly public nature of operations conducted by the Group, there is a risk of social impact, etc. In particular, if contract non-compliance events regarding deliverables occur, the Group may lose society's trust, and be ordered to be under suspension from bidding, pay for damages, etc. As a result, the business performance of the Group may be affected.

In view of such risks, the Group shall formulate a "Guideline to Technical Risks," which evaluate and specify potential risks and take necessary measures when they arise, and integrate it with the quality environment control system, in order to conduct thorough quality control of operations.

The Group shall also establish a system to definitively check deliverables in-house, and endeavor to reduce the technical risk of the occurrence of contract non-compliance events, etc.

The Group is also insured for damages, in case it bears the responsibility of paying for damages due to contract non-compliance.

(3) Information security

Amid the growing use of electronic media and networks to transmit information, information may be lost, destroyed or leaked due to disasters, machine failures or defects, negligence or intent, etc. As a result, the Group may lose society's trust, transactions with customers may be halted, the Group may have to pay for damages, and the business performance of the Group may be affected.

In view of such risks, the Group shall formulate rules including the CTI Group Information Security Policy, and conduct appropriate operations and management of the information and information systems that the Group handles. The Group shall also hold training sessions on information security regularly, and strive to raise awareness among employees about information security.

(4) Laws and regulations

The operations of both the domestic and overseas businesses of the Group are subject to various laws and regulations. In the event where there is a conflict with any of these laws and regulations, the Group may lose society's trust, and the business performance of the Group may be affected.

In view of such risks, the Group shall formulate relevant rules based on the Basic Compliance Policy, conduct employee trainings to raise awareness about compliance, and strive to comply with laws and regulations.

(5) Labor and health management

If there are long working hours, or various forms of harassment occur, the mental and physical health of employees may be affected, which may in turn lead to illness, a decrease in productivity, or the loss of society's trust due to a breach of labor laws and regulations. As a result, the business performance of the Group may be affected.

In view of such risks, the Group shall formulate an action plan for preventing long working hours and strengthen the monitoring of the plan's effectiveness, promote new work styles that utilize telework, etc., introduce blocks on account sign-ins after hours to prevent late-night work, conduct education on preventing harassment, and take measures such as establishing a point of contact for whistleblowing or counseling.

Furthermore, as a corporation that contributes to society through its technical capabilities, the Company's human resources are its greatest management resource. Based on the recognition that the happiness of employees is the driving force that increases creativity and productivity and attracts excellent human resources, the Group has formulated a CTI Engineering Basic Policy on Well-Being and is promoting health management as a top management priority.

(6) Securing and cultivating human resources

The Group views its human resources, who are highly specialized, or have public certifications or track records, as the single biggest management resource it has, which can help the Group secure its competitive advantage and achieve sustainable growth. In the event that the necessary human resources are not secured or cultivated according to plan, or in the event that the Group is unable to prevent the loss of personnel to other companies, the business performance of the Group may be affected.

In view of such risks, in order to secure, cultivate and keep talented human resources, the Group shall actively conduct recruiting activities, and enhance the system to incorporate a wide range of work styles, including conducting work style reforms. Furthermore, the Group shall actively invest in activities to cultivate human resources, such as various training programs and education programs that will help employees progress towards their career goals.

(7) Overseas business activities

In the event of unforeseeable amendments to legal systems or the emergence of unexpected situations in the political and economic environments in the countries and regions where the Group develops its overseas business, the business performance of the Group may be affected.

In view of such risks, the Group shall secure the safety of employees through formulating a safety measures manual for use when engaging in overseas operations, develop its business flexibly in response to changes in overseas markets, and strive to reduce risks, such as reducing the risk of non-payment and loan loss through the thorough management of credit.

(8) Impact of natural disasters, etc.

Due to the occurrence of natural disasters such as large-scale earthquakes, typhoons, torrential rain, etc., or the outbreak of an infectious disease, it may become difficult to conduct normal business activities, and the business performance of the Group may be affected.

Furthermore, due to issues such as the suspension of projects, or delays in orders for new projects, the business performance of the Group may be affected.

In view of such risks, the Group shall formulate a Business Continuity Plan (BCP), and disseminate the information in the plan to all employees. The contents of the BCP shall be regularly reviewed and updated, and the Group shall strive to reduce the impact of disasters, etc. on business activities by improving the crisis management system.

3. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management

(1) Outline of business performance, etc.

The outline of the Group's financial conditions, business performance and cash flow (hereinafter, "business performance, etc.") for the current consolidated fiscal year is as follows.

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current consolidated fiscal year.

1) Business performance

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

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

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

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

In addition, as a result of applying the Revenue Recognition Standard, etc., for the current consolidated fiscal year, sales and cost of sales increased by 7,329 million yen and 6,000 million yen respectively, while operating income, ordinary profit and net income before income tax each increased by 1,329 million yen.

Results by reportable segment of the Group were as follows.

i) Domestic consulting engineering business

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

In addition, as a result of applying the Revenue Recognition Standard, etc., for the current consolidated fiscal year, sales increased by 4,690 million yen, and segment income increased by 997 million yen.

ii) Overseas consulting engineering business

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

In addition, as a result of applying the Revenue Recognition Standard, etc., for the current consolidated fiscal year, sales increased by 2,639 million yen, and segment income increased by 331 million yen.

2) Financial conditions

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

Total liabilities at the end of the current consolidated fiscal year were 25,576 million yen, a decrease of 22.6% compared to the end of the previous fiscal year. This was mainly due to an increase in contract liabilities and a decrease in advances received from uncompleted services following the application of the Revenue Recognition Standard, etc.

At the end of the current consolidated fiscal year, net assets totaled 47,719 million yen, an increase of 22.9% compared to the end of the previous fiscal year. This was mainly due to an increase in the beginning balance of profit surplus following the application of the Revenue Recognition Standard, etc., as well as the posting of net income attributable to owners of the parent.

3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by 2,062 million yen YoY, to a total of 22,589 million yen.

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

Net cash used for investment activities was 752 million yen, a YoY increase of 12.2%. The major items were payments for acquisition of tangible fixed assets of 560 million yen and payments for acquisition of intangible fixed assets of 100 million yen.

Net cash used for financial activities was 1,291 million yen, a YoY increase of 14.5%. This was mainly because of repayments of lease obligations of 478 million yen and dividend payments of 844 million yen.

4) Results of production, orders received and sales

1) Production results

Segment name	Current consolidated fiscal year (From January 1, 2022 to December 31, 2022) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	58,160	8.3
Overseas consulting engineering business	25,325	22.3
Total	83,485	12.2

Notes: 1. The amounts are calculated according to the sales prices.

2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

2) Order receiving results

Segment name	Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)			
	Orders received (million yen)	Change from the same term in previous year (%)	Orders in hand (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	58,191	(0.8)	39,727	–
Overseas consulting engineering business	27,696	7.4	25,034	–
Total	85,887	1.7	64,761	–

Notes: 1. The amounts are calculated according to the sales prices.

2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

3. As the Revenue Recognition Standard, etc. have been applied from the beginning of the current consolidated fiscal year, the change from the same term in the previous year of orders in hand is not stated.

3) Sales results

Sales results for the current consolidated fiscal year by segment are as follows.

Segment name	Current consolidated fiscal year (From January 1, 2022 to December 31, 2022) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	58,160	–
Overseas consulting engineering business	25,325	–
Total	83,485	–

Notes: 1. The amounts are calculated according to the sales prices.

2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

3. As the Revenue Recognition Standard, etc. have been applied from the beginning of the current consolidated fiscal year, the change from the same term in the previous year is not stated.

4. Sales results by major client and ratios to the total sales results

Client	Previous consolidated fiscal year (From January 1, 2021 to December 31, 2021)		Current consolidated fiscal year (From January 1, 2022 to December 31, 2022)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government of Japan	26,074	35.0	29,532	35.4

(2) Analysis and review of business performance, etc. from the management's viewpoint

Matters related to the future stated herein were determined by the Group as of the date this report was submitted.

1) Important accounting estimates and assumptions used to make the said estimates

The accompanying consolidated financial statements of the Group were prepared on the basis of accounting principles generally accepted in Japan. When preparing the consolidated financial statements, the management is required to select and apply accounting policies and to make estimates that impact the reported amounts and the disclosure of assets/liabilities and revenues/expenses.

Though the management makes these estimates reasonably in consideration of past results and the current status of operations, actual results may differ from these estimates because of uncertainties inevitable in estimates. Important accounting policies applied in the consolidated financial statements of the Group are described in CHAPTER 5: STATUS OF ACCOUNTING, 1. Consolidated Financial Statements and Other Materials, (1) Consolidated Financial Statements (Basic Important Matters for Preparation of Consolidated Financial Statements).

In the preparation of the consolidated financial statements for the current consolidated fiscal year, the specially significant estimates were as follows.

Regarding the impact of the COVID-19 pandemic on the accounting estimates, please refer to CHAPTER 5: STATUS OF ACCOUNTING, 1. Consolidated Financial Statements and Other Materials, (1) Consolidated Financial Statements (Additional Information).

(Impairment of goodwill)

The Group records goodwill that arises from a business combination. The said goodwill is deemed to appropriately reflect the future excess earning power.

In determining the impairment of goodwill, reasonable judgments are made based on the performance of the subsidiary, the business plan, etc. However, as these are based on long-term estimates, depending on fluctuations in the business environment, the market conditions, etc. in the future, the financial statements of the Group may be materially affected.

(Revenue recognition in consulting engineering service contracts)

For consulting engineering service contracts, the Group recognizes revenue from performance obligations satisfied over time, according to the level of progress that is based on the ratio of costs incurred to estimated total costs.

Projections of estimated total costs are subject to uncertainty. Therefore, if there are unforeseen changes in circumstances, or the discovery of facts that lead to large fluctuations in the workload, etc., the financial statements of the Group may be materially affected.

2) Analysis of business performance, etc.

The Group's business performance as of the end of the current consolidated fiscal year is described in detail in CHAPTER 2: BUSINESS SITUATION, 3. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management, (1) Outline of business performance, etc., 1) Business performance.

The operating margin of the domestic consulting engineering business segment increased from 11.2% in the previous fiscal year to 11.8% in the current consolidated fiscal year. While profitability has improved due to the increase in the unit price of engineers in public works projects and the increase in the size of contract lots, labor costs have also increased. Nonetheless, business profitability still improved owing to the promotion of efforts to increase operational efficiency, such as DX (digital transformation).

The operating margin of the overseas consulting engineering business segment decreased from 4.6% in the previous fiscal year to 4.5% in the current consolidated fiscal year. The impact from the COVID-19 pandemic has almost completely dissipated. In the current consolidated fiscal year, the business results of both Waterman Group Plc and CTI Engineering International Co., Ltd. improved. However, as the public works division of Waterman Group Plc in the UK was affected by a rapid rise in wages due to inflation, the operating margin declined slightly.

3) Analysis of financial conditions

With regard to financial conditions for the current consolidated fiscal year, please refer to CHAPTER 2: BUSINESS SITUATION, 3. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management, (1) Outline of business performance, etc., 2) Financial conditions.

Total assets were 73,296 million yen, an increase of 2.0% compared to the end of the previous fiscal year, while total liabilities were 25,576 million yen, a decrease of 22.6% compared to the end of the previous fiscal year. Net assets totaled 47,719 million yen, an increase of 22.9% compared to the end of the previous fiscal year.

The above figures have increased due to expansion of the business scale through orders received, sales, etc. However, net worth ratio has also increased from 53.8% in the previous fiscal year to 64.8% in the current consolidated fiscal year. Therefore, the Group believes that it is expanding its business scale while maintaining financial stability.

4) Analysis of capital resources and fund liquidity

With regard to cash flow at the end of the current consolidated fiscal year, please refer to CHAPTER 2: BUSINESS SITUATION, 3. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management, (1) Outline of business performance, etc., 3) Cash flow.

Though total assets have increased as a result of the Group's expanded business scale, the Group is proceeding with the investments necessary for business expansion, enhanced productivity, and operational efficiency basically within the range of its own funds while ensuring liquidity on hand.

The main uses of the Group's working capital are operating expenses such as cost of services and selling, general and administrative expenses. The main uses of funding for investment are mergers and acquisitions and capital investment to achieve medium-to-long-term growth.

Due to the nature of our services, consignment fee income tends to concentrate in the second quarter and the balance of cash on hand tends to drop in the first quarter. Accordingly, the Group may partially procure working capital by short-term borrowings from financial institutions according to funding demand in the first quarter.

4. Important Agreements Related to Management

Not applicable.

5. Research and Development

The Group develops business both in Japan and abroad and carries out research and development that contribute to its business expansion.

Specifically, the investments have been categorized as: planned research and development investments conducted over three to five years, with a person-in-charge, for research and development that focuses on business expansion, development of cutting edge technology, enhancement of quality and productivity; short-term research and development investments conducted over one to two years, with no person-in-charge; as well as emergency investments, international investments, investments supporting business start-ups, research in national land and culture, and human resources development investments. Through these categorizations, the Group continues to work on increasing the effectiveness of investments in research and development.

During the current consolidated fiscal year, the Group invested a total of 1,112 million yen, mainly in the domestic consulting engineering business to carry out research and study on the following major subjects. Research and investigation expenses by segment consisted of 1,102 million yen for domestic consulting engineering business and 9 million yen for overseas consulting engineering business.

- 1) Planned research and development investments (10 topics: promoting commercialization of on-demand mobility service; considering commercialization of traffic-oriented urban development focused on automated driving; promoting commercialization of PPP business in compound business fields for urban communities and architecture; development of a disaster information sharing system based on RisKma platform; research to increase sophistication of landslide disaster non-structural countermeasures using AI; development of support system for local municipal disaster prevention; research and development concerning image analysis service for images obtained from CCTV cameras; research on utilizing AI technology to enhance productivity; research of standard design method for constructions using 3D data [rivers and roads]; business expansion in energy-related fields)
- 2) Short-term research and development investments (35 topics including: climate change; establishment of green infrastructure management methods that can respond to population decline, etc.; development of risk assessment technology using AI technology that utilizes weather information on the internet; refinement of regional traffic management by utilizing a distribution service for specific probes; development of a bridge inspection report checking system; research on disaster behavior analysis and evacuation guidance measures using big data related to the flow of people; construction of predictive control type of energy management system using AI; development of business information sharing platform for Construction Management (CM) operations using GIS and ASP)
- 3) Investments supporting business start-ups (research on utilizing corns grown in farms in rebuilding areas)
- 4) Research in national land and culture (basic research on needs for multifunctional infrastructure with a focus on ICT/DX; research on mutual assistance social systems in rural and urban areas; research on tourism contents that utilize AR/VR; study on landscape design)
- 5) International investments (international business promotion; cooperation with Waterman)

- 6) Human resources development investments (various training inside or outside of the Company for BIM/CIM promotion, promotion of diversity, etc.; dispatch of employees with full-time jobs to graduate school; dispatch for overseas training, etc.)

CHAPTER 3: FACILITIES & EQUIPMENT

1. Outline of Investment into Facilities and Equipment

The total amount of capital investment for the current consolidated fiscal year was 560 million yen. The amounts of capital investment by segment were as follows.

(Domestic consulting engineering business)

There were no capital investments or sales or dispositions of facilities or equipment that had significant impacts on production capabilities in the current consolidated fiscal year.

(Overseas consulting engineering business)

There were no capital investments or sales or dispositions of facilities or equipment that had significant impacts on production capabilities in the current consolidated fiscal year.

2. Major Facilities and Equipment

Major facilities and equipment of the Group are as shown below.

(1) Company submitting the report

As of December 31, 2022

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and delivery equipment	Land (area: m ²)	Lease assets	Other	Total	
Headquarters (Chuo-ku, Tokyo)	Domestic consulting engineering business	General administration facilities	34	–	–	5	51	91	136 (4)
Tokyo Main Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	Office	158	–	–	14	99	272	638 (194)
Tokyo Main Office Saitama Office (Urawa-ku, Saitama)	Domestic consulting engineering business	Office	744	0	772 (1,978)	1	16	1,535	75 (54)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Domestic consulting engineering business	Office and laboratory facilities	225	84	1,937 (50,605)	1	9	2,259	27 (7)
Yono Dormitory (Chuo-ku, Saitama)	Domestic consulting engineering business	Welfare facilities	147	–	820 (1,565)	–	0	969	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Domestic consulting engineering business	Office	359	0	1,025 (1,136)	–	41	1,426	176 (40)
CTI Keihanna Bldg. (Seikacho, Souraku-gun, Kyoto)	Domestic consulting engineering business	Office and environmental research and analysis facilities	598	2	121 (4,660)	–	1	724	– (–)
CTI Okazaki Bldg. (Okazaki-shi, Aichi)	Domestic consulting engineering business	Office and environmental research and analysis facilities	183	–	109 (1,200)	–	0	293	– (–)

Notes: 1. Land area of Research Center Tsukuba includes the area of 14,895 m² leased from a party other than the consolidated company.

2. The number of temporary employees is given in () with the average additional number during the year.

(2) Subsidiaries in Japan

Not applicable.

(3) Subsidiaries out of Japan

Not applicable.

3. New Construction or Removal Plan for Equipment

(1) Construction of major equipment

There are no plans to construct any major equipment.

(2) Removal of major equipment

There are no plans to remove any major equipment.

CHAPTER 4: STATUS OF THE COMPANY

1. Status of Shares

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of shares to be issued (shares)
Common stock	40,000,000
Total	40,000,000

(ii) Number of shares issued

Class	Issued shares as of the end of the fiscal year (shares) (December 31, 2022)	Issued shares as of the date for submission (shares) (March 29, 2023)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	14,159,086	14,159,086	Tokyo Stock Exchange Prime Market	Number of shares in one voting unit: 100 shares
Total	14,159,086	14,159,086	–	–

(2) New share subscription acquisition rights, etc.

(i) Stock option system

Not applicable.

(ii) Rights plan

Not applicable.

(iii) Other new share subscription acquisition rights, etc.

Not applicable.

(3) Current status of moving strike stock options, etc.

Not applicable.

(4) Change in total number of shares issued and capital stock

Date	Increase/decrease in the total number of shares issued (shares)	Total number of shares issued (shares)	Increase/decrease in capital (million yen)	Capital (million yen)	Increase/decrease in capital reserve (million yen)	Capital reserve (million yen)
February 19, 1999 (Note)	1,287,189	14,159,086	–	3,025	–	4,122

Note: Increase due to stock splits at a ratio of 1 for 1.1 shares

(5) Shareholders

As of December 31, 2022

Category	Distribution of shares (Number of shares per unit: 100 shares)								Shares below a unit (shares)
	Government and local public entities	Financial institutions	Financial instruments firm	Other corporations	Foreign corporations etc.		Individuals etc.	Total	
					Other than Individuals	Individuals			
Number of shareholders (persons)	–	17	21	80	93	5	2,514	2,730	–
Number of shares held (units)	–	36,718	2,047	27,778	15,865	200	58,749	141,357	23,386
Shareholding ratio (%)	–	26.0	1.4	19.7	11.2	0.1	41.6	100.0	–

- Notes:
1. Among treasury stocks (19,478 stocks), 194 units are counted as “Individuals etc.” and 78 shares are counted as “Shares below a unit” in the table above.
 2. “Other corporations” and “Shares below a unit” in the table above include 41 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

(6) Major shareholders

As of December 31, 2022

Name	Address	Number of shares held (thousand)	Ratio of the number of shares held against the number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	1,508	10.7
HIKARI POWER LIMITED	314 Asahi Toranomom Mansion, 18-6, Toranomom 3-chome, Minato-ku, Tokyo	1,361	9.6
CTI Engineering Employees' Stock-sharing Association	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	1,123	7.9
Custody Bank of Japan, Ltd. (trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	495	3.5
Yasumitsu Shigeta	Minato-ku, Tokyo	396	2.8
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	371	2.6
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	354	2.5
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	18-24, Tsukiji 7-chome, Chuo-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	300	2.1
Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	269	1.9
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	210	1.5
Total	-	6,391	45.2

Note: 1. 1,508 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 494 thousand shares held in Custody Bank of Japan, Ltd. (trust account) are shares related to trust services.

(7) Voting rights

(i) Issued shares

As of December 31, 2022

Category	Number of shares (shares)	Number of voting rights (votes)	Details
Nonvoting shares	–	–	–
Shares with limited voting rights (Treasury stocks, etc.)	–	–	–
Shares with limited voting rights (Other)	–	–	–
Shares with complete voting rights (Treasury stocks, etc.)	(Treasury stock) Common stock 19,400	–	–
Shares with complete voting rights (Other)	Common stock 14,116,300	141,163	–
Shares below a unit	Common stock 23,386	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	141,163	–

- Notes: 1. “Shares with complete voting rights (other)” include 4,100 shares (41 votes) registered in the name of the Japan Securities Depository Center, Inc.
2. “Shares below a unit” include 78 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2022

Name of owners	Address of owners	Number of shares held in its own name (shares)	Number of shares held disguised ownership (shares)	Total number of shares held (shares)	Ratio of the shares held against the total number of shares issued (%)
CTI Engineering Co., Ltd.	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	19,400	–	19,400	0.1
Total	–	19,400	–	19,400	0.1

(8) Contents of shareholding system for executives and employees

Incentive plan for employees, etc. of Waterman Group Plc and some of its subsidiaries

The Company approved at the Board of Directors' meeting held on September 27, 2018 to introduce an incentive plan (hereinafter, the "Plan") to deliver the Company's shares to executives and employees (hereinafter, "Employees, etc.") of its consolidated subsidiary Waterman Group Plc and some of its subsidiaries. This was intended for Waterman Group Plc and some of its subsidiaries to motivate their Employees, etc. to enhance the stock price, business results and their morale. Subsequently, Waterman Group Plc resolved at its Board of Directors' meeting held on January 8, 2019 to introduce the Plan.

1) Outline of the Plan

Under the Plan, Waterman Group Plc and some of its subsidiaries are to establish a trust using funds they contributed. The trust is to acquire the Company's shares in securities markets using the entrusted funds and will separately administer the shares as trust assets. The Plan will deliver shares to the Employees, etc. without consideration through the trust, as well as grant them the right to acquire the shares with consideration.

2) Total number of shares that the Employees, etc. of Waterman Group Plc and some of its subsidiaries are to acquire

8,000 shares

3) Scope of persons entitled to receive beneficiary rights and other rights under the Plan

The Employees, etc. of Waterman Group Plc and some of its subsidiaries, provided that they satisfy the beneficiary requirements

2. Acquisition of Treasury Stocks

Class of Shares Acquisition of ordinary shares in accordance with Article 155, Items 3 and 7 of the Companies Act.

(1) Acquisition of shares by resolution at a General Shareholders Meeting
None.

(2) Acquisition of shares by resolution at a Board of Directors Meeting
Acquisition based on the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the said Act

Category	Number of Shares	Total Price (Yen)
Resolution at the Board of Directors Meeting held on February 14, 2023 (Acquisition period: February 15, 2023 to July 31, 2023)	480,000	1,000,000,000
Treasury stock acquired before this fiscal year	–	–
Treasury stock acquired in this fiscal year	–	–
Total number of resolved shares remaining and total price	–	–
Unexercised ratio as of the fiscal year-end (%)	–	–
Treasury stock acquired in this period	100,500	347,302,496
Unexercised ratio as of the submission date (%)	79.1	65.3

Note: Treasury stock acquired in this period and unexercised ratio as of the submission date do not include shares acquired from March 1, 2023 to the date of the submission of the Securities Report.

(3) Items not related to resolutions at a General Shareholders Meeting or Board of Directors Meeting

Category	Number of Shares	Total Price (Yen)
Treasury stock acquired in this fiscal year	143	349,741
Treasury stock acquired in this period	–	–

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2023 to the date of the submission of this Securities Report.

(4) Disposal and holding of acquired treasury stock

Category	This Fiscal Year		This Period	
	Number of Shares	Total Amount Received on Divestiture (Yen)	Number of Shares	Total Amount Received on Divestiture (Yen)
Treasury stock acquired by public subscription	–	–	–	–
Treasury stock extinguished	–	–	–	–
Treasury stock acquired due to transfers from mergers, share swaps, share issuances, and company split-offs	–	–	–	–
Other	–	–	–	–
Held treasury stock	19,478	–	119,978	–

Note: The number of shares of treasury stock held in this period does not include treasury stock acquired from March 1, 2023 to the date of the submission of this Securities Report.

3. Dividend Policy

The Company determines dividends by resolution at a General Shareholders Meeting. While the Company's Articles of Incorporation, pursuant to Article 454, Paragraph 5 of the Companies Act, allow payment of interim dividends, as a general rule, dividends are paid once a year.

In determining dividends, while considering returns to investors, it is critical to maintain an appropriate level of internal reserves to ensure stable operations, as a construction consultancy engaged in operations of a highly public nature. Internal reserves are mainly utilized in investments related to cultivating human resources, our greatest management resource, in research and development investments for creating new businesses, and in strategic investments including M&As, based on the medium- to long-term management strategy.

As in the past, based on a stable dividend policy, the Company will continue to provide returns on shareholder investment with the aim of attaining a targeted dividend payment ratio of 30% for the mid- to long-term.

Note: In respect of the dividend for the record date, December 31, 2022, it was resolved at the 60th Ordinary General Meeting of Shareholders held on March 28, 2023 to pay a dividend of 100 yen per share (total dividend payment amount: 1,413 million yen).

4. Corporate Governance

(1) Outline of corporate governance

1) Basic policy of corporate governance

The Company has formulated the Code of Corporate Conduct to realize its business philosophy to “contribute to a progressive, safe, pleasant and prosperous living environment through the Group's globally recognized professional expertise and technical capabilities,” and has fulfilled its social mission based on a corporate culture defined by the keywords integrity and technology. It is the Company's basic policy to continue improving and strengthening corporate governance in order to realize decision-making that is not only transparent and fair, but also swift and decisive, in further pursuit of sustainable corporate growth and increased corporate value over the medium to long term.

2) Implementation of corporate governance measures

i) Outline of the corporate governance system and reasons for employing the system

a. Outline of the corporate governance system

The Company has opted to become a company with an Audit & Supervisory Board with enriched statutory auditing functions. In addition, the Company has established a Nomination & Compensation Advisory Committee made up of independent External Directors as its principal members in order to enhance managerial transparency and fairness. The Company has also established an Executive Officer system to reinforce the Board of Directors' functions of making decisions and supervising business execution, in order to improve its managerial efficiency including accelerating decision-making.

Furthermore, with a view to strengthening the governance of the entire Group, the Company established a Governance Management Headquarters in April 2019 to develop and promote governance.

* Board of Directors

The Board of Directors consists of 12 Directors (including 4 External Directors), as stated in “(2) Executive Management” as of the date of the submission of this Securities Report. The Board is chaired by Tetsumi Nakamura, Representative Director and President, CEO, and resolves matters stipulated in the Regulations of

the Board of Directors, as well as matters prescribed in laws and regulations and the Articles of Incorporation. With regard to decisions on other business execution, necessary and appropriate authority in accordance with duties of the Managing Directors or Executive Directors is determined in the Authority Regulations or other internal regulations.

External Director Mr. Shuichi Ikebuchi gave advice, etc. on the Group's business development, etc. at the Board of Directors Meetings based on his knowledge and viewpoint accumulated as a disaster prevention expert, thereby appropriately supervising business execution. External Director Ms. Fumiko Kosao conducted supervision to ensure the appropriateness of finance and accounting at the Board of Directors Meetings based on her viewpoint as an experienced Certified Public Tax Accountant, and actively gave advice on promoting diversity and the active participation of women in the Group, thereby appropriately supervising business execution. At the Board of Directors Meetings held after he assumed office in March 2022, External Director Mr. Yoshihisa Sonobe gave advice, etc. on the Group's management strategies, including business development, and capital policies, etc., based on his extensive insight and experience in finance and accounting, thereby appropriately supervising business execution. External Director Ms. Atsuko Ogasawara was appointed as a new External Director at the 60th Ordinary General Meeting of Shareholders held on March 28, 2023. At the Board of Directors Meetings, she is expected to play appropriate roles in ensuring the adequacy and appropriateness of its decision-making process through supervision and advice regarding the Company's management issues, based on her extensive experience and expertise in the business community.

* Nomination & Compensation Advisory Committee

The Company has established the Nomination & Compensation Advisory Committee, an advisory body to the Board of Directors consisting of External Directors Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara, and Representative Director and President, CEO Tetsumi Nakamura. The Committee is chaired by External Director Mr. Shuichi Ikebuchi, held 4 to 5 times a year in response to consultations from the Board of Directors, deliberates matters related to the personnel affairs, compensation, etc. of Directors and Auditors, reports the results of deliberations to the Board of Directors, and thereby endeavors to enhance managerial fairness and transparency and strengthen the independence and objectivity of the functions of the Board of Directors as well as its accountability.

* Management Meeting

The Company holds a regular Management Meeting, an advisory body to the Representative Director and President, CEO consisting of Managing Directors, Chiefs of the Head Office and representatives of business establishments, etc., once a month in principle. The Management Meeting is chaired by Representative Director and President, CEO Tetsumi Nakamura, and holds substantive discussion on matters necessary for the business execution in response to consultations from the Representative Director and President, CEO prior to deliberations at the Board of Directors Meetings. The Management Meeting also decides subjects of discussion and agenda items to be reported to the Board of Directors in a flexible manner to enhance managerial efficiency.

* Executive Officers' Meeting

The Company has an Executive Officers' Meeting, consisting of the Representative Director and President, CEO and Executive Officers, held once a month in principle. At the Executive Officers' Meeting, which is chaired by Representative Director and President, CEO Tetsumi Nakamura, the Executive Officers are made fully aware of the decisions reached at the Board of Directors Meetings, and exchange reports in response to

the instructions from the Representative Director and President, CEO and on the status of their business execution to promote mutual cooperation. Through these initiatives, the Executive Officers' Meeting operates to strengthen the Board of Directors' functions of making decisions and supervising business execution, in order to improve its managerial efficiency including accelerating decision-making.

* Group Management Meeting

The Company holds a Group Management Meeting 4 times a year (every quarter) as an advisory body to the Representative Director and President, CEO consisting of Managing Directors, the Presidents of consolidated subsidiaries, Directors responsible for supervising consolidated subsidiaries, etc. The Group Management Meeting is chaired by Representative Director and President, CEO Tetsumi Nakamura, deliberates and reports matters necessary for Group management, and thereby functions to strengthen cooperation in Group management.

* Audit & Supervisory Board Meeting

The Audit & Supervisory Board consists of 4 Auditors (including 2 External Auditors), as stated in "(2) Executive Management" as of the date of the submission of this Securities Report, and Audit & Supervisory Board Meetings are held once a month in principle. The Audit & Supervisory Board is chaired by Full-time Auditor Keizo Mitsuke, and appropriately fulfills its functions of operational and financial auditing from the perspective of fiduciary duties to shareholders, based on the Auditing Standards by Auditors stipulated by the Audit & Supervisory Board. The Audit & Supervisory Board also exercises its authority from the viewpoint of the Group's sustainable growth and increased corporate value, and conducts active and aggressive activities to audit the Board of Directors and the management team. External Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa report on the audits they conducted, closely cooperate with other Auditors for information exchange, and give necessary opinions based on their insight centering around the legal field and the wealth of experience they have accumulated as lawyers.

* Sustainability Committee

The Company has established the Sustainability Committee, an advisory body to the Representative Director and President, CEO. The Committee has two main goals: (1) increasing corporate value by promoting sustainability, considering measures that contribute to the creation of a sustainable society, and overseeing information related to ESG that should be disclosed; and (2) supervising activities of the CTI Group Sustainable Challenge, while proposing and evaluating measures related to sustainability management (mainly non-financial information such as ESG), and promoting sustainability management. Meetings are scheduled to be held three times a year.

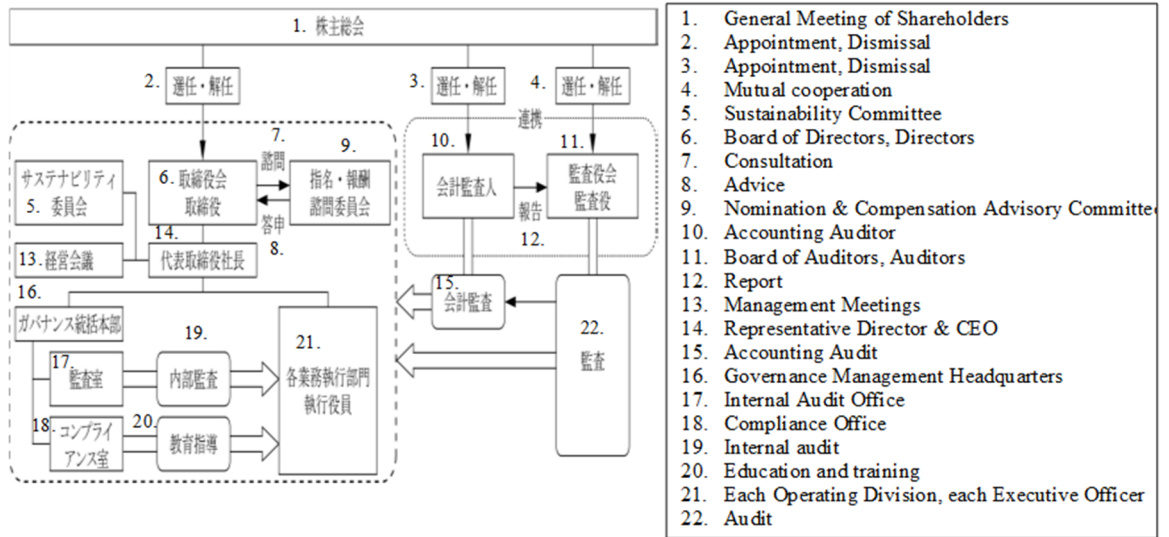
b. Reasons for employing the system

At the Company, the Board of Directors consisting of 12 Directors, including 4 External Directors, makes decisions on the execution of important business and supervises the business execution of Directors and Executive Officers, and 4 Auditors, including 2 External Auditors, ensure independence from the executive Directors to audit Directors' duties in cooperation with the Accounting Auditor and the internal audit department. This system is intended to strengthen the objective and neutral monitoring function over management from an external standing and ensures appropriateness of business operations. The Company also reinforces the Board of Directors' functions of making decisions and supervising business execution, and has introduced an Executive Officer system to accelerate decision-making and strives to improve managerial

efficiency.

The Company has adopted the current system because it believes that it can ensure the transparency of management, maintain and strengthen fairness, and make swift and decisive decisions through the above system.

The roles of the various bodies within the Company are as shown below.



ii) Other matters related to corporate governance

a. Internal control system

The Group's business philosophy is to "contribute to a progressive, safe, pleasant and prosperous living environment through the Group's globally recognized professional expertise and technical capabilities." The Company recognizes that the development and operation of an appropriate system for business execution under this business philosophy is an important responsibility of management that leads to increased corporate value. Accordingly, the Company has established systems to ensure appropriateness of business operations as follows.

1) System to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

The Company clarifies matters that the Group's Directors and employees should observe in executing their duties, enhances the compliance system and the business management system, and improves them mainly by monitoring. Specifically, the Company shall have no relationship whatsoever with antisocial forces or organizations that threaten the order and safety of society, adopt a resolute stance to unreasonable demands, and reject them. Moreover, the Company enhances the whistleblowing system in accordance with the Regulations for Handling Whistleblowing, in order to prevent any illegal or unfair practices, early detect and rectify them, and prevent recurrence.

2) System concerning the storage and management of information on the execution of duties by Directors

Directors strive for transparency in corporate governance, and develop an information management system for the management of documents and other information relating to business execution in accordance with the Information Security Policy and other internal regulations, and appropriately disclose, store, abolish and manage the system.

3) Rules concerning management of risk of loss and other systems

The Company strengthens the risk management system to minimize risk occurrence and establishes a system that enables the Company to respond swiftly and appropriately in the event of risks. Moreover, the Company collects information for each of the subsidiaries to strengthen the risk management system.

4) System to ensure the efficient execution of duties by Directors

The Company clarifies duties and authority assigned to Directors such as decision-making on operations, supervisory functions, and the segregation of business execution, holds the Board of Directors Meeting and the Management Meeting regularly (once a month), respectively, and makes decisions through adequate discussions. Business plans are reviewed regularly to confirm results for brush ups. The Company establishes internal control systems designed to enhance the cooperation and coordination of each business establishment and division. In operating the subsidiaries, the Administration Headquarters and relevant departments in the Headquarters of the Company actively assists the subsidiaries to ensure efficient business execution.

5) System to ensure appropriateness of operations by the Group (including a system for reporting on the execution of duties by Directors, etc. of subsidiaries to the Company)

The Company establishes a management system covering the Group based on basic policies such as the business philosophy and management strategy of the Group. In addition, the Directors of subsidiaries report important managerial matters to the Company and obtain prior approval from the Company, as necessary, in accordance with the Regulations on the Management of Subsidiaries.

- 6) Employees who assist the duties of Auditors in the event that the Auditors request the appointment of such employees

If Auditors request the appointment of employees to assist them with their duties, the Company shall consult with the Auditors, select appropriate employees in consideration of their qualifications, and obtain consent from the Auditors with regard to such personnel transfers.

- 7) Independence of the employees in the preceding item from Directors, and ensuring the effectiveness of the instructions from Auditors

Employees appointed to assist Auditors shall not be subject to directions given by Directors. When these employees concurrently hold other positions, they shall not be subject to directions given by Directors while they assist the duties of Auditors. In addition, the Company shall obtain consent from Auditors with regard to the personnel reassignment, evaluation, reward and punishment, etc. of these employees.

- 8) System for reporting by Directors and employees to Auditors, systems for other reporting to Auditors, and the system to ensure that persons who report to Auditors are not treated disadvantageously on the grounds of such reporting

When any event that significantly affects the Company's management has occurred or is likely to occur, Directors and employees of the Group shall report it to the Auditors each time. The Company determines the matters to be reported to Auditors in advance through discussion between Directors and Auditors, and establishes an internal system related to reporting. In addition, it is not allowed to treat Directors and employees disadvantageously on the grounds that they reported to Auditors.

- 9) Matters related to procedures for the prepayment or redemption of expenses arising from the execution of duties by Auditors, and policies for the handling of other expenses or liabilities arising from the execution of their duties

With regard to expenses, etc. arising from the execution of duties by Auditors, such expenses, etc. are promptly paid to Auditors, including prepayments, and any liabilities are settled, unless Directors prove that such expenses, etc. are not required for the execution of duties by the Auditor.

- 10) Other systems for ensuring effective audits by Auditors

Directors and Auditors recognize the necessity of developing the auditing environment (cooperation with the internal audit department, etc.) and other matters to ensure the effectiveness of audits by Auditors, and confirm them through discussion as necessary to secure a system for implementation.

b. Improvement of the risk management system

The Company sets forth provisions on the thorough implementation of risk management in the Code of Corporate Conduct, and expected risks are continuously reviewed at the Planning & Business Development Headquarters. Based on results of the reviews, each department takes steps to improve risk management. The status of implementation of risk management in the Group is monitored and reported regularly to the Board of Directors, etc. In addition, the Company stipulates the actions the Company should take in the event of an emergency, in order to quickly resolve the emergency in an appropriate manner, and restore trust in the Group. In response to the COVID-19 pandemic, from the perspective of infection prevention, ensuring the safety of employees, and continuing operations without delay, in accordance with the Guidelines for the Operation of Emergency Headquarter, the Company has established the Emergency Headquarters with the President as the Chief, and measures are being taken on an organizational level.

In addition, the Company plans to establish a Risk Management Committee to centrally manage risks for the entire Group.

c. Improvement of a system to ensure the appropriateness of business operations at subsidiaries

The Company establishes the Regulations on the Management of Subsidiaries and assigns a person responsible for supervising Group companies. In addition, the Group Management Meeting, operational meetings, and liaison meetings are held between Group companies and the Company to share information and strengthen mutual cooperation.

iii) Agreements set forth in Article 427, Paragraph 1 of the Companies Act (Liability Limitation Agreements)

The Company has entered into a liability limitation agreement with each of its 4 External Directors and 2 External Auditors. The maximum liability limit under the agreement is 5,000,000 yen or the amount provided by applicable laws, whichever is greater.

iv) Agreements set forth in Article 430-2, Paragraph 1 of the Companies Act (Compensation Agreements)

The Company continues to review the possibility of entering into a compensation agreement provided for in Article 430-2, Paragraph 1 of the Companies Act with each Director. Provided that there is no malice or gross negligence in the execution of duties, the Company plans to compensate for the expenses set forth in Item 1 of the same paragraph and the losses set forth in Item 2 of the same paragraph, to the extent provided for by applicable laws.

v) Agreements set forth in Article 430-3, Paragraph 1 of the Companies Act (Directors and Officers Liability Insurance Agreements)

If the Company enters into a Directors and Officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and receives a claim for damages due to acts performed by executives in their execution of duties, damages such as legal liability for damages and litigation expenses will be covered. Provided, however, that in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, an insured party shall not be eligible for compensation if the damages arose from the insured party obtaining private benefits or conveniences illegally. Under the said insurance agreement, the insured includes all Directors, Auditors and Executive Officers of the Company and its subsidiaries. In addition, the insurance premiums are fully borne by the Company for all insured parties.

vi) Election and dismissal of Directors

The fixed number of Directors is 12 without necessary qualifications. The Company sets forth in its Articles of Incorporation that resolutions for the election of Directors shall be adopted by a majority vote of the shareholders present who hold one third or more of the total number of voting rights of shareholders with voting rights. The Company also sets forth in its Articles of Incorporation that resolutions for the election of Directors shall not be by cumulative voting. In addition, the Company has not amended the requirements for resolutions to dismiss Directors set forth in the Companies Act.

vii) Resolutions set forth in Article 309, Paragraph 2 of the Companies Act (Special Resolutions)

The Company sets forth in its Articles of Incorporation that the resolutions set forth in Article 309, Paragraph 2 of the Companies Act may be adopted by two thirds or more of the votes of the shareholders present who hold one third or more of the total number of voting rights of shareholders with voting rights. This provision is set forth to ensure that the Company avoids any situation in which it is unable to propose resolutions at a General Shareholders Meeting because a quorum is not present.

viii) Matters set forth to be resolved by a Board of Directors Meeting in lieu of resolutions at a General Shareholders Meeting, and the reason therefor

The Company sets forth in its Articles of Incorporation that the distribution of surplus set forth in Article 454, Paragraph 5 of the Companies Act shall be determined by resolution at a Board of Directors Meeting. This provision is set forth because, in order to distribute surplus as set forth in Article 454, Paragraph 5 of the Companies Act, the said article requires the Company to stipulate in its Articles of Corporation that such distribution of surplus may be made by a resolution at a Board of Directors Meeting.

Furthermore, in order to enable a flexible capital policy, the Company has established provisions in its Articles of Incorporation to enable the acquisition of treasury stock through market transactions, etc. by resolution at a Board of Directors Meeting.

(2) Executive management

1) Executives

Male: 14 persons Female: 2 persons (Ratio of female Directors and Auditors: 12.5%)

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Representative Director and President, CEO	Tetsumi Nakamura	March 4, 1957	April 1979 April 2002 April 2006 April 2009 March 2010 April 2011 March 2013 March 2015 March 2016 April 2017 March 2018 March 2019	Joined CTI Engineering General Manager, River & Water Resources Div., Tokyo Main Office Deputy Branch Administrator, Tokyo Main Office Deputy Administrator, Tokyo Main Office Executive Officer Principal, Tohoku Office Director Principal, Kyushu Office and Okinawa Office Managing Executive Officer Principal, Tokyo Main Office Senior Managing Executive Officer Representative Director and President, CEO (present post)	1	27
Representative Director, Executive Vice President / Chief, Planning & Business Development Headquarters	Tatsuya Nishimura	August 9, 1959	April 1985 April 2004 April 2006 April 2010 March 2015 April 2015 March 2017 April 2017 March 2019 April 2019 March 2021 March 2022	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Deputy Branch Administrator, Chubu Office Executive Officer Deputy Managing Principal, Tokyo Main Office Managing Executive Officer Managing Principal, Tohoku Office Director, Senior Managing Executive Officer Chief, Planning & Business Development Headquarters (present post) Representative Director (present post) Executive Vice President (present post)	1	20
Representative Director, Executive Vice President / Chief, Governance Management Headquarters	Yoshiaki Nanami	January 2, 1960	April 1982 June 2016 November 2017 March 2018 March 2019 March 2021 March 2023	Joined Ministry of Construction (currently Ministry of Land, Infrastructure, Transport and Tourism) Director-General, Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism Joined CTI Engineering, Executive Manager Executive Officer, Deputy Chief, Engineering Headquarters Director (present post), Managing Executive Officer, Chief, Engineering Headquarters Senior Managing Executive Officer, Managing Principal, Tokyo Main Office Representative Director, Executive Vice President (present post) Chief, Governance Management Headquarters (present post)	1	4

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director, Senior Managing Executive Officer / Principal, Osaka Main Office	Hiroshi Kiuchi	July 9, 1958	April 1981 April 2005 April 2011 March 2015 April 2015 November 2015 March 2017 March 2019 April 2019 March 2023	Joined CTI Engineering General Manager, River & Water Resources Div., Osaka Main Office Assistant Managing Principal, Osaka Main Office Executive Officer Deputy Managing Principal, Tokyo Main Office President & Managing Director, NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. Managing Executive Officer, CTI Engineering Director (present post) Managing Principal, Osaka Main Office (present post) Senior Managing Executive Officer (present post)	1	18
Director, Managing Executive Officer / Chief, Administration Headquarters	Naoto Suzuki	November 22, 1961	April 1987 May 1991 April 2006 April 2011 April 2012 March 2017 April 2017 March 2020 March 2022	Joined Yachiyo Engineering Co., Ltd. Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Osaka Main Office General Manager, Sales & Marketing Division, Osaka Main Office Assistant Managing Principal, Osaka Main Office Executive Officer Deputy Chief, Administration Headquarters, General Manager, Personnel Div., Administration Headquarters Director (present post), Chief, Administration Headquarters (present post) Managing Executive Officer (present post)	1	5
Director, Managing Executive Officer / Chief, Engineering Headquarters	Nobuyuki Maeda	September 23, 1959	April 1982 April 2006 April 2010 April 2014 March 2016 March 2019 April 2019 April 2021 March 2022	Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Tokyo Main Office Assistant Managing Principal, Tohoku Office President & Managing Director, Japan Urban Engineering Co., Ltd. Executive Officer Managing Executive Officer (present post) Managing Principal, Tohoku Office Chief, Engineering Headquarters (present post) Director (present post)	1	11
Director, Managing Executive Officer / Principal, Kyushu Office and Okinawa Office	Toshihide Uemura	January 11, 1960	April 1982 April 2007 April 2011 April 2014 March 2016 March 2019 April 2019 March 2022	Joined CTI Engineering General Manager, Waterworks Engineering Div., Kyushu Office Assistant Managing Principal, Kyushu Office Deputy Chief, Planning Headquarters; General Manager of Corporate Planning Div., Planning Headquarters Executive Officer Managing Executive Officer (present post) Managing Principal, Chubu Office Director (present post), Managing Principal, Kyushu Office and Okinawa Office (present post)	1	16
Director, Managing Executive Officer / Deputy Chief, Planning & Business Development Headquarters	Naoki Fujiwara	January 11, 1964	April 1989 April 2007 April 2012 April 2014 April 2016 June 2017 March 2018 April 2019 March 2020 March 2021 March 2023	Joined the Company General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Chubu Office General Manager, International Div. Executive Director, Waterman Group Plc (present post) Executive Officer, CTI Engineering Deputy Chief, Planning & Business Development Headquarters (present post) Director, CTI Engineering International Co., Ltd. (present post) Managing Executive Officer (present post) Director (present post)	1	8

Board member position / Company position	Name	Date of birth	Career	Term of office (Note no.)	Number of shares held (thousand)
Director	Shuichi Ikebuchi	July 5, 1943	February 1979 Professor, Disaster Prevention Research Institute, Kyoto University April 1996 Chief, Water Resources Research Center, Disaster Prevention Research Institute, Kyoto University May 1999 Director, Disaster Prevention Research Institute, Kyoto University October 2004 Director and General Manager, Research Institute, Meteorological Engineering Center, Inc. April 2007 Professor Emeritus, Kyoto University; Research Advisor, Foundation of River & Watershed Environment Management April 2013 Research Fellow, The River Foundation (present post) March 2017 Director, CTI Engineering (present post)	1	–
Director	Fumiko Kosao	April 17, 1954	April 1973 Employed by National Tax Agency July 1997 Teacher, Tokyo Training Center, National Tax College July 2011 District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau July 2014 District Director, Nihonbashi Tax Office, Tokyo Regional Taxation Bureau August 2015 Registered as Certified Public Tax Accountant Fumiko Kosao Tax Accountant Office (present post) June 2016 External Auditor, TOBISHIMA CORPORATION March 2017 Director, CTI Engineering (present post) June 2017 External Director, METAWATER Co., Ltd. (present post) July 2020 External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. (present post)	1	–
Director	Yoshihisa Sonobe	October 17, 1956	April 1980 Joined Teijin Limited June 2009 Corporate Officer; Head of Corporate Planning, Teijin Limited April 2011 CFO; General Manager, Accounting and Finance Unit, Teijin Limited April 2014 General Manager, Corporate Strategy Unit, Teijin Limited June 2014 Director, Teijin Limited April 2016 Executive Officer, Teijin Limited April 2017 Chief Officer, Corporate Strategy; Chief Officer, Legal Affairs & Intellectual Property (Chief Officer, Global Business Strategy (in charge of overseas financial management companies (Europe, US, China))), Teijin Limited April 2019 Senior Executive Officer; Chief Financial Officer; Teijin Limited April 2020 Representative Director, Teijin Limited April 2021 Director; Part-Time Advisor, Teijin Limited June 2021 Retired as Director of Teijin Limited March 2022 Director, CTI Engineering (present post)	1	–

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director	Atsuko Ogasawara	October 6, 1960	April 1983 April 2006 April 2008 May 2011 July 2014 April 2016 May 2017 June 2018 June 2018 April 2020 June 2020 June 2020 February 2021 March 2023	Joined The Mainichi Newspapers Co., Ltd. General Manager, Okayama Bureau, The Mainichi Newspapers Co., Ltd. General Manager, Economic Department, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. General Manager, Kyoto Bureau, The Mainichi Newspapers Co., Ltd. Deputy General Manager, Editorial Bureau, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. General Manager, General Business Bureau, The Mainichi Newspapers Co., Ltd. Director, Japan High School Baseball Federation (present post) Deputy Representative, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. Director, The Daido Life Foundation (present post) Executive Director (part-time), National University Corporation Osaka University (present post) Outside Director, Senshu Ikeda Holdings, Inc. (present post) Non-Executive Director (non-full time), The Senshu Ikeda Bank, Ltd. (present post) Director, Kansai Innovation Center (present post) Director, CTI Engineering (present post)	1	-
Full-time Auditor	Keizo Mitsuke	August 27, 1961	April 1986 January 1990 June 2009 April 2012 April 2017 April 2020 March 2023	Joined TOKEN C.E.E. Consultants Co., Ltd. Joined NIKKEN Consultants, Inc. (currently IDEA Consultants, Inc.) Joined CTI Engineering General Manager, Public Relations Section, Administration Headquarters General Manager, General Affairs Div., Chubu Office Deputy Chief, Administration Headquarters, General Manager, General Affairs Div. Full-time Auditor, CTI Engineering (present post)	2	4
Auditor	Shigeo Nakashita	October 22, 1961	April 1984 April 2003 April 2012 April 2017 March 2021 March 2023	Joined CTI Engineering Manager, Tohoku Geology Office, Geology Center, Headquarters Business Promotion Dept. General Manager, Geo-environment Div., Tokyo Main Office Assistant Managing Principal, Chubu Office Full-time Auditor Auditor (present post)	3	13
Auditor	Yasuro Tanaka	February 9, 1946	April 1971 April 1981 April 1985 April 1994 February 2003 February 2005 March 2009 February 2011 April 2011 March 2015	Appointed as Assistant Judge Judge of Tokyo District Court General Manager, Training Div., United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders General Judge of Tokyo District Court Director of Morioka District and Domestic Relations Courts General Judge of Tokyo High Court Director of Sapporo High Court Registered as attorney (present post) Professor at the Meiji University Graduate School of Law Auditor, CTI Engineering (present post)	2	-

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Auditor	Go Ishikawa	July 8, 1968	April 1995 July 1998 September 2008 March 2011 February 2012 March 2015 March 2016 April 2016 March 2019 April 2022	Registered as attorney Partner, Kakimoto Law Office Partner, Kasumigaseki Law & Accounting Office External Auditor, Mediaflag Inc. (currently Impact HD Inc.) Outside Auditor, ALTECH CO., LTD. (present post) Senior Partner, SAKURADADORI PARTNERS (present post) External Director, Mediaflag Inc. (currently Impact HD Inc.) (present post) Deputy Chairman, Dai-Ichi Tokyo Bar Association Auditor, CTI Engineering (present post) Executive Governor, Japan Federation of Bar Associations (present post)	2	–
Total						130

- Notes: 1 From March 28, 2023 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2023.
- 2 From March 28, 2023 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2026.
- 3 From March 25, 2021 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2024.
- 4 Directors Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara are External Directors.
- 5 Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa are External Auditors.
- 6 The number of shares of the Company owned by Auditor Mr. Keizo Mitsuke is the amount he holds in the Employees' Stock-sharing Association.

7 To ensure that the Company fully satisfies all conditions set forth under applicable laws a reserve auditor was appointed pursuant to Article 329-3 of the Companies Act. The history of that auditor is as stated below.

Name	Date of Birth	History		Term of office (Note no.)	No. of shares held (Thousand)
Setsuko Yufu	March 28, 1952	April 1981 January 2002 September 2016 June 2020	Registered as attorney (present post) Senior Partner, Atsumi & Usui Law Office (currently Atsumi & Sakai) (present post) Member of the Council on Antimonopoly Policy of the Japan Fair Trade Commission (JFTC) (present post) Outside Director Audit & Supervisory Board Member, Panasonic Corporation (currently Panasonic Holdings Corporation) (present post)	1	-

- Notes: 1 From March 28, 2023 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2026.
- 2 The reserve auditor, Ms. Setsuko Yufu, satisfies requirements as an External Auditor.

2) External Directors/Auditors

The Company appoints 4 External Directors and 2 External Auditors.

a. External Directors

The Company strengthens its corporate governance through the participation of the External Directors in management.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 4 External Directors.

External Director Mr. Shuichi Ikebuchi is an expert in disaster prevention, a field in which business operations are expected to expand in the future. He leverages his extensive experience, broad insight, and global perspectives in the overall management of the Company. The Company has deemed that he can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice on management issues, etc. of the Company, based on his specialized knowledge and broad insight as an academic. Therefore, he has been appointed as an External Director.

External Director Ms. Fumiko Kosao has served in positions such as District Director of Nihonbashi Tax Office, Tokyo Regional Taxation Bureau, and possesses extensive experience in heading organizations, as well as expertise related to tax affairs and corporate accounting as a Certified Public Tax Accountant. The Company has deemed that she can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice on management issues, etc. of the Company, based on her specialized knowledge and broad insight as a Certified Public Tax Accountant. Therefore, she has been appointed as an External Director.

External Director Mr. Yoshihisa Sonobe experienced management in a large company and leverages his insight in finance and accounting to contribute to maximizing corporate value by promoting business portfolio reform, management of global joint ventures, M&As overseas, and improvement of corporate governance as a corporate strategy officer and CFO. He leverages his extensive experience and broad insight in the overall management of the Company. The Company has deemed that he can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice based on his knowledge and broad insight related to finance, accounting and global business. Therefore, he has been appointed as an External Director.

External Director Ms. Atsuko Ogasawara has served in prominent positions at a major newspaper company and possesses extensive experience, a high level of expertise, and broad insight. In addition, she has served as the first female Director of Japan High School Baseball Federation, and has achievements as Executive Director in charge of branding at a national university corporation. The Company believes that she can leverage her extensive experience and broad insight in the overall management of the Company. Therefore, she has been appointed as an External Director. The Company has deemed that she can be expected to play an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice on management issues, etc. of the Company, based on her extensive experience and expertise related to the business community.

b. External Auditors

The Company has reinforced the objective and neutral functions of management supervision from outside by electing 2 External Auditors out of the 4 Auditors. Furthermore, the 2 External Auditors attended all of the Audit & Supervisory Board Meetings, and we believe that we have established a structure essential for corporate governance wherein the objective and neutral functions of management supervision from outside are fully operating. The Company thus adopts the present structure. Of the 4 Auditors, 2, or half of the total, are External Auditors. The Company considers this number appropriate for the supervision of its management.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 2 External Auditors.

At Board of Directors Meetings, External Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa actively pose questions to Directors, and make remarks and recommendations by utilizing their extensive experience cultivated as lawyers and insight centered on the legal field. In particular, Mr. Go Ishikawa utilizes his knowledge of finance and accounting cultivated through working as a lawyer. In addition, at Audit & Supervisory Board Meetings, they report on the audits conducted, exchange information closely with other Auditors, and express necessary opinions by utilizing their extensive experience cultivated as lawyers and insight centered on the legal field. By utilizing their high level of expertise and professional ethics as lawyers, they can be expected to play appropriate roles in making the Auditors system more effective. Therefore, they have been appointed as External Auditors.

In addition, the External Auditors supervise the Company's management from an independent position and objective point of view, give appropriate advice and opinions inside and outside the Board of Directors, and thereby appropriately perform their duties. Accordingly, the Company believes that the independence of these External Auditors is steadfastly maintained. In addition, the Company concluded a corporate lawyer agreement with External Auditor Mr. Go Ishikawa.

c. Independent External Directors/Auditors

External Directors, External Auditors and candidates thereof who satisfy the following requirements shall be deemed to be independent.

- (1) A person who is not currently or has not been in the past ten (10) years an executive^{*1} of the Company or its affiliated companies.
- (2) A person whose spouse or relative within the second degree of kinship is not an executive of the Company.
- (3) A person who is not a major business partner^{*2} of the Company or an executive of a corporation whose major business partner is the Company.
- (4) A person who is not a major shareholder of the Company (a person who directly or indirectly holds 5% or more of the total voting rights) or an executive thereof.
- (5) A person who is not an executive of a corporation whose shares are held by the Company for the purpose of cross-shareholdings.
- (6) A person who does not belong to an audit corporation that is the Accounting Auditor of the Company.
- (7) A person who is not an attorney-at-law, certified public accountant, tax accountant, consultant, etc., or an executive of an organization, that receives a large amount^{*3} of compensation from the Company other than officer compensation.

- (8) A person who is not a person or an executive of an organization that receives a large amount^{*3} of donations or grants from the Company.
- (9) In the event that an Executive Director or a Full-time Auditor of the Company concurrently serves as an External Director or an External Auditor of another corporation, he/she is not an executive of such other corporation.
- (10) A person whose spouse or relative within the second degree of kinship does not fall under any of (3) to (9) above.
- (11) A person who did not fall under any of (2) to (10) above in the past five years.
- (12) A person whose total term of office as External Director or External Auditor of the Company is not more than 12 years. However, this shall not apply to cases where it is recognized the candidate has made irreplaceable contribution to the Board of Directors or the Board of Auditors.

*1: "An executive" refers to Director, Executive Officer, other persons equivalent thereto, or an employee.

*2: "A major business partner" refers to a business partner whose transactions with the Company exceed 1% of the Company's consolidated net sales in any of the recent three fiscal years, or a business partner who has loaned the Company an amount equivalent to 1% or more of the Company's consolidated total assets.

*3: "A large amount" refers to an average of five million yen or more per year in the case of an individual and 10 million yen or more per year in the case of an organization over the last three fiscal years.

3) Mutual cooperation between supervision or audits by External Directors/Auditors and internal audits, external audits, and financial audits, and relationship with the internal control department

The Company has 4 External Directors and 2 External Auditors (4 Auditors in total) as of the date of the submission of this Securities Report. External Directors and External Auditors attend a regular Board of Directors Meeting held once a month and an extraordinary Board of Directors Meeting, to supervise the execution of duties by Directors.

In addition, External Auditors hold a quarterly reporting meeting with the Accounting Auditor, as described in (3) below, grasp auditing activities and exchange information, and regularly stage an opinion-exchange meeting for the planning and execution of audits. External Auditors exchange information and opinions as appropriate with the Internal Audit Office, which is the internal audit department, about the planning and results of audits of the Company and Group companies.

(3) Status of audits

1) External audits

The Company is a company with an Audit & Supervisory Board, and 4 members, including 2 internal Auditors and 2 External Auditors, make up the Audit & Supervisory Board. Regarding audits by Auditors, operational and financial auditing are conducted based on the Auditing Standards by Auditors stipulated by the Audit & Supervisory Board.

Duties of the Audit & Supervisory Board include determining the audit policy, the audit plan and the allocation of duties for the current fiscal year, after reflecting on the audit activities that it conducted in the previous fiscal year, in order to improve the effectiveness of Auditors' audit activities. In addition, the Board reviews mainly the propriety of the execution of duties by Directors, the appropriateness of the internal control system, the auditing method of the Accounting Auditor and the appropriateness of the results thereof. Auditors attend important meetings including Board of Directors Meetings, Management Meetings, Executive Officers' Meetings, Group Management Meetings, and Compliance Meetings, and directly check on the status of the execution of operations.

Audit & Supervisory Board Meetings are held once a month in principle. The attendance of each Auditor at the Audit & Supervisory Board Meetings in the current fiscal year is stated below.

Category	Name	Attendance at the Audit & Supervisory Board Meetings (13 in total)
Full-time Auditor	Shigeo Nakashita	13
Auditor	Koichi Saito	13
External Auditor	Yasuro Tanaka	13
External Auditor	Go Ishikawa	13

From the perspective of appropriately improving and operating the internal control system in the Group and Group-wide management, Auditors hold cooperative meetings with auditors of the main Group companies in order to promote mutual understanding.

Full-time Auditors actively strive to improve the auditing environment and collect information within the Company, supervise and inspect the maintenance and operation of the internal control system on a daily basis, and share the relevant information with other Auditors.

Auditors hold a quarterly reporting meeting with the Accounting Auditor to grasp auditing activities and exchange information, and to regularly stage an opinion-exchange meeting for the planning and execution of audits. In addition, Auditors attend some of the audits to support the execution of efficient financial audits by the Accounting Auditor. Furthermore, discussions about Key Audit Matters (KAM) are held on an ongoing basis between Auditors and the Accounting Auditor. Auditors also take measures such as requesting explanations from those involved in business execution, as necessary.

Auditors exchange information and opinions as appropriate with the Audit Section which is the Internal Audit Sector, which is the internal audit department, about the planning and results of audits of the Company and Group companies. Besides receiving regular reports from the Compliance Section, Auditors also strive to exchange information with them to prevent the occurrence of corporate scandals, etc.

2) Internal audits

Internal audits are performed by the Internal Audit Office that has the authority to request additional personnel as required. At present, the Internal Audit Office staff is comprised of 3 Audit officers and 1 assisting staff member. Specifically, planned internal comprehensive operational audits are performed annually on all divisions and departments within the Company. The Internal Audit Office regularly holds a meeting to exchange information with Auditors and the Accounting Auditor in pursuit of mutual cooperation.

3) Financial audits

i) Name of the audit corporation

Deloitte Touche Tohmatsu LLC

ii) Number of consecutive years of auditing

10 years

iii) Certified Public Accountants (CPAs) who perform audits

Kenichiro Okamoto, Designated Limited Liability Partner, Engagement Partner

Hajime Sato, Designated Limited Liability Partner, Engagement Partner

iv) Composition of the Auditor's support staff

The Auditor's support staff relating to the Company's financial audits consists of 5 CPAs and 24 other staff members.

v) Policy and reasons for selecting the audit corporation

When selecting the Accounting Auditor, the Audit & Supervisory Board comprehensively evaluates the auditing system within the candidate audit corporation, including its quality control system, the status of execution of auditing services in the previous fiscal year, the level of auditing compensation, etc. in consideration of the development status of the system for ensuring the appropriate performance of the Accounting Auditor's duties under Article 131 of the Regulation on Corporate Accounting. As a result of such evaluation, the Audit & Supervisory Board has judged it appropriate to reappoint Deloitte Touche Tohmatsu LLC.

If there is difficulty for the Accounting Auditor to execute its duties or the Audit & Supervisory Board determines it necessary to dismiss or not reappoint the Accounting Auditor, the Audit & Supervisory Board shall submit a proposal for the dismissal or non-reappointment of the Accounting Auditor to the general meeting of shareholders.

If the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed by the Audit & Supervisory Board with the unanimous approval of Auditors.

vi) Evaluation of the audit corporation by Auditors and the Audit & Supervisory Board

Auditors and the Audit & Supervisory Board of the Company evaluate the execution status of auditing services upon confirming with the Accounting Auditor and related internal departments at each auditing phase, including the conclusion of the auditing agreement, the formulation of the auditing plan, and the evaluation of

internal control relating to financial statements and financial reporting, in accordance with the evaluation items under the *Practical Guidelines for Auditors, etc. regarding the Evaluation and Selection Criteria of Accounting Auditor* issued by the Accounting Committee of the Japan Audit & Supervisory Board Members Association.

As a result, Auditors and the Audit & Supervisory Board find no reasons for disqualification in any of the evaluation items and have judged that the status of the execution of duties by the Accounting Auditor is appropriate and fair in consideration of the status of the entire Group.

4) Auditing compensation, etc.

i) Compensation for auditing CPAs, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation for auditing services (million yen)	Compensation for non-auditing services (million yen)	Compensation for auditing services (million yen)	Compensation for non-auditing services (million yen)
The Company	71	9	55	7
Consolidated subsidiaries	–	–	–	–
Total	71	9	55	7

The Company entrusts the Accounting Auditor with the tasks of providing guidance and advice on the accounting standard for revenue recognition, as well as guidance and advice on accounting treatment for the consolidation of unconsolidated subsidiaries, which are operations other than those stated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

ii) Compensation for the same network (Deloitte) as auditing CPAs, etc. (excluding i))

Not applicable.

iii) Other important compensation

Not applicable.

iv) Policy for decisions regarding auditing compensation

Determined by the Company in consideration of the number of days for the audit.

v) Reasons why the Audit & Supervisory Board agreed to compensation, etc. for the Accounting Auditor

The Audit & Supervisory Board agreed to the auditing compensation upon reviewing the method for computing the amount of auditing compensation, as well as the status of auditing for the previous fiscal year and details on the changes of the audit plan for the current fiscal year, etc., judged that the auditing compensation was appropriate with reasonable compensation unit price and audit hours.

(4) Executives' compensation, etc.

1) Policies regarding the determination of the amount of compensation, etc. for executives and the method for computing such amounts

1. Basic Policy

(1) Compensation for Directors (excluding External Directors)

Compensation for Directors (excluding External Directors) consists of fixed compensation (monthly compensation) as compensation for the execution of duties, compensation linked to consolidated business performance in the fiscal year under review (monetary bonuses), and non-monetary compensation (restricted stock compensation) as long-term incentive compensation.

The standard ratio of each compensation is as follows.

Compensation items	Fixed compensation	Variable compensation	
	Monthly compensation	Monetary bonuses	Restricted stock compensation
Setting standard (ratios)	67.5%	20.0%	12.5%

(2) Compensation for External Directors and Auditors

i) Compensation for External Directors

Compensation for External Directors shall consist solely of fixed compensation (monthly compensation) from the perspective of their roles and independence. The specific amount of compensation shall be determined in accordance with the method of determining fixed compensation in the compensation of Internal Directors.

ii) Compensation for Auditors

From the perspective of high independence, compensation shall consist of monthly compensation only. The specific amount of compensation shall be determined through consultation among the Auditors.

2. Method of determining compensation for Directors (excluding External Directors), etc.

(1) Fixed compensation

Fixed compensation (monthly compensation) shall be appropriately calculated in accordance with a predetermined table of monthly compensation standards for executives within the range of maximum amount of compensation of Directors which was determined by the resolution of the General Meeting of Shareholders, and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee. In addition, part of the fixed compensation (monthly compensation) shall be allocated to the acquisition of the Company's shares under the Executive's Stock-sharing Association Program.

(2) Performance-linked compensation (monetary bonuses)

With regard to performance-linked compensation (monetary bonuses), the base amount of bonuses shall be set according to the consolidated business performance of the fiscal year under review, and the specific amount of each Director shall be set within the range of compensation, after evaluation by the Representative Director and President, CEO of the degree of contribution of each Director for each type of operating profit, ROE and ESG using the following calculation formula, and shall be resolved at the Board of Directors meeting after deliberation by the Nomination & Compensation Advisory Committee.

Monetary bonuses	Payment Category	Method of Payment Calculation
	Payments as short-term incentives	Basic bonus amount \times 50% \times Operating profit coefficient
Payment as long-term incentive	Basic bonus amount \times 50% \times ROE evaluation coefficient	
	Basic bonus amount \times 20% \times ESG evaluation coefficient	

i) Basic bonus amount

- Set the base bonus amount as fixed remuneration \times 3.0 months

ii) Operating income coefficient

This is an indicator that shows the size of profits as a result of operating activities, and is selected as an important indicator for management.

- Consolidated operating income for the year (yen) ÷ Planned consolidated operating income (yen) = Operating income achievement rate (%)

iii) ROE evaluation coefficient

By setting ROE, which is an important indicator of capital efficiency, as an evaluation index, the Company clarifies its responsibility for improving corporate value.

- Consolidated ROE (%) for the current fiscal year ÷ Standard value of 10.0% = ROE achievement rate (%)

iv) ESG evaluation coefficient

In accordance with the CTI Group Sustainable Challenge, which stipulates that the company will work on various proposals to realize sustainability through infrastructure development, ESG indicators will be incorporated as additional factors when calculating compensation. The evaluation coefficient is evaluated on an S~D basis by a Representative Director and other Officers in charge at the end of each fiscal year.

(3) Non-monetary compensation (restricted stock compensation)

With regard to non-monetary compensation (restricted stock compensation), the number of shares granted shall be calculated according to the position, and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee. In addition, the Transfer Restriction Period shall expire at the time of retirement of officers. With regard to non-monetary compensation (restricted stock), provisions shall be established to the effect that the Company may, after deliberation by the Board of Directors, acquire all shares granted without consideration in the following cases : (i) cases where the Director has been engaged in the business of a company that competes with the Group without the consent of the Company, (ii) cases where the Director has caused damage to the Group due to fraudulent accounting or large losses, etc., or (iii) other cases where the Company has judged that the shares should be acquired without consideration.

2) Resolutions for executive compensation, etc. at the general meeting of shareholders

The Ordinary General Meeting of Shareholders held on March 27, 2014 resolved the limit of annual Directors' compensation of 400 million yen (excluding salaries for Directors who serve concurrently as employees) with 11 Directors (including 0 External Directors) at the conclusion of the said General Meeting.

The Ordinary General Meeting of Shareholders held on March 30, 1994 resolved the limit of annual Auditors' compensation of 80 million yen with 3 Auditors at the conclusion of the said General Meeting.

At the Ordinary General Meeting of Shareholders held on March 28, 2023, the maximum amount of non-monetary compensation for Directors (excluding External Directors) was resolved to be 100 million yen per year, and the maximum number of shares is 50,000 shares. At the conclusion of the said general meeting, there were 12 Directors (including 4 External Directors).

3) The total amount of compensation, etc. by category of executive, the total amount of compensation, etc. by classification, and the number of covered executives

Category of executive	Total amount of compensation, etc. (million yen)	Amount of compensation, etc. by classification (million yen)			The number of covered executives (persons)
		Fixed compensation	Performance-linked compensation (Monetary bonuses)	Non-monetary compensation, etc.	
Directors	270	233	37	–	11
External Directors	19	19	–	–	3
Auditors	32	32	–	–	2
External Auditors	12	12	–	–	2

Notes: 1. The amounts of compensation, etc. for Directors do not include employee salaries for Directors who serve concurrently as employees.
2. The amounts of compensation, etc. for Directors include 37 million yen that have been reported as an expense and classified as reserve for bonuses to directors in the current fiscal year.
3. The number of payees stated above includes 2 Directors who retired upon the expiration of their terms at the conclusion of the 59th Ordinary General Meeting of Shareholders held on March 24, 2022.

4) Activities of the Nomination & Compensation Advisory Committee to determine the amount of executives' compensation, etc.

The Board of Directors determines the amount of executives' compensation, etc. after receiving a report from the Nomination & Compensation Advisory Committee. For the fiscal year ended December 31, 2022 the Nomination & Compensation Advisory Committee's meetings were held 5 times, and for the fiscal year ending December 31, 2023, the Committee held a meeting on January 27, 2023, to deliberate on the compensation for Directors.

5) The total amount, etc. of consolidated compensation, etc. for each executive

No executive in the Company has received a total consolidated compensation, etc. of 100 million yen or more, so description is omitted.

6) Significant salaries (including bonuses) for the portion of services performed by employees concurrently serving as Directors

Not applicable.

(5) Holding of shares

1) Criteria and basic policy for the classification of investment stock

The Company classifies investment stock into two types, stock held for the purpose of yielding profit through changes in stock value and receiving dividends as those held for pure investment, and the other as stock held for purposes other than pure investment (cross-shareholdings).

2) Investment stock held for purposes other than pure investment

i) The shareholding policy and method for verifying the rationality of holdings, and details of verification of the appropriateness of holding per individual issue by the Board of Directors, etc.

The Company holds stock only if it deems that the holding is necessary strategically for the purposes of establishing favorable relationships with business partners, conducting smooth and efficient business operations, strengthening future business development, etc., from the perspective of aiming for sustainable growth of the Group and increasing corporate value over the medium to long term.

Every year, the Board of Directors concretely examines cross-shareholdings of the Company for economic rationality over the medium to long term and the necessity of holding per individual issue, and verifies the appropriateness of holding from the perspective of risks and the capital cost, while considering whether the cross-shareholding may lead to technological development, corporate collaboration, or business synergies, etc. that contribute to the Group's business strategy.

If the necessity and rationality of holding an issue is not confirmed through such verification, the Company sells the relevant issue of stock in an appropriate and suitable manner, thereby reducing the amount of cross-shareholdings. In addition, even if the significance and rationality of the holding is recognized, in consideration of the market environment, the Company's management and financial strategies, etc., the Company may still decide to sell the holding.

ii) Number of issues and total book value on the balance sheet

	Number of issues (Issues)	Total book value on the balance sheet (million yen)
Non-listed stock	10	134
Stock other than the above	24	2,648

(Issues for which holdings increased during the current fiscal year)

	Number of issues (issues)	Total acquisition price related to increase in the number of shares (million yen)	Reasons for the increase in the number of shares
Non-listed stock	1	50	Acquired as an additional investment to promote new business
Stock other than the above	—	—	

(Issues for which holdings decreased during the current fiscal year)

	Number of issues (issues)	Total sale price related to decrease in the number of shares (million yen)
Non-listed stock	—	—
Stock other than the above	6	118

iii) Information on the number of shares and book value on the balance sheet, etc. per specified investment stock and deemed holding stock

Specified Investment Stock

Issuer name	Current consolidated fiscal year	Previous consolidated fiscal year	Purpose of holding, quantitative effect of holding (Note 1), and reason for the increased number of shares held	Holding of the Company's stock
	Number of shares (shares)	Number of shares (shares)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		
Mitsubishi UFJ Financial Group, Inc.	145,000	145,000	The holding is deemed to be rational, based on a comprehensive assessment of the medium- to long-term business strategy and the Company's transactional relationship with the issuer, a financial institution.	Yes (Note 2)
	128	90		
The Chiba Bank, Ltd.	30,000	30,000	The holding is deemed to be rational, based on a comprehensive assessment of the medium- to long-term business strategy and the Company's transactional relationship with the issuer, a financial institution.	Yes (Note 2)
	28	19		
Dai-ichi Life Holdings, Inc.	2,600	2,600	The holding is deemed to be rational, based on a comprehensive assessment of the medium- to long-term business strategy and the Company's relationship with the issuer in relation to the implementation of welfare measures.	Yes (Note 2)
	7	6		
T&D Holdings, Inc.	—	38,400	—	—
	—	56		
Mizuho Financial Group, Inc.	—	8,100	—	—
	—	11		
SHO-BOND Holdings Co., Ltd.	47,000	47,000	By leveraging the issuer's strengths in business fields such as repair methods, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	264	242		
RAITO KOGYO CO., LTD.	265,100	265,100	The Company and the issuer own a joint patent (No. 5439247, low frequency noise dampening structure for weirs). By leveraging the issuer's strengths in business fields such as measures for slopes, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	501	525		
COMSYS Holdings Corporation	15,392	15,392	The holding is deemed to be rational, as the issuer is a corporation with a high degree of expertise in building information networks, and can be expected to contribute to improving the Company's operational efficiency.	Yes
	35	39		

Issuer name	Current consolidated fiscal year	Previous consolidated fiscal year	Purpose of holding, quantitative effect of holding (Note 1), and reason for the increased number of shares held	Holding of the Company's stock
	Number of shares (shares)	Number of shares (shares)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		
JAPAN FOUNDATION ENGINEERING CO., LTD	134,000	134,000	By leveraging the issuer's strengths in business fields such as ground improvement, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	64	76		
NITTO CONSTRUCTION CO., LTD.	—	51,200	—	—
	—	33		
KAWADA technologies, inc.	12,000	12,000	By leveraging the issuer's strengths in business fields such as construction work, and system design and development, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	39	51		
Yokogawa Bridge Holdings Corp.	21,700	21,700	By leveraging the issuer's strengths in business fields such as construction work, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	40	47		
Ube Industries, Ltd.	19,040	19,040	By leveraging the issuer's strengths in business fields such as the chemical industry, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	36	38		
E · J Holdings Inc.	120,680	120,680	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	160	150		
NJS CO., LTD.	50,000	50,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	101	96		
Oriental Consultants Holdings Co., Ltd.	57,200	57,200	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	153	195		
Kawasaki Geological Engineering Co., Ltd.	9,400	9,400	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	21	30		
ASIA AIR SURVEY CO., LTD.	102,000	102,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	79	82		

Issuer name	Current consolidated fiscal year	Previous consolidated fiscal year	Purpose of holding, quantitative effect of holding (Note 1), and reason for the increased number of shares held	Holding of the Company's stock
	Number of shares (shares)	Number of shares (shares)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		

Founder's Consultants Holdings Inc.	49,925	45,387	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational. The number of shares held increased due to a stock split.	Yes
	39	36		
People, Dreams & Technologies Group Co., Ltd.	105,000	105,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	186	199		
Wesco Holdings Inc.	180,000	180,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	81	84		
OYO Corporation	98,500	98,500	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	224	211		
OHBA CO., LTD.	186,000	186,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	121	146		
IDEA Consultants, Inc.	81,900	81,900	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	139	153		
DN HOLDINGS CO., LTD.	100,000	100,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	126	118		
NIPPON KOEI CO., LTD.	—	231	—	—
	—	0		
Maezawa Kasei Industries Co., Ltd.	36,000	36,000	By leveraging the issuer's strengths in the field of water, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	47	46		

Issuer name	Current consolidated fiscal year	Previous consolidated fiscal year	Purpose of holding, quantitative effect of holding (Note 1), and reason for the increased number of shares held	Holding of the Company's stock
	Number of shares (shares)	Number of shares (shares)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		
UCHIDA YOKO CO., LTD.	3,200	3,200	By leveraging the issuer's strengths in business fields such as office space construction, the issuer can be expected to contribute to improving the Company's operational efficiency. Thus, the holding is deemed to be rational.	Yes
	14	16		
ARIAKE JAPAN Co., Ltd.	—	1,829	—	—
	—	11		
ICHINEN HOLDINGS Co., Ltd.	—	1,800	—	—
	—	2		

- Notes: 1. Though the quantitative effect of holding is difficult to describe, every year, the Board of Directors concretely examines cross-shareholdings for economic rationality over the medium to long term and the necessity of holding per individual issue, and verifies the appropriateness of holding from the perspective of risks and the capital cost, while considering whether the cross-shareholding may lead to technological development, corporate collaboration, or business synergies, etc. that contribute to the Group's business strategy.
2. The Company's stock is held by Group companies of the issuers whose stock is held by the Company.

Deemed Holding Stock

Not applicable.

3) Investment stock held for the purpose of pure investment

Not applicable.

4) Investment stock, for which the holding purpose was changed from pure investment to other purposes during the current fiscal year

Not applicable.

5) Investment stock, for which the holding purpose was changed to pure investment from other purposes during the current fiscal year

Not applicable.

CHAPTER 5: STATUS OF ACCOUNTING

1. Preparation of the Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with the "Regulations on the terminology, forms and method of preparation of consolidated financial statements" (Ordinance of Ministry of Finance No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulations on the terminology, forms and method of preparation of financial statements" (Ordinance of Ministry of Finance No. 59, 1963).

The non-consolidated financial statements have been prepared pursuant to the provisions of Article 127 of the Regulations for Non-consolidated Financial Statements because the Company is a company submitting financial statements that have been prepared in accordance with special provision.

2. Audit Report

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the current consolidated fiscal year (from January 1, 2022 to December 31, 2022) and the non-consolidated financial statements for the current fiscal year (from January 1, 2022 to December 31, 2022) of the Company were audited by Deloitte Touche Tohmatsu LLC.

[The abovementioned audit reports, which are inserted at the end of the Japanese original, are omitted from the English translation.]

3. Special Approach to Ensure the Propriety of Consolidated Financial Statements, etc.

The Company has taken a special approach to ensure the propriety of consolidated financial statements, etc. Specifically, in order to develop a system to enable the Company to appropriately understand the details of accounting standards, and precisely cope with changes, etc. in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and endeavors to collect information aggressively.

1. Consolidated Financial Statements and Other Materials

(1) Consolidated Financial Statements (i) Consolidated Balance Sheet

(million yen)

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

(million yen)

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

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

(million yen)

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

Consolidated Statements of Comprehensive Income

(million yen)

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

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

(million yen)

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

(million yen)

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

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

(million yen)

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

(million yen)

	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

(iv) Consolidated Cash Flow Statement

(million yen)

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

(million yen)

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

Notes:

Basic Important Matters for Preparation of Consolidated Financial Statements

1. Consolidation range

(1) Number of consolidated subsidiaries: 23

Names of the major consolidated subsidiaries:

CTI Engineering International Co., Ltd.

Waterman Group Plc

Waterman Group (Aus) Pty Limited

Japan Urban Engineering Co., Ltd.

Chi-ken Sogo Consultants Co., Ltd.

NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.

Environmental Research & Solutions Co., Ltd.

Environmental Research & Solutions Co., Ltd. was a non-consolidated subsidiary until the previous consolidated fiscal year, but it has been included in the scope of consolidation from the current consolidated fiscal year due to its increased importance.

(2) Number of non-consolidated subsidiaries: 11

Names of the non-consolidated subsidiaries:

CTI Frontier Co., Ltd.

Management Techno Co., Ltd

Kamaishi Solar Power Generation Co., Ltd.

Kamaishi Naranokidaira Solar Power Generation Co., Ltd.

CTI REED Co., Ltd.

CTI Shin Doboku Co., Ltd.

CTI Wing Co., Ltd

CTI Ground Planning Co., Ltd.

Wuhan CTI-CRSRI Engineering & Environment Co., Ltd.

CTI Myanmar Co., Ltd.

CTI Pilipinas, Inc.

(3) Reason why the non-consolidated subsidiaries are excluded from consolidation range

All of these non-consolidated subsidiaries are small and their total assets, sales, net income or loss, surplus and other of the current term do not largely influence the consolidated financial statements.

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliates to which the equity method is applied

The equity method is not applied to any non-consolidated subsidiary.

(2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied

CTI Frontier Co., Ltd., Management Techno Co., Ltd., Kamaishi Solar Power Generation Co., Ltd., Kamaishi Naranokidaira Solar Power Generation Co., Ltd., CTI REED Co., Ltd., CTI Shin Doboku Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., CTI Myanmar Co., Ltd., CTI Pilipinas, Inc., Sogo Setsubi Consulting Co., Ltd., SAPPORO NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. and VESTA·CHP Co., Ltd. have only a slight influence on the consolidated net income or loss and the profit surplus respectively, and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.

(Sogo Setsubi Consulting Co., Ltd. and SAPPORO NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. are affiliates of NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.)

3. Fiscal year of the consolidated subsidiary

The fiscal year of some consolidated subsidiaries of Waterman Group Plc ends on either March 31 or June 30. In preparing the consolidated financial statements, the financial statements of the above-mentioned consolidated subsidiaries based on the provisional settlement of accounts implemented as of December 31, the consolidated closing date, have been used.

The fiscal year of the other consolidated subsidiaries ends on the consolidated closing date.

4. Accounting standard for application of accounting policies to foreign subsidiaries

The Revised Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18 issued on June 28, 2019) has been applied, and necessary adjustment has been made to the overseas subsidiaries upon the settlement of consolidated accounts.

5. Accounting policy

(1) Valuation base and valuation method of important assets

1) Securities

Held-to-maturity securities

Amortized cost method.

Available-for-sale securities

* Securities other than stocks, etc. with no market value

Calculated on the market value method based upon stock market prices as of the consolidated fiscal year-end. (Unrealized gains or losses have been dealt with according to the direct capital imputation method, while value of products sold has been calculated according to the moving average method.)

* Stocks, etc. with no market value

Cost method by moving average method.

2) Inventories

Prepaid expenses for uncompleted services -- Cost method by job cost system

(2) Depreciation and amortization method of important depreciable assets

1) Tangible fixed assets (excluding lease assets and right-of-use assets) -- Declining balance method.

However, the straight-line method is adopted for the buildings (excluding the facilities attached to them) acquired on and after April 1, 1998 and the facilities attached to buildings and structures acquired on and after April 1, 2016.

Further, the average life expectancy is as set forth below.

Buildings: 17 – 50 years

The straight-line method is adopted for right-of-use assets.

2) Intangible fixed assets (excluding lease assets) -- Straight-line method.

For software for internal use, the straight-line method based on the usable period in the Company (5 years) is adopted.

3) Lease assets

Straight-line method using the lease period as the service life and considering the residual value to be zero.

(3) Standards for translation of assets and liabilities denominated in foreign currencies into yen

Monetary debts and credits denominated in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, and the foreign exchange gains and losses resulting from the translation are recognized in the consolidated profit and loss account.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date. Meanwhile, revenue and expenses are translated into yen based on the average exchange rate for the consolidated fiscal year. The differences resulting from the translation are included in foreign currency translation adjustment and non-controlling interests under net assets.

(4) Entry standard of important reserves and allowances

1) Allowance for doubtful accounts

To prepare for any loss by bad debts, in respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded.

2) Reserve for bonuses

To prepare for bonus payment to employees, the Company enters the reserve for bonuses according to the estimated payment amount standard.

3) Reserve for bonuses to directors

Calculated on forecasted payment amount to prepare for bonus payments to Directors.

4) Allowance for losses in operations

Calculated according to the forecasted losses due to uncompleted services at the end of current consolidated fiscal year in preparation for future losses related to ordered works.

5) Allowance for compensation for completed work

Calculated according to the forecasted compensation for completed work at the end of current consolidated fiscal year in preparation for future payment of compensation related to completed work.

(5) Accounting treatment of retirement benefits obligations

1) Periodic allocation of retirement benefits forecast

When computing retirement benefits obligations, the benefit formula standard is applied for allocation of the retirement benefits forecast to the periods until the end of current consolidated fiscal year.

2) Expense disposal of accounting disparity

As regards the accounting disparity, expenses shall be disposed of from the next consolidated fiscal year by the fixed amount method that shall use a predetermined number of years (5 years) within the average remaining employment period for those employees that were employed at the time of its occurrence.

3) Adoption of the simplified method in SMEs

When computing net defined benefit liability and retirement benefit costs, some consolidated subsidiaries adopt the simplified method wherein retirement benefits obligations are forecasted payment amount, assuming that all employees terminate their services as of the balance sheet date for their own convenience.

(6) Entry standard of important revenues and expenses

The Group provides consulting engineering services such as research, planning, and design, etc. in various fields related to social capital development for public and private works both in Japan and overseas.

These services are provided on the basis of performance obligations set forth in contracts with customers. Revenue from contracts expected to satisfy performance obligations over time is recognized over time by estimating progress towards satisfaction of performance obligations, while revenue from contracts expected to satisfy performance obligations at a point in time is recognized when performance obligations are satisfied.

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

(7) Method and period for amortization of goodwill

Goodwill is amortized equally over a certain number of years within a maximum period of 20 years based on an estimation of the duration of the effect of goodwill.

(8) Range of fund in the consolidated cash flow statement

The fund (cash and cash equivalents) in the consolidated cash flow statement comprises cash in hand, bank deposit which can be withdrawn at any time and short-term investment which can be easily realized and takes only a low risk about value fluctuation and for which the refund date comes within 3 months from the acquisition date, and overdrafts (negative cash equivalents) used in a similar way to cash equivalents in fund management.

(Important Accounting Estimates)

Valuation of goodwill concerning Waterman Group Plc

(1) The amount recorded on the consolidated financial statements for the current consolidated fiscal year

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	4,208 million yen	4,058 million yen

(2) Information on the details of important accounting estimates concerning the item identified

The said goodwill was generated by the business combination that occurred when the shares of Waterman Group Plc were acquired. The amount recorded was based on the future excess earning power, etc. predicted at the time of acquisition.

Indications of impairment of the said goodwill are determined via a reasonable examination of whether Waterman Group Plc's business environment has deteriorated significantly, the comparison between actual performance and the business plan used to calculate the acquisition cost at the time of acquisition of the said shares, and whether there has been a significant decrease in excess earning power based on the latest business plan.

In the current consolidated fiscal year, the said goodwill was deemed to be an appropriate reflection of future excess earning power, etc., and no indications of impairment were found.

In determining the indications of impairment of goodwill, judgments made reflect the market environment, such as the capital investment budget of the local government office where an investment has been made or trends in capital investment by private companies, as well as the future projection of the economy as a whole, including the impact of inflation caused by the current state of international affairs.

Future cash flows estimates based on business plans that reflect these future projections may vary in the long term, primarily due to external factors such as market conditions.

Going forward, if it becomes necessary to review the future business plan, such as when the original business plan made at the time of acquisition deviates from actual performance and results in deteriorated business conditions, impairment loss of the said goodwill may arise, which may have a significant impact on the consolidated financial statements from the next consolidated fiscal year onwards.

Regarding the impact of the COVID-19 pandemic, although it is difficult to predict when the pandemic will

officially end, as of the end of the current consolidated fiscal year, its impact on Waterman Group Plc’s business performance was limited. Therefore, it is assumed that the pandemic will have no material impact in the next consolidated fiscal year and beyond.

Estimating total costs by applying the method of recognizing revenue over time

(1) The amount recorded on the consolidated financial statements for the current consolidated fiscal year

	Current consolidated fiscal year
Sales recognized over time	83,107 million yen

(2) Information on the details of important accounting estimates concerning the item identified

Regarding the recording of revenue from consulting engineering service projects (hereinafter the “projects”), for performance obligations satisfied over time, revenue is recognized on the basis of the level of progress in satisfying a performance obligation if the level can be reasonably estimated. If the level of progress cannot be reasonably estimated, but the costs incurred is expected to be recoverable, revenue is recognized on a cost recovery basis until a reasonable estimate of progress can be made.

The level of progress is estimated using the ratio of costs incurred to estimated total costs (input method).

The amount of estimated total costs is projected as a working budget for each project. When formulating a working budget, the work content and man-hours required to complete the project are estimated, and such estimates depend on the realization of the effects of future cost reduction measures and the quality of process management, etc. Therefore, they involve the judgment of management and project managers, and such judgments can have a material impact on the estimate of total costs.

In addition, as projects are related to new designs and plans, the latest technology and specific technical capabilities, estimates for work content and man-hours, etc. may change due to the existence of certain facts that are only identified after the project has begun, such as additional requests from customers, or changes in the project situation. Therefore, the amount of estimated total costs is subject to uncertainty. As a result, the level of progress related to the satisfaction of project performance obligations may fluctuate, which may have a material impact on the amount of sales in the next consolidated fiscal year.

(Changes in Accounting Policies)

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

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2022; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the current consolidated fiscal year. The Group now recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for such a good or service.

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

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

The Group applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment as set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to profit surplus at the beginning of the current consolidated fiscal year, with the new accounting policies applied from the beginning balance. In

addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current consolidated fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to profit surplus at the beginning of the current consolidated fiscal year.

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

The impact on per share information is described in the relevant section.

Following the application of the Revenue Recognition Standard, etc., “Notes receivable and completed work receivables,” which were previously presented under “Current assets” on the Consolidated Balance Sheet for the previous consolidated fiscal year, are now included in “Notes receivable, completed work receivables and contract assets” beginning in the current consolidated fiscal year, and “Advances received from uncompleted services,” which were previously presented under “Current liabilities,” are now included in “Contract liabilities” beginning in the current consolidated fiscal year.

In addition, “Decrease (increase) in sales account” and “Increase (decrease) in advances received from uncompleted services,” which were previously presented under “Cash flow from operating activities” on the Consolidated Cash Flow Statement for the previous consolidated fiscal year, are now respectively included in “Decrease (increase) in trade receivables and contract assets” and “Increase (decrease) in contract liabilities” beginning in the current consolidated fiscal year.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous consolidated fiscal year have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, “Notes on Revenue Recognition” related to the previous consolidated fiscal year have not been included.

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

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current consolidated fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements. Furthermore, in “Notes on Financial Instruments,” notes on matters regarding the breakdown, etc. of financial instruments according to their fair values have been included. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Application Guidance No. 19, July 4, 2019), among the items in the said notes, items related to the previous consolidated fiscal year have not been listed.

(New Accounting Pronouncements)

* “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2022, Accounting Standards Board of Japan)

(1) Outline

The guidance stipulates the treatment related to calculations of and notes on the fair value of investment trusts, as well as the treatment related to notes on the fair value of investments in partnerships, etc. where the net equity amount is recorded on the balance sheet.

(2) Planned date for application

The Company plans to apply this guidance from the beginning of the consolidated fiscal year ending December 31, 2023.

(3) Effect of the application of these accounting standards, etc. on financial statements

The effect is under examination at the time of preparation of the consolidated financial statements for the current consolidated fiscal year.

(Changes in Presentation Method)

(Notes on Consolidated Cash Flow Statement)

“Loss (gain) on sale of investment securities,” which was included in “Other” under “Cash flow from operating activities” in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year due to increased materiality. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in the presentation method.

As a result, on the consolidated cash flow statement for the previous consolidated fiscal year, the 13 million yen of “Other” that was presented under “Cash flow from operating activities” have been reclassified as 1 million yen of “Loss (gain) on sale of investment securities” and 11 million yen of “Other.”

(Additional Information)

Regarding the impact of the COVID-19 pandemic, although it is difficult to predict when the pandemic will officially end, as of the end of the current consolidated fiscal year, its impact on the Group’s business performance was limited. Therefore, it is assumed that the pandemic will have no material impact in the next consolidated fiscal year and beyond.

(Notes on Consolidated Balance Sheet)

*1 Out of notes receivable, completed work receivables and contract assets, the amounts of receivables and contract assets arising from contracts with customers are as follows:

	Current Consolidated Fiscal Year (as of December 31, 2022)	
Notes receivable	22	million yen
Completed work receivables	7,288	
Contract assets	18,669	

*2 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Investment securities (stock)	805 million yen	694 million yen
“Other” in investments and other assets	0	0

*3 Warranty for liabilities

Warranty for liabilities, etc. of the following companies, etc. borrowed from financial institutions:

	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	73 million yen	64 million yen
VESTA·CHP Co., Ltd. (affiliate)	54	209
Employees of the Group	26	20
Total	153	294

(Notes on Consolidated Profit and Loss Account)

*1 Major items and amounts among selling, general and administrative expenses are as follows:

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Wages and allowances	4,620 million yen	5,060 million yen
Bonuses	789	765
Transferred reserve for bonuses	674	746
Reserve for bonuses to directors	159	202
Retirement benefits expenses	273	257
Research and investigation expenses	976	1,112
Allowance for doubtful accounts	48	59

*2 The research and investigation expenses included in selling, general and administrative expenses are as follows:

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
	976 million yen	1,112 million yen

*3 Loss from fixed assets disposal can be broken down as follows:

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Buildings and structures in tangible fixed assets	6 million yen	1 million yen
Other tangible fixed assets	1	3
Other intangible fixed assets	19	1
Total	27	5

(Notes on Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments to net income and related tax effect of other comprehensive income

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Other valuation difference on available- for-sale securities		
Amount recognized in the period	374 million yen	-58 million yen
Reclassification adjustments to net income	-1	-40
Before tax-effect adjustment	373	-98
Amount of tax effects	-123	23
Other valuation difference on available- for-sale securities	250	-75
Foreign currency translation adjustment		
Amount recognized in the period	670	232
Before tax-effect adjustment	670	232
Foreign currency translation adjustment	670	232
Remeasurements of defined benefit plans, net of tax		
Amount recognized in the period	687	181
Reclassification adjustments to net income	238	-15
Before tax-effect adjustment	926	166
Amount of tax effects	-285	-51
Remeasurements of defined benefit plans, net of tax	640	114
Total other comprehensive income	1,561	271

(Statement of Fluctuations in Consolidated Shareholders' Equity)

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

1. Issued shares

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	14,159,086	–	–	14,159,086

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	19,188	147	–	19,335

Note: The increase in the amount of treasury stock of 147 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights

Not applicable.

4. Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 25, 2021	Common stock	636	45	December 31, 2020	March 26, 2021

(2) Within shares held on the record date of this consolidated fiscal year, the “effective date” will fall on the next consolidated fiscal year.

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 24, 2022	Common stock	Profit surplus	848	60	December 31, 2021	March 25, 2022

5. Changes in liabilities for written put options over non-controlling interests

The Group has granted written puts options concerning shares of consolidated subsidiaries that apply the international financial reporting standards (IFRS) to non-controlling interests of the consolidated subsidiaries. The expected future payment amount is recorded in other liabilities, and the same amount is deducted from capital surplus. Any fluctuations that occur after the initial recognition is recognized through an increase or decrease in capital surplus.

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

1. Issued shares

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	14,159,086	–	–	14,159,086

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	19,335	143	–	19,478

Note: The increase in the amount of treasury stock of 143 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights

Not applicable.

4. Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 24, 2022	Common stock	848	60	December 31, 2021	March 25, 2022

(2) Within shares held on the record date of this consolidated fiscal year, the “effective date” will fall on the next consolidated fiscal year.

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 28, 2023	Common stock	Profit surplus	1,413	100	December 31, 2022	March 29, 2023

5. Changes in liabilities for written put options over non-controlling interests

The Group has granted written puts options concerning shares of consolidated subsidiaries that apply the international financial reporting standards (IFRS) to non-controlling interests of the consolidated subsidiaries. The expected future payment amount is recorded in other liabilities, and the same amount is deducted from capital surplus. Any fluctuations that occur after the initial recognition is recognized through an increase or decrease in capital surplus.

(Notes on Consolidated Cash Flow Statement)

*1 Relation between the closing balance of the cash and cash equivalents and the amounts for items described on the Consolidated Balance Sheet

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Cash and bank deposit account	20,527 million yen	22,589 million yen
Cash and cash equivalents	20,527	22,589

(Notes on Lease Arrangements)

1. Financial lease transactions (Lessee side)

Finance lease transactions of which ownership is not transferred to the lessee

(1) Lease assets

1) Tangible fixed assets

Mainly office appliances (other)

2) Intangible fixed assets

Software (other)

(2) Depreciation and amortization method for lease assets

The method is outlined in “(2) Depreciation and amortization method of important depreciable assets of 5. Accounting policy” in Basic Important Matters for Preparation of Consolidated Financial Statements.

(Notes on Financial Instruments)

1. Items Related to Financial Instruments

(1) Policy of financial instruments

With regard to fund management, the Group's policy is to invest temporary surplus funds in highly secure financial assets only and does not engage in speculative transactions such as derivative financial instruments.

(2) Details and risks of financial instruments and the risk management system

Notes receivable and completed work receivables as trade receivables are exposed to customer credit risks. If, with regard to those risks, the Group receives no payment after a due date has passed, it will investigate the reasons and make the results known to related persons in-house, and the relevant department will then handle the matter appropriately, in accordance with the Rules on Management of Contract Duties and the Outline of the Handling of Contracts.

In addition, marketable securities and investment securities that mainly consist of investment trusts and shares are exposed to the risk of volatility in market prices. In the case of securities with fair value, the Group assesses their fair value on a regular basis.

(3) Supplementary explanation on matters related to the fair value, etc. of financial instruments

The fair value of financial instruments is measured based on market prices, if available, or a reasonably calculated value if a market price is not available. Because the calculation of the fair value of financial instruments entails variable factors, the value may fluctuate if different preconditions, etc. are applied.

2. Items Related to the Fair Value, etc. of Financial Instruments

The book value on the consolidated balance sheet, the fair value, and the difference between them are stated as follows.

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

The table below does not include the book values of financial instruments whose fair values are deemed to be considerably difficult to recognize (906 million yen of unlisted stocks).

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Investment securities			
1) Held-to-maturity securities	711	714	3
2) Available-for-sale securities	2,824	2,824	-

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

The table below does not include the book values of stocks, etc. that do not have market values (847 million yen of unlisted stocks).

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Investment securities			
1) Held-to-maturity securities	708	672	-35
2) Available-for-sale securities	2,649	2,649	-

Note 1. The description of the following are omitted, as they are either in cash or have a relatively short period of accounts settlement, and therefore their fair value is almost equal to the book value: "Cash and bank deposits," "Notes receivable, completed work receivables and contract assets," "Accounts payable," "Short-term borrowings," and "Accrued income taxes."

Note 2. Predicted redemption value after the settlement date of the consolidated accounts for monetary credits and securities that have reached maturity

Previous Consolidated Fiscal Year (as of December 31, 2021)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	20,527	–	–	–
Notes receivable and completed work receivables	9,804	–	–	–
Investment securities				
Held-to-maturity securities				
Corporate bonds	–	211	–	500
Total	30,332	211	–	500

Current Consolidated Fiscal Year (as of December 31, 2022)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	22,589	–	–	–
Notes receivable and completed work receivables	7,310	–	–	–
Investment securities				
Held-to-maturity securities				
Corporate bonds	–	208	500	–
Total	29,900	208	500	–

Note 3. Matters related to the breakdown, etc. of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs that have a material impact on the calculation of the fair value are used, the fair value is classified into the level of the lowest priority in the calculation of the fair value among the levels to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Current Consolidated Fiscal Year (as of December 31, 2022)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	2,649	–	–	2,649

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Current Consolidated Fiscal Year (as of December 31, 2022)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	–	–	672	672

(Note) Explanation of the valuation techniques used in the calculation of fair values and the inputs related to the calculation of fair values

Investment securities

Listed stocks are valued using quoted market prices. The fair values of listed stocks are classified as Level 1 fair values because they are traded in an active market. If significant unobservable inputs are used in the calculation, the fair values are be classified as Level 3 fair values.

(Notes on Marketable Securities)

1. Held-to-maturity securities

Previous Consolidated Fiscal Year (as of December 31, 2021)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	500	503	3
	(3) Other	–	–	–
	Subtotal	500	503	3
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	211	211	-0
	(3) Other	–	–	–
	Subtotal	211	211	-0
Total		711	714	3

Current Consolidated Fiscal Year (as of December 31, 2022)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	708	672	-35
	(3) Other	–	–	–
	Subtotal	708	672	-35
Total		708	672	-35

2. Available-for-sale securities

Previous Consolidated Fiscal Year (as of December 31, 2021)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	2,743	780	1,963
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	2,743	780	1,963
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	81	87	-6
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	81	87	-6
Total		2,824	868	1,956

Current Consolidated Fiscal Year (as of December 31, 2022)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	2,608	740	1,867
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	2,608	740	1,867
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	41	51	-9
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	41	51	-9
Total		2,649	791	1,858

3. Held-to-maturity securities sold during the consolidated fiscal year
Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Not applicable.

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Not applicable.

4. Available-for-sale securities sold during the consolidated fiscal year
Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	11	–	1

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

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	118	41	1

5. Securities written down
Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)

For the previous consolidated fiscal year, the Company wrote down 212 million yen of investment securities.

Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Not applicable.

(Notes on Retirement Benefits)

1. Outline of the current retirement benefits system

The Company and its consolidated subsidiaries adopt funded and unfunded defined benefit systems or a defined contribution system in order to appropriate them for employees' retirement benefits.

The Company and some consolidated subsidiaries joined the defined benefit-type corporate pension fund (jointly established). Because the fund is a multi-employer system and thus an amount of pension assets corresponding to the Company's contribution cannot be reasonably computed, the Company carries out the accounting treatment in the same manner used for the defined contribution system.

The system was transferred from a former employees' pension fund after approval was received for the return of past obligations for a part of an employees' pension fund administered on behalf of the government. An additional amount to be borne resulting from the return is not expected to accrue.

A defined benefit corporate pension system and lump sum retirement benefits system held by some consolidated subsidiaries computes net defined benefit liability and retirement benefits costs using the simplified method.

In the case of the retirement of present employees, there are cases where a retirement amount not subject to net defined benefit liability is paid.

The Company also has a retirement benefits trust.

2. Defined Benefit System (excluding the systems using the Simplified Method)

(1) Reconciliation of opening and closing balance of retirement benefits obligations

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Balance of retirement benefit obligations at the beginning of year	15,022	15,311
Labor costs	1,091	1,148
Interest costs	46	47
Accounting disparity	-49	-911
Retirement benefits paid	-799	-329
Balance of the retirement benefit obligations at the end of year	15,311	15,266

(2) Reconciliation of opening and closing balance of pension assets

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Balance of pension assets at the beginning of year	14,852	15,876
Expected operating profit	297	317
Accounting disparity	638	-729
Contribution from employer	794	832
Retirement benefits paid	-706	-282
Balance of the pension assets at the end of year	15,876	16,014

(3) Reconciliation of the ending balance of retirement benefits obligations and pension assets, and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

	(million yen)	
	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Funded retirement benefits obligations	14,453	14,283
Pension assets	-15,876	-16,014
	-1,423	-1,730
Unfunded retirement benefits obligations	857	982
Net amount of relevant liabilities and assets on the consolidated balance sheets	-565	-748
Net defined benefit liability	857	982
Net defined benefit asset	-1,423	-1,730
Net amount of relevant liabilities and assets on the consolidated balance sheets	-565	-748

(4) Retirement benefits costs and related accounting items

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Labor costs	1,091	1,148
Interest costs	46	47
Expected operating profit	-297	-317
Cost disposal amount arising from accounting disparity	238	-15
Retirement benefits costs under the defined benefit system	1,078	862

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items (before tax effect adjustment) included in remeasurements of defined benefit plans, net of tax is as follows:

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Accounting disparities	926	166
Total	926	166

(6) Remeasurements of defined benefit plans

The breakdown of items (before tax effect adjustment) included in remeasurements of defined benefit plans is as follows:

	(million yen)	
	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Previously unrecognized accounting disparities	552	718
Total	552	718

(7) Matters regarding pension assets

1) Major breakdown of pension assets

The percentages of major asset types that account for the total pension assets are as follows:

	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Domestic bonds	12 %	11 %
Domestic stocks	10	10
Foreign bonds	8	6
Foreign stocks	13	11
Life insurance general accounts	52	54
Other	5	8
Total	100	100

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (8% for the previous consolidated fiscal year, and 8% for the current consolidated fiscal year).

2) Method for setting the long-term expected operating profit percentage

To determine the long-term expected operating profit percentage on pension assets, the current and projected distribution of pension assets, as well as the current and anticipated long-term yield rates of various assets that constitute the pension assets, are taken into account.

(8) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Discount percentage	Primarily 0.3%	Primarily 1.0%
Long-term expected operating profit percentage	2.0%	2.0%

3. Defined Benefit System using the Simplified Method

(1) Reconciliation of opening and closing balance of net defined benefit liability using the Simplified Method

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)
Balance of net defined benefit liability at the beginning of year	79	105
Retirement benefits costs	48	125
Retirement benefits paid	-4	-29
Contribution to systems	-56	-87
Net amount of relevant benefit liability and asset	66	115
Net defined benefit liability	144	178
Net defined benefit asset	-78	-63
Net amount of relevant benefit liability and asset	66	115

(2) Reconciliation of the ending balance of retirement benefits obligations and pension assets, and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

	(million yen)	
	Previous Consolidated Fiscal Year (as of December 31, 2021)	Current Consolidated Fiscal Year (as of December 31, 2022)
Funded retirement benefits obligations	887	1,025
Pension assets	-820	-910
	66	115
Unfunded retirement benefits obligations	-	-
Net amount of relevant liabilities and assets on the consolidated balance sheets	66	115
Net defined benefit liability	144	178
Net defined benefit asset	-78	-63
Net amount of relevant liabilities and assets on the consolidated balance sheets	66	115

(3) Retirement benefit costs

Retirement benefit costs calculated using the simplified method

Previous Consolidated Fiscal Year	48 million yen
Current Consolidated Fiscal Year	125 million yen

4. Defined Contribution System

The required amounts of contribution to the defined contribution system of consolidated subsidiaries

Previous Consolidated Fiscal Year	239 million yen
Current Consolidated Fiscal Year	277 million yen

5. Multi-employer System

The required amounts of contribution to the multi-employer system, a system whose accounting treatment is carried out in the same manner as the defined contribution system, were 205 million yen for the previous consolidated fiscal year and 166 million yen for the current consolidated fiscal year.

(1) The latest savings in the multi-employer system

1) Japan Civil Engineering Consultants Corporate Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year (as of March 31, 2021)	Current Consolidated Fiscal Year (as of March 31, 2022)
Pension assets	92,388	93,421
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	70,975	71,564
Balance	21,412	21,856

2) Surveying & Design Enterprises Multi Employers Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year (as of March 31, 2021)	Current Consolidated Fiscal Year (as of March 31, 2022)
Pension assets	63,837	63,939
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	47,057	47,175
Balance	16,780	16,763

(2) Percentage of total salaries of the Group to the overall system under the multi-employer system

1) Japan Civil Engineering Consultants Corporate Pension Fund

Previous Consolidated Fiscal Year 8.28% (from April 1, 2020 to March 31, 2021)

Current Consolidated Fiscal Year 8.52% (from April 1, 2021 to March 31, 2022)

2) Surveying & Design Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year 0.39% (from April 1, 2020 to March 31, 2021)

Current Consolidated Fiscal Year 0.38% (from April 1, 2021 to March 31, 2022)

(3) Supplementary explanation

1) Japan Civil Engineering Consultants Corporate Pension Fund

The major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance (1,487 million yen for the previous consolidated fiscal year and 1,502 million yen for the current consolidated fiscal year) and surplus brought forward (-22,899 million yen for the previous consolidated fiscal year and -23,359 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method, with an amortization period of 5 years in the previous consolidated fiscal year, and an amortization period of 5 years in the current consolidated fiscal year. A special premium (79 million yen for the previous consolidated fiscal year and 26 million yen for the current consolidated fiscal year) was amortized in the consolidated financial statements.

Additionally, the percentage described in (2) above was not identical to the Group's actual percentage.

2) Surveying & Design Enterprises Multi Employers Pension Fund

Major reason for the balance described in (1) above was surplus brought forward (-16,780 million yen for the previous consolidated fiscal year and -16,763 million yen for the current consolidated fiscal year).

Additionally, the percentage described in (2) above was not identical to the Group's actual percentage.

(Stock Options)

Not applicable.

(Tax Effect Accounting)

1. Breakdown by major cause of deferred tax assets and deferred tax liabilities generation

	Previous Consolidated Fiscal Year (as of December 31, 2021)		Current Consolidated Fiscal Year (as of December 31, 2022)	
Deferred tax assets				
Accrued enterprise tax	116	million yen	178	million yen
Allowance for losses in operations	40		29	
Provision for warranties for completed operation	60		25	
Reserve for bonuses	837		942	
Social insurance premiums for bonuses	127		144	
Net defined benefit liability	416		431	
Long-term accounts payable	2		–	
Unrealized loss on securities	85		76	
Asset retirement obligations	76		86	
Loss brought forward	195		238	
Other	553		540	
Subtotal	2,511		2,694	
Allowance account	-676		-750	
Total	1,834		1,944	
Deferred tax liabilities				
Net defined benefit asset	230		271	
Tangible fixed assets	43		65	
Other valuation difference on available-for-sale securities	542		519	
Other	0		86	
Total	815		942	
Net of deferred tax assets	1,018		1,001	

2. Breakdown by major item of causes leading to any material difference between the legal effective tax rate and the bearing rate of corporation tax or the like after application of tax effect accounting

	Previous Consolidated Fiscal Year (as of December 31, 2021)		Current Consolidated Fiscal Year (as of December 31, 2022)	
Legal effective tax rate	30.62	%	30.62	%
(Adjustment)				
No entry of loss from entertainment expense etc.	0.56		0.61	
Per capita inhabitant tax	1.35		1.20	
No entry of profit from dividends earned, etc.	-0.06		-0.06	
Tax credit of experiment and research expenses	-0.42		-0.62	
Tax credits for promotion of securing human resources	–		-2.78	
No entry of loss from bonuses to directors	0.20		0.18	
Amortization of goodwill	1.18		1.05	
Increase/decrease in allowance account	1.89		-0.46	
Other	-1.02		-1.54	
Bearing rate of corporation tax or the like after application of tax effect accounting	34.30		28.20	

(Notes on Revenue Recognition)

1. Breakdown of revenue from contracts with customers
Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Goods and services transferred at a point in time	378	–	378
Goods and services transferred over a period of time	57,781	25,325	83,107
Revenue from contracts with customers	58,160	25,325	83,485
Other revenue	–	–	–
Sales to outside customers	58,160	25,325	83,485

2. Information that forms the basis for understanding revenue arising from contracts with customers
Please refer to “Basic Important Matters for Preparation of Consolidated Financial Statements, 5. Accounting policy, (6) Entry standard of important revenues and expenses.”
3. The relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts; and the amount and timing of revenue expected to be recognized in the next consolidated fiscal year and beyond from contracts with customers that exist at the end of the current consolidated fiscal year

- (1) Balance of contract assets and contract liabilities, etc.

(million yen)

	Current consolidated fiscal year (As of December 31, 2022)
Receivables arising from contracts with customers (Balance at beginning of period)	9,113
Receivables arising from contracts with customers (Balance at end of period)	7,310
Contract assets (Balance at beginning of period)	14,191
Contract assets (Balance at end of period)	18,669
Contract liabilities (Balance at beginning of period)	5,324
Contract liabilities (Balance at end of period)	4,547

Contract assets are rights to consideration related to sales revenue, which are recognized based on the progress of satisfaction of performance obligations as of the fiscal year-end, mainly for contract agreements. Contract assets are transferred to receivables arising from contracts with customers when the rights become unconditional (when legal claims are established). The consideration is mainly received within one year from the time the performance obligation is satisfied.

Contract liabilities are related to advances, etc. received from customers, and are reversed when revenue is recognized.

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liabilities balance at the beginning of the period was 4,787 million yen.

Of the revenue recognized during the current consolidated fiscal year, the amount related to performance obligations satisfied in prior periods was immaterial.

(2) Transaction price allocated to remaining performance obligations

The transaction prices allocated to the remaining performance obligations as of the end of the current consolidated fiscal year are as follows:

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Transaction price allocated to remaining performance obligations	39,727	25,034	64,761

Approximately 90% of the domestic consulting engineering business is expected to be recognized as revenue within one year, and the remaining 10% is expected to be recognized as revenue within a period between one and six years.

Approximately 70% of the overseas consulting engineering business is expected to be recognized as revenue within one year, and the remaining 30% is expected to be recognized as revenue within a period between one and seven years.

(Segment Information)

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 segments

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

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

As described in Changes in Accounting Policies, the Group has applied Revenue Recognition Standard, etc. from the beginning of the current consolidated fiscal year. Due to the change in the method of accounting treatment for revenue recognition, the method for calculating profit or loss for each business segment has also changed. As a result of this change, compared to the previous method, in the current consolidated fiscal year, sales and segment income of the domestic consulting engineering business increased by 4,690 million yen and 997 million yen respectively, while sales and segment income of the overseas consulting engineering business increased by 2,639 million yen and 331 million yen respectively.

In addition, from the beginning of the current consolidated fiscal year, Environmental Research & Solutions Co., Ltd., which was previously a non-consolidated subsidiary, was newly added to the scope of consolidation, and it is now included in the “Domestic consulting engineering business” reportable segment.

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

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

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

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

2. Segment income is reconciled with operating income in the consolidated profit and loss account.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(million yen)

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

- Notes: 1. Adjustments to inter-segment sales or transfers (-68 million yen), adjustments to segment income (1 million yen), and adjustments to segment assets (-850 million yen) are attributable to inter-segment eliminations.
2. Segment income is reconciled with operating income in the consolidated profit and loss account.

Relevant Information

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

1. Information by products and services

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

2. Information by areas

(1) Sales

(million yen)

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

- Notes:
- 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, Myanmar, etc.
 - Europe other than UK: Ireland, etc.
 - Other: Australia, etc.

(2) Tangible Fixed Assets

(million yen)

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

- Notes:
- 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, Myanmar, etc.
 - Europe other than UK: Ireland, etc.
 - Other: Australia, etc.

3. Information by major customers

(million yen)

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

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1. Information by products and services

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

2. Information by areas

(1) Sales

(million yen)

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

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

(2) Tangible Fixed Assets

(million yen)

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

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

3. Information by major customers

(million yen)

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

Impairment losses on fixed assets by reportable segments

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

Not applicable.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Impairment losses	17	–	–	17

Amortized amount and unamortized balance of goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

(million yen)

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

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(million yen)

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

Gain on negative goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

Not applicable.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Not applicable.

Information on related parties

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

Not applicable.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Not applicable.

(Notes on Investment and Rental Property)

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

There are no significant investment or rental properties to be stated, so the statement is omitted.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no significant investment or rental properties to be stated, so the statement is omitted.

(Information per Share)

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

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

2. As described in Changes in Accounting Policies, the Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards, and has applied the transitional treatment stipulated in the proviso to Paragraph 84 of the “Accounting Standard for Revenue Recognition.” As a result, net assets per share and net income per share increased by 317.74 yen and 64.23 yen, respectively, for the current consolidated fiscal year.

3. Basis of calculation of net income per share:

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

(Significant Subsequent Event)

Not applicable.

(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

Category	Current term opening balance (million yen)	Current term closing balance (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	900	1,150	0.5	–
Long-term borrowings to be repaid within 1 year	–	40	0.5	–
Lease obligations to be repaid within 1 year	467	538	0.5	–
Long-term borrowings except those to be repaid within 1 year	–	201	–	2024 to 2033
Lease obligations except those to be repaid within 1 year	1,113	960	–	2024 to 2028
Other Interest-bearing Liabilities	–	–	–	–
Total	2,480	2,892	–	–

Notes: 1. In respect of the average interest ratio, balance at the end of the term such as outstanding borrowings are set forth at a weighted average percentage.

2. Because lease obligations are reported in the consolidated balance sheet in the amount before deducting assumed interest payments included in total lease payments, the average interest ratio of the lease obligations is not set forth.

3. The amount scheduled to be repaid for long-term borrowings and lease obligations (except those to be repaid within one year) within 5 years after the consolidated closing date is as follows.

Category	Over 1 year but within 2 years (million yen)	Over 2 years but within 3 years (million yen)	Over 3 years but within 4 years (million yen)	Over 4 years but within 5 years (million yen)
Long-term borrowings	40	40	41	30
Lease obligations	432	314	206	8

Specifications about asset retirement obligations

The amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is no more than one hundredth of the total amount of liabilities and net assets at the beginning and end of the current consolidated fiscal year, respectively. The Company has nothing to be described here.

(2) Other

Quarterly financial information for the current consolidated fiscal year

(Cumulative period)	Three months ended March 31, 2022	First half ended June 30, 2022	Nine months ended September 30, 2022	Current consolidated fiscal year
Sales (million yen)	23,538	41,844	61,446	83,485
Net income before income tax (million yen)	3,530	5,579	6,667	8,252
Net income attributable to owners of the parent (million yen)	2,444	3,796	4,516	5,874
Net income per share (yen)	172.89	268.52	319.40	415.49

(Fiscal period)	First quarter from January 1, 2022 to March 31, 2022	Second quarter from April 1, 2022 to June 30, 2022	Third quarter from July 1, 2022 to September 30, 2022	Fourth quarter from October 1, 2022 to December 31, 2022
Net income per share (yen)	172.89	95.63	50.88	96.10

2. Non-consolidated Financial Statements and Other Materials

- (1) Non-consolidated Financial Statements
 (i) Non-consolidated Balance Sheet

(million yen)

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Assets		
Current assets		
Cash and bank deposits	15,006	17,057
Completed work receivables	3,101	-
Notes receivable, completed work receivables and contract assets	-	14,777
Prepaid expenses for uncompleted services	13,065	86
Advance payment	322	327
Short-term loans	*1 1,846	*1 1,895
Other	101	103
Total current assets	33,443	34,247
Fixed assets		
Tangible fixed assets		
Buildings	5,242	5,391
Accumulated depreciation	-2,671	-2,822
Buildings, net	2,570	2,568
Structures	763	763
Accumulated depreciation	-617	-627
Structures, net	145	136
Machinery and equipment	242	328
Accumulated depreciation	-238	-241
Machinery and equipment, net	3	87
Furniture and fixtures	1,418	1,526
Accumulated depreciation	-1,092	-1,198
Furniture and fixtures, net	325	327
Land	4,787	4,787
Lease assets	198	219
Accumulated depreciation	-100	-133
Lease assets, net	98	85
Total tangible fixed assets	7,931	7,992
Intangible fixed assets		
Leasehold	16	16
Software	647	482
Telephone rights	22	22
Lease assets	1	1
Other	0	-
Total intangible fixed assets	688	522
Investments and other assets		
Investment securities	3,621	3,492
Shares in subsidiaries and affiliates	8,078	8,078
Investments	96	115
Long-term loans	*1 499	*1 468
Long-term prepaid expenses	26	15
Deferred tax assets	1,002	1,152
Lease and guarantee deposit	1,260	*1 1,318
Prepaid pension cost	964	1,088
Other	6	6
Allowance for doubtful accounts	-106	-106
Total investments and other assets	15,447	15,629
Total fixed assets	24,067	24,145
Total assets	57,510	58,392

(million yen)

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable for services	*1 1,733	*1 2,408
Lease obligations	41	39
Accounts payable	409	471
Accrued income taxes	1,557	2,439
Accrued consumption taxes	940	-
Accrued expenses	1,286	1,378
Advances received from uncompleted services	9,698	-
Contract liabilities	-	2,227
Deposits received	774	765
Revenue received in advance	16	16
Asset retirement obligations	-	15
Reserve for bonuses	2,436	2,748
Reserve for bonuses to directors	40	37
Allowance for losses in operations	22	24
Provision for warranties for completed operation	198	82
Total current liabilities	19,155	12,655
Fixed liabilities		
Long-term accounts payable	7	-
Lease obligations	61	50
Reserve for retirement benefits	953	1,054
Asset retirement obligations	183	191
Other	3	3
Total fixed liabilities	1,209	1,299
Total liabilities	20,364	13,955
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus		
Capital reserve	4,122	4,122
Total capital surplus	4,122	4,122
Profit surplus		
Profit reserve	176	176
Other profit surplus		
General reserve	8,700	8,700
Profit surplus brought forward	19,720	27,086
Total profit surplus	28,597	35,963
Treasury stock	-13	-14
Total shareholders' equity	35,731	43,097
Valuation and translation differences		
Other valuation difference on available-for-sale securities	1,414	1,338
Total valuation and translation adjustment	1,414	1,338
Total net assets	37,146	44,436
Total liabilities and net assets	57,510	58,392

(ii) Non-consolidated Profit and Loss Account

(million yen)

	Previous Fiscal Year (from January 1, 2021 to December 31, 2021)		Current Fiscal Year (from January 1, 2022 to December 31, 2022)	
Sales	*1	48,591	*1	51,359
Cost of sales	*1	33,565	*1	35,006
Gross profit		15,025		16,353
Selling, general and administrative expenses	*2	9,201	*2	9,647
Operating income		5,823		6,705
Non-operating revenues				
Interest earned	*1	16	*1	17
Dividend earned	*1	170	*1	190
Interest from securities		4		4
Rent earned	*1	99	*1	101
Other		76		70
Total non-operating revenues		367		384
Non-operating expenses				
Commissions paid		15		2
Rental expenses		55		54
Loss related to impropriety		32		-
Other		2		9
Total non-operating expenses		105		66
Ordinary profit		6,085		7,024
Extraordinary gain				
Gain on sale of investment securities		-		41
Gain on investments in investment partnerships		3		-
Total extraordinary gain		3		41
Extraordinary loss				
Loss from fixed assets disposal	*3	26	*3	5
Unrealized loss on investment securities		74		-
Unrealized loss on shares in subsidiaries and affiliates		138		-
Other		4		1
Total extraordinary loss		244		7
Net income before income tax		5,845		7,058
Corporation tax, inhabitants tax and enterprise tax		2,226		3,364
Deferred income taxes etc.		-303		-1,472
Total income taxes		1,922		1,891
Net income		3,922		5,167

Specifications for Cost of Sales

Category	Note No.	Previous Fiscal Year (from January 1, 2021 to December 31, 2021)			Current Fiscal Year (from January 1, 2022 to December 31, 2022)		
		Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		10,475			11,132		
2. Bonuses		2,253			2,162		
3. Provision of reserve for bonuses		1,772			2,037		
4. Retirement benefits expense		804			632		
5. Other		2,450	17,755	53.9	2,608	18,573	53.3
II Amount paid to subcontractors			10,793	32.7		11,796	33.8
III Expenses							
1. Traveling expenses		606			749		
2. Printing and copying expenses		335			309		
3. Expendables cost		433			452		
4. Rents		1,665			1,796		
5. Depreciation		155			167		
6. Provision of allowance for losses in operations		14			11		
7. Allowance for provision for warranties for completed operation		198			-115		
8. Other		1,004	4,413	13.4	1,111	4,483	12.9
Current general business expenses			32,963	100.0		34,853	100.0
Opening prepaid expenses for uncompleted services			13,667			239	
Total			46,630			35,092	
Closing prepaid expenses for uncompleted services			13,065			86	
Current cost of sales			33,565			35,006	

(Footnote) Cost accounting is according to the job order costing method.

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

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		Total profit surplus
		Capital reserve	Total capital surplus		General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	16,434	25,311
Changes of items during the period							
Dividends from surplus						-636	-636
Net income						3,922	3,922
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	-	-	-	-	-	3,285	3,285
Balance at the end of current period	3,025	4,122	4,122	176	8,700	19,720	28,597

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-13	32,446	1,164	1,164	33,610
Changes of items during the period					
Dividends from surplus		-636			-636
Net income		3,922			3,922
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			250	250	250
Total changes of items during the period	-0	3,285	250	250	3,535
Balance at the end of current period	-13	35,731	1,414	1,414	37,146

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

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		Total profit surplus
		Capital reserve	Total capital surplus		General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	19,720	28,597
Cumulative effects of changes in accounting policies						3,047	3,047
Restated balance reflecting changes in accounting policies	3,025	4,122	4,122	176	8,700	22,768	31,644
Changes of items during the period							
Dividends from surplus						-848	-848
Net income						5,167	5,167
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	-	-	-	-	-	4,318	4,318
Balance at the end of current period	3,025	4,122	4,122	176	8,700	27,086	35,963

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-13	35,731	1,414	1,414	37,146
Cumulative effects of changes in accounting policies		3,047			3,047
Restated balance reflecting changes in accounting policies	-13	38,779	1,414	1,414	40,193
Changes of items during the period					
Dividends from surplus		-848			-848
Net income		5,167			5,167
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			-75	-75	-75
Total changes of items during the period	-0	4,318	-75	-75	4,242
Balance at the end of current period	-14	43,097	1,338	1,338	44,436

Notes:

Important Accounting Policy

1. Valuation base and method for securities

(1) Held-to-maturity securities

Amortized cost method.

(2) Shares in subsidiaries and affiliates

Cost method according to moving average method.

(3) Available-for-sale securities

* Securities other than stocks, etc. with no market value

Calculated on the market value method based upon stock market prices as of the fiscal year-end. (Unrealized gains or losses have been dealt with according to the direct net assets imputation method, while value of products sold has been calculated according to the moving average method.)

* Stocks, etc. with no market value

Cost method according to moving average method.

2. Valuation base and method for inventories

Prepaid expenses for uncompleted services -- Cost method by job cost system

3. Depreciation of fixed assets

(1) Tangible fixed assets (excluding lease assets) -- Declining balance method

However, straight-line method is applied to the buildings (excluding the facilities attached to them) acquired on and after April 1, 1998 and the facilities attached to buildings and structures acquired on and after April 1, 2016. Further, the average life expectancy is as set forth below.

Buildings: 17 – 50 years

(2) Intangible fixed assets (excluding lease assets) -- Straight-line method

For software for internal use, the straight-line method based on the usable period in the Company (5 years) is adopted.

(3) Lease assets

Straight-line method using the lease period as the service life and considering the residual value to be zero.

4. Standards for translation of assets and liabilities denominated in foreign currencies into yen

Monetary debts and credits denominated in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the balance sheet date, and the foreign exchange gains and losses resulting from the translation are recognized in the profit and loss account.

5. Accounting for allowances and reserves

(1) Allowance for doubtful accounts

In respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded to prepare for possible loss caused by bad debts.

(2) Reserve for bonuses

To prepare for bonus payment to employees, the Company enters the reserve for bonuses according to the estimated payment amount standard.

(3) Reserve for bonus to directors

Calculated on forecast payment amount to prepare for bonus payments to Directors.

(4) Allowance for losses in operations

Calculated according to the forecasted losses due to uncompleted services at the end of fiscal year in preparation for future losses related to ordered works.

(5) Provision for warranties for completed operation

Calculated according to the forecasted compensation for completed work at the end of current fiscal year in preparation for future payment of compensation related to completed work.

(6) Reserve for retirement benefits

To prepare retirement benefits for employees, these were recorded based upon the obligations to pay retirement benefits and the forecast amount of pension assets as at the end of this accounting year.

1) Periodic allocation of retirement benefits forecast

When computing retirement benefits obligations, the benefit formula standard is applied for allocation of retirement benefits forecast to the periods until the end of current fiscal year.

2) Expense disposal of accounting disparity

As regards the accounting disparity, expenses shall be disposed of from the next fiscal year by the fixed amount method that shall use a predetermined number of years (5 years) within the average remaining employment period for those employees that were employed at the time of its occurrence.

6. Entry standard of important revenues and expenses

The Company provides consulting engineering services such as research, planning, and design, etc. in various fields related to social capital development for public and private works both in Japan and overseas.

These services are provided on the basis of performance obligations set forth in contracts with customers. Revenue from contracts expected to satisfy performance obligations over time is recognized over time by estimating progress towards satisfaction of performance obligations, while revenue from contracts expected to satisfy performance obligations at a point in time is recognized when performance obligations are satisfied.

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

7. Other important accounting policies as bases for the preparation of financial statements

Accounting treatment of retirement benefits

The accounting treatment of unrecognized accounting disparities relating to retirement benefits is different from the accounting treatment of unrecognized accounting disparities relating to retirement benefits in the consolidated financial statements.

(Important Accounting Estimates)

Valuation of shares in subsidiaries and affiliates concerning Waterman Group Plc

(1) The amount recorded on the non-consolidated financial statements for the current fiscal year

	Previous fiscal year	Current fiscal year
Out of shares in subsidiaries and affiliates, shares concerning Waterman Group Plc	6,962 million yen	6,962 million yen

(2) Information on the details of important accounting estimates concerning the item identified

Waterman Group Plc shares are shares with no market value and were acquired at a price that reflects excess earning power, etc. For shares in subsidiaries and affiliates, the acquisition cost is used as the balance sheet value. However, impairment losses must be recorded when the real value falls significantly.

In the current fiscal year, regarding the real value of Waterman Group Plc's stock which reflects its excess earning power, etc., after an evaluation was conducted, as described in "Notes (Important Accounting Estimates)" of the consolidated financial statements, it was deemed that there was no significant decline in the real value. Therefore, the acquisition price was recorded on the balance sheet.

In evaluating excess earning power, etc., judgments made reflect the market environment, such as the capital investment budget of the local government office where an investment has been made or trends in capital investment by private companies, as well as the future projection of the economy as a whole, including the impact of inflation caused by the current state of international affairs.

Future cash flows estimates based on business plans that reflect these future projections may vary in the long term, primarily due to external factors such as market conditions.

Going forward, if it becomes necessary to review the future business plan and the real value falls significantly, impairment loss of the said shares in subsidiaries and affiliates may arise, which may have a significant impact on the non-consolidated financial statements from the next fiscal year onwards.

Regarding the impact of the COVID-19 pandemic, although it is difficult to predict when the pandemic will officially end, as of the end of the current fiscal year, its impact on Waterman Group Plc's business performance was limited. Therefore, it is assumed that the pandemic will have no material impact in the next fiscal year and beyond.

Estimating total costs by applying the method of recognizing revenue over time

(1) The amount recorded on the non-consolidated financial statements for the current fiscal year

	Current fiscal year
Sales recognized over time	51,357 million yen

(2) Information on the details of important accounting estimates concerning the item identified

Regarding the recording of revenue from consulting engineering service projects (hereinafter the "projects"), for performance obligations satisfied over time, revenue is recognized on the basis of the level of progress in satisfying a performance obligation if the level can be reasonably estimated. If the level of progress cannot be reasonably estimated, but the costs incurred is expected to be recoverable, revenue is recognized on a cost recovery basis until a reasonable estimate of progress can be made.

The level of progress is estimated using the ratio of costs incurred to estimated total costs (input method).

The amount of estimated total costs is projected as a working budget for each project. When formulating a working budget, the work content and man-hours required to complete the project are estimated, and such estimates depend on the realization of the effects of future cost reduction measures and the quality of process management, etc. Therefore, they involve the judgment of management and project managers, and such judgments can have a material impact on the estimate of total costs.

In addition, as projects are related to new designs and plans, the latest technology and specific technical capabilities, estimates for work content and man-hours, etc. may change due to the existence of certain facts that are only identified after the project has begun, such as additional requests from customers, or changes in the project

situation. Therefore, the amount of estimated total costs is subject to uncertainty. As a result, the level of progress related to the satisfaction of project performance obligations may fluctuate, which may have a material impact on the amount of sales in the next fiscal year.

(Changes in Accounting Policies)

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

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

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

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

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

As a result, for the current fiscal year, sales and the cost of sales increased by 4,425 million yen and 3,447 million yen, respectively, while operating income, ordinary profit, and net income before income tax each increased by 978 million yen. The opening balance of profit surplus brought forward also showed an increase of 3,047 million yen.

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

Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, “Notes on Revenue Recognition” related to the previous fiscal year have not been included.

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

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

(Additional Information)

Regarding the impact of the COVID-19 pandemic, although it is difficult to predict when the pandemic will officially end, as of the end of the current fiscal year, its impact on the Company's business performance was limited. Therefore, it is assumed that the pandemic will have no material impact in the next fiscal year and beyond.

(Notes on Balance Sheet)

*1 Assets and liabilities for subsidiaries and affiliates

The amount of monetary claims and monetary debts for subsidiaries and affiliates other than those presented separately is as follows:

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Shot-term monetary claims	1,886 million yen	1,913 million yen
Shot-term monetary debts	409	574
Long-term monetary claims	500	366

2 Warranty for liabilities

Warranty for liabilities, etc. of the following companies, etc. borrowed from financial institutions:

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	73 million yen	64 million yen
VESTA·CHP Co., Ltd. (affiliate)	54	209
Employees of the Group	26	20
Total	153	294

(Notes on Profit and Loss Account)

*1 Total amount of turnover of operating transactions and transactions other than operating transactions, with subsidiaries and affiliates

	Previous Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Turnover of operating transactions		
Sales	51 million yen	95 million yen
Subcontractor cost	1,833	2,047
Other operating transactions	124	113
Turnover of transactions other than operating transactions	240	229

*2 The percentage of expenses included in selling expenses is approximately 28% for the previous year and 27% for the current fiscal year, and the percentage of expenses included in general and administrative expenses is 72% for the previous fiscal year and 73% for the current fiscal year.

Major items and amounts among selling, general and administrative expenses are as follows:

	Previous Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Wages and allowances	2,962 million yen	2,991 million yen
Transferred reserve for bonuses	596	640
Reserve for bonuses to directors	40	37
Retirement benefits expenses	198	155
Depreciation and amortization	146	143
Research and investigation expenses	953	1,086

*3 Loss from fixed assets disposal can be broken down as follows:

	Previous Fiscal Year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Buildings	5 million yen	1 million yen
Structures	0	–
Furniture and fixtures	1	3
Software	19	1
Total	26	5

(Notes on Securities)

The fair value of shares in subsidiaries and affiliates is not stated, as these shares have no market value. The book values on the balance sheet for shares in subsidiaries and affiliates that have no market value are as follows.

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Shares in subsidiaries	8,028 million yen	8,028 million yen
Shares in subsidiaries and affiliates	50	50
Total	8,078	8,078

(Notes on Tax Effect Accounting)

1. Breakdown by major cause of deferred tax assets and deferred tax liabilities generation

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Deferred tax assets		
Accrued enterprise tax	101 million yen	157 million yen
Allowance for losses in operations	6	7
Provision for warranties for completed operation	60	25
Reserve for bonuses	745	841
Social insurance premiums for bonuses	111	125
Reserve for retirement benefits	406	400
Long-term accounts payable	2	–
Unrealized loss of securities	84	76
Asset retirement obligations	56	63
Other	313	305
Subtotal	1,889	2,003
Allowance account	-309	-292
Total	1,579	1,710
Deferred tax liabilities		
Tangible fixed assets	34	38
Other valuation difference on available-for-sale securities	542	519
Total	577	557
Net of deferred tax assets	1,002 million yen	1,152 million yen

2. Breakdown by major item of causes leading to any material difference between the legal effective tax rate and the bearing rate of corporation tax or the like after adoption of tax effect accounting

	Previous Fiscal Year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Legal effective tax rate	30.62 %	30.62 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.02	0.04
Per capita inhabitant tax	1.38	1.17
No entry of profit from dividend earned etc.	-0.53	-0.49
Tax credit of experiment and research expenses	-0.49	-0.72
Tax credit of tax system for promotion of staffing	-	-3.25
No entry of loss from bonuses to directors	0.20	0.18
Increase/decrease in allowance account	1.76	-0.24
Other	-0.06	-0.51
Bearing rate of corporation tax or the like after application of tax effect accounting	32.90	26.80

(Notes on Revenue Recognition)

Information that forms the basis for understanding revenue arising from contracts with customers is described in “Notes (Notes on Revenue Recognition)” under the Consolidated Financial Statements section, and is therefore omitted here.

(Significant Subsequent Event)

Not applicable.

(iv) Supplemental specifications

Specifications of tangible fixed assets and other

Type of assets	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Depreciation or amortization in the current term (million yen)	Closing balance (million yen)	Accumulated depreciation or amortization (million yen)
Tangible fixed assets						
Buildings	2,570	152	1	152	2,568	2,822
Structures	145	–	–	9	136	627
Machinery and equipment	3	85	–	2	87	241
Furniture and fixtures	325	151	3	145	327	1,198
Land	4,787	–	–	–	4,787	–
Lease assets	98	32	0	44	85	133
Total tangible fixed assets	7,931	421	5	354	7,992	5,023
Intangible fixed assets						
Leasehold	16	–	–	–	16	–
Software	647	72	1	236	482	–
Telephone rights	22	–	–	–	22	–
Lease assets	1	–	–	0	1	–
Other	0	–	–	0	–	–
Total intangible fixed assets	688	72	1	236	522	–

Specifications of allowances and reserves

Category	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Closing balance (million yen)
Allowance for doubtful accounts	106	106	106	106
Reserve for bonuses	2,436	2,748	2,436	2,748
Reserve for bonuses to directors	40	37	40	37
Allowance for losses in operations	22	24	22	24
Provision for warranties for completed operation	198	82	198	82
Reserve for retirement benefits	953	142	41	1,054

(2) Details of major assets/liabilities

The Company prepares consolidated financial statements, so the description is omitted here.

(3) Other

Not applicable.

CHAPTER 6: SHAREHOLDER RELATED INFORMATION

Fiscal year	January 1 to December 31
Ordinary general meeting of shareholders	In March
Record date	December 31
Record date of dividends from surplus	June 30, December 31
Unit of shares	100 shares
Purchase of shares below one unit of shares	
Place of purchase	(Special Account) Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	(Special Account) Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Service office	–
Service charge for purchase	Free of charge
Media of public notice	The Company's notices are published on its website. However, where due to unforeseen circumstances website publication is not possible, notices will be published in the Nihon Keizai Shimbun. The Company's website for public notices is as follows: https://www.ctie.co.jp/
Privilege to shareholders	None

CHAPTER 7: REFERENCE MATERIAL

1. Parent Company Information

The Company has no parent company.

2. Other References

The Company submitted the following documents in the period from the beginning of the current fiscal year to the date of the submission of this Securities Report.

(1) Securities Report, its accompanying documents, and confirmation note

Fiscal year (59th fiscal year) (from January 1, 2021 to December 31, 2021) Submitted to the director of the Kanto Local Finance Bureau on March 25, 2022.

(2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on March 25, 2022.

(3) Quarterly Report and confirmation note

(First quarter of 60th fiscal year) (from January 1, 2022 to March 31, 2022) Submitted to the director of the Kanto Local Finance Bureau on May 12, 2022.

(Second quarter of 60th fiscal year) (from April 1, 2022 to June 30, 2022) Submitted to the director of the Kanto Local Finance Bureau on August 10, 2022.

(Third quarter of 60th fiscal year) (from July 1, 2022 to September 30, 2022) Submitted to the director of the Kanto Local Finance Bureau on November 11, 2022.

(4) Extraordinary Report

The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. Submitted to the director of the Kanto Local Finance Bureau on March 29, 2023.

(5) Share Buyback Report

Reporting period (from February 15, 2023 to February 28, 2023) Submitted to the director of the Kanto Local Finance Bureau on March 10, 2023.

Part 2: SURETY COMPANY INFORMATION

Not applicable.