

# SECURITIES REPORT

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

## **Fiscal Year (59th Term)**

(from January 1, 2021 to December 31, 2021)

**CTI Engineering Co., Ltd.**

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

(941-172)

59th Term (from January 1, 2021 to December 31, 2021)

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# SECURITIES REPORT

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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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## Cover

Document submitted	Securities report
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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		55th term	56th term	57th term	58th term	59th term
Fiscal year-end		December 2017	December 2018	December 2019	December 2020	December 2021
Sales amount	(million yen)	49,301	58,443	62,649	65,190	74,409
Ordinary profit	(million yen)	2,500	3,167	4,397	5,216	7,118
Net income attributable to owners of the parent	(million yen)	1,615	1,893	2,808	3,650	4,471
Comprehensive income	(million yen)	2,237	1,299	3,766	3,656	6,082
Net assets	(million yen)	26,885	27,810	30,929	34,016	38,820
Total assets	(million yen)	49,444	50,854	59,013	63,980	71,880
Net assets per share	(yen)	1,881.01	1,950.54	2,169.53	2,393.36	2,734.99
Net income per share	(yen)	114.22	133.94	198.59	258.17	316.25
Net income per share after adjustment of potential shares	(yen)	—	—	—	—	—
Net worth ratio	(%)	53.8	54.2	52.0	52.9	53.8
Profit ratio of net worth	(%)	6.3	7.0	9.6	11.3	12.3
Price earnings ratio	(times)	10.08	11.59	11.38	9.22	7.90
Cash flow from operating business activities	(million yen)	2,834	1,873	4,798	8,687	5,344
Cash flow from investment activities	(million yen)	-6,857	-1,475	-1,051	-779	-671
Cash flow from financial activities	(million yen)	-739	-76	-545	-1,185	-1,128
Closing balance of cash and cash equivalents	(million yen)	6,515	6,722	9,873	16,684	20,527
Number of employees (plus average number of temporary employees)	(persons)	2,826 (817)	2,932 (883)	3,012 (919)	3,088 (936)	3,359 (1,078)

- Notes:
1. Sales amount does not include consumption tax.
  2. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.
  3. The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018), etc. have been applied from the beginning of the 57th term. Accordingly, the major management indices for the 56th term are stated after retrospectively applying the above accounting standards, etc.

## (2) Non-consolidated Management Indices of the Company

Fiscal year		55th term	56th term	57th term	58th term	59th term
Fiscal year-end		December 2017	December 2018	December 2019	December 2020	December 2021
Sales amount	(million yen)	35,440	36,768	41,068	44,322	48,591
Ordinary profit	(million yen)	2,643	2,821	3,942	5,019	6,085
Net income	(million yen)	1,609	1,778	2,629	3,613	3,922
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)	26,528	27,852	30,583	33,610	37,146
Total assets	(million yen)	41,386	43,667	48,687	52,628	57,510
Net assets per share	(yen)	1,876.06	1,969.72	2,162.91	2,377.00	2,627.07
Cash dividend per share (Interim dividend per share)	(yen)	22.00 (-)	25.00 (-)	35.00 (-)	45.00 (-)	60.00 (-)
Net income per share	(yen)	113.81	125.76	185.99	255.53	277.39
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	64.1	63.8	62.8	63.9	64.6
Profit ratio of net worth	(%)	6.3	6.5	9.0	11.3	11.1
Price earnings ratio	(times)	10.11	12.34	12.15	9.32	9.01
Dividend payout ratio	(%)	19.3	19.9	18.8	17.6	21.6
Number of employees (plus average number of temporary employees)	(persons)	1,511 (448)	1,574 (462)	1,633 (491)	1,729 (507)	1,815 (520)
Total shareholder return (Comparative indicator: TOPIX Net Total Return Index)	(%) (%)	112.6 (122.2)	153.5 (102.7)	224.8 (121.3)	240.7 (130.3)	257.7 (146.9)
Highest stock price	(yen)	1,238	1,758	2,295	2,538	2,861
Lowest stock price	(yen)	983	1,134	1,335	1,241	2,204

- Notes:
1. Sales amount does not include consumption tax.
  2. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.
  3. The highest and lowest stock prices are those recorded on the First Section of the Tokyo Stock Exchange.
  4. The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018), etc. have been applied from the beginning of the 57th term. Accordingly, the major management indices for the 56th term are stated after retrospectively applying the above accounting standards, etc.

## 2. Chronology

The Civil Engineering Research 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 overseas 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 Head 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 2000	Opened Management Business Department to be in charge of management business
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.

Date	Outline
March 2014	Established CTI Myanmar Co., Ltd. to implement engineering consulting services jointly with Duwun Export & Import Co., Ltd.
June 2015	Environmental Research & Solutions CO., LTD., started its operations as the Company's wholly owned subsidiary by way of a share transfer from UNITIKA LTD.
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.



### 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 engineering consulting business related to public works for rivers, dams, roads, environment and information, etc. In the settlement of the current term, the Company has twenty-two 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.

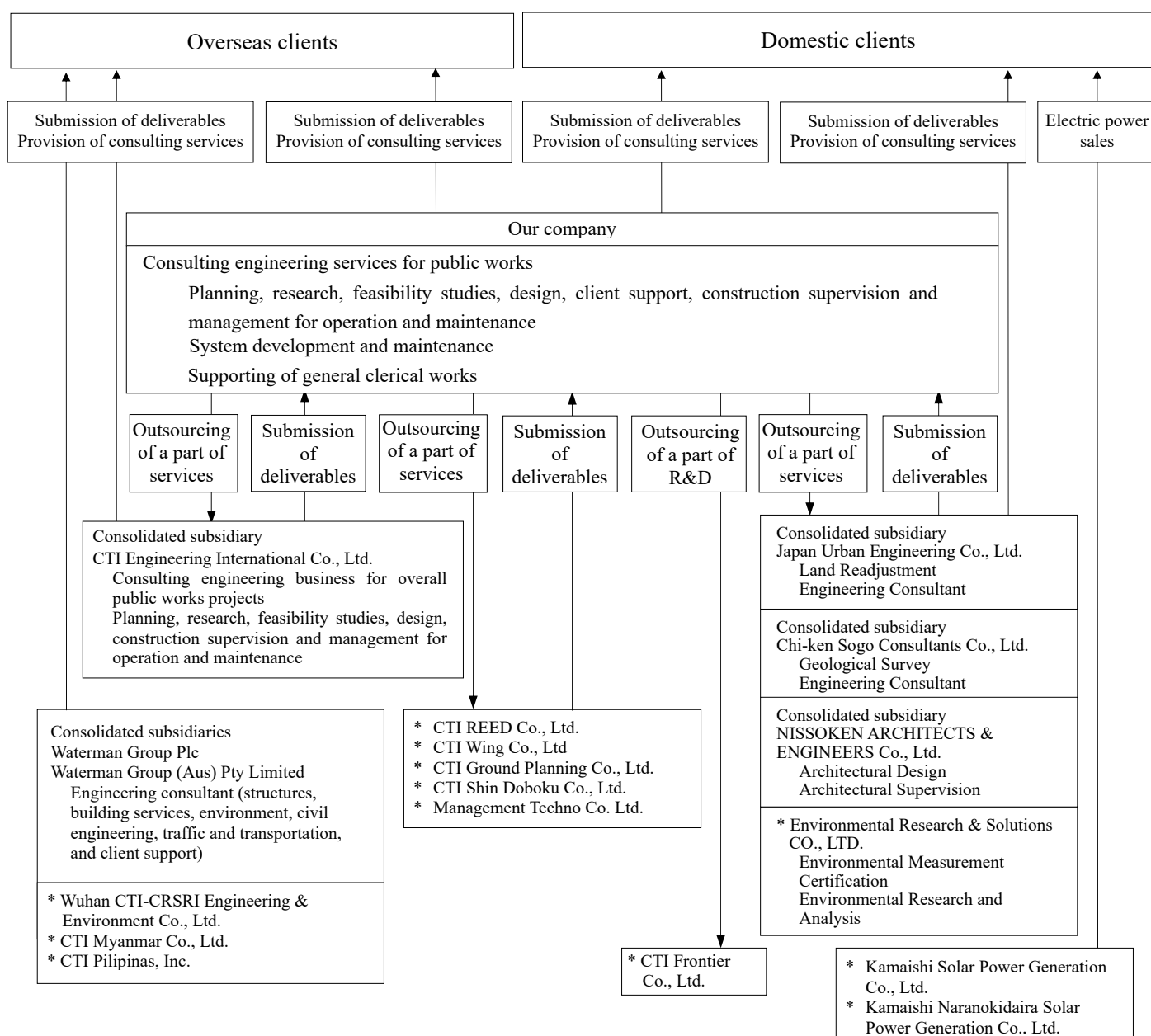
#### (i) Domestic consulting engineering business

The Company's major domestic consulting engineering business 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, and architectural design and supervision. The Company is mainly in charge of all of these operations, except for land readjustment works, geological survey works, and architectural design and supervision. 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.

#### (ii) Overseas consulting engineering business

The Company's major overseas consulting engineering business include 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 its subsidiaries CTI Engineering International Co., Ltd. and Waterman Group Plc. The Company's subsidiaries Waterman Group Plc and Waterman Group (Aus) Pty Limited are in charge of building-related operations.

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



Note: Companies marked with asterisks are excluded from the scope of consolidation due to a lower degree of importance concerning scale.

#### 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 operations in the UK.
Waterman Group (Aus) Pty Limited (Notes 1, 2)	Melbourne, Australia	7.6 million Australian dollars	Overseas consulting engineering	62.5 (62.5) (Note 3)	Mainly receives direct orders for building-related operations in Australia.
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.

- Notes: 1. Waterman Group Plc and Waterman Group (Aus) Pty Limited are specified subsidiaries of the Company.
2. Waterman AHW (Victoria) Pty Limited changed its trading name to Waterman Group (Aus) Pty Limited on July 1, 2021.
3. The voting rights are all held indirectly by the Company's subsidiary Waterman Group Plc. In July 2021, the Company's subsidiary Waterman Group Plc acquired additional shares of Waterman Group (Aus) Pty Limited, and the percentage of voting rights indirectly held by the Company increased from 52.5% to 62.5%.

## 5. Situation of Employees

### (1) Consolidation basis

As of December 31, 2021

Segment name	Number of employees (persons)
Domestic consulting engineering business	2,114 (574)
Overseas consulting engineering business	1,245 (504)
Total	3,359 (1,078)

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, 2021

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
1,815 (520)	43.03	12.90	9,038,452

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: 1,074 (as of December 31, 2021)

(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 the Civil Engineering Research Institute, the predecessor of the Company, was founded in 1945.

Japan now faces a variety of social issues, including natural disasters, a declining population, and an ageing infrastructure. Overseas, Japan is also expected to contribute to improving infrastructure.

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 78,000 million yen, operating income of 6,400 million yen, ordinary profit of 6,500 million yen, and net income attributable to owners of the parent of 4,300 million yen, as management indices for the fiscal year ending December 31, 2022.

#### (3) Management strategy

The Group has been developing its business based on "CLAVIS 2025," the CTI Group's medium- to long-term vision with 2025 as the target year. However, the business environment and the Company's management environment have changed dramatically in recent years. Under these circumstances, in view of the necessity to further clarify the direction that the entire Group should take, the new CTI Group medium- to long-term vision "SPRONG 2030" was formulated in June 2021.

##### 1) Ideal corporate image

We aim to make great strides forward as a "global infrastructure solution group" that can resolve all sorts of issues related to infrastructure in Japan and overseas, and contribute to the sustainable development of society.

##### 2) Targeted business scale

Targets for fiscal 2030 are sales of 100,000 million yen (72,000 million yen in Japan and 28,000 million yen overseas) and operating income of 9,000 million yen (9% operating margin).

##### 3) Direction of business expansion

While continuing to provide infrastructure services including proposal, research, planning and design in various fields such as rivers and roads that the CTI Group has thus far implemented, going forward, the Group will focus on business expansion in the following ways:

##### i) Expansion of business processes

- Develop services for all business processes related to infrastructure from maintenance and renewal, client support, operation to management. In particular, the Group aims to expand its businesses in the maintenance and renewal of infrastructure, client support, operation, and management.

\* Services refer to infrastructure services provided in various fields such as rivers, roads, information, and the environment.

ii) Expansion of services and fields

- Expand business in various fields such as disaster prevention and mitigation, urban and construction, environmental management, client support, Public Private Partnership (PPP) business, information services and system development, energy and agriculture by implementing R&D results, establishing new technical divisions, etc.

iii) Market expansion

- In addition to steadily increasing orders from the Ministry of Land, Infrastructure, Transport and Tourism and other primary government offices, the Group will expand its business to local governments (prefectures, municipalities) and private markets in particular.

(4) Business environment and our tasks ahead

For public works-related expenses, which are highly related to the domestic consulting engineering business, the Group secured 6,057.5 billion yen in fiscal 2022, which was largely on par with the previous fiscal year. As the supplementary budget for fiscal 2021 includes the second year of the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience, demand for areas such as river basin management, landslide disaster countermeasures, and aging infrastructure countermeasures is expected to be robust.

In the overseas consulting engineering business, demand for infrastructure construction for the purpose of economic growth is strong in Asia and Africa, the sales areas of CTI Engineering International Co., Ltd., but there are concerns over travel restrictions, etc. imposed due to the COVID-19 pandemic. In the UK where Waterman Group Plc is based, although the economy is recovering, it is necessary to continue monitoring the impact of the COVID-19 pandemic.

Based on the above business environment, the “60th Term Business Plan” for the first year of the newly formulated Medium-term Business Plan 2024 has the slogan of “Steadily conducting business structural reform and promoting sustainability management with production system reform as the main pillar.” Working to realize a sustainable society, the Group will promote DX (digital transformation), reform the production system through new work styles such as telework, and promote sustainable management, such as by reforming our business portfolio, strengthening governance, and making efforts to achieve SDGs and carbon neutrality.

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 Japan’s citizens.

(5) Initiatives to prevent the recurrence of misconduct by former employees of the Company

In the current consolidated fiscal year, an unlawful outsourcing transaction was conducted by a former employee of the Company. Viewed as a serious case, a special investigation committee including external lawyers was established to investigate the facts and causes of the incident.

Through the investigation, it was found that a former employee of the Company placed a fictitious order, returned it to a company that he effectively manages, and allotted the funds to working capital, etc. The special investigation committee proposed several issues to tackle, including problems in the operation of outsourcing systems, and insufficient awareness of compliance. The entire Group is working to prevent recurrence, such as by improving business systems, improving business execution systems, and conducting thorough compliance

education.

The Group will thoroughly implement measures to prevent recurrence, and strive to restore trust in the Group.

## **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.

### **(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) 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.

### **(3) 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.

### **(4) 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.

#### (5) 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.

#### (6) 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.

#### (7) Labor 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 monitor the status, promote new work styles that utilize telework, etc., conduct education on preventing harassment, and take measures such as establishing a point of contact for whistleblowing or counseling.

#### (8) 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.



(9) Risks arising from the COVID-19 pandemic

As a result of the COVID-19 pandemic, if the progress of operations is delayed due to employees getting infected, the business performance of the Group may be affected. Regarding overseas operations, if there are delays in orders for new projects due to regulations, etc. in the relevant country, delays in the progress of projects or prolonged construction periods, the business performance of the Group may be affected.

In view of such risks, for overseas operations, the Group shall endeavor to construct an efficient local sales and production system, as well as work on getting more orders from a wide range of clients. For both domestic and overseas businesses, ensuring the safety and security of employees, the Group shall strongly promote work style reforms such as implementation of telework, since it is essential to continue its business and production. The Group shall thereby create a production system that can be maintained even under a state of emergency.

### 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.

##### 1) Business performance

During the current consolidated fiscal year, although the Japanese economy faced harsh conditions due to the impact of the COVID-19 pandemic, there were signs of a recovery owing to the successful control of the number of new infections as a result of factors including the progress of vaccination. For the global economy, although the impact of the COVID-19 pandemic was temporarily alleviated, the situation remains uncertain due to the emergence of new variants.

The business environment surrounding the Group remained steady, due to the promotion of national measures such as disaster prevention, disaster mitigation and building national resilience, as well as demand for responses to the disasters that occurred in various regions.

Under these circumstances, for the domestic business, the Group chose five key business fields: 1) disaster prevention, disaster mitigation, national resilience; 2) utilization improvement, maintenance, management and renewal of existing stock; 3) client support including CM/PM and construction supervision; 4) the Private Finance Initiative (PFI)/Public Private Partnership (PPP) business; and 5) the urban and construction business. In addition, the Group positioned local governments and private companies as growth markets, and endeavored to expand business throughout the Group.

For the overseas business, the Group strove for business expansion, centering on the Company's consolidated subsidiaries CTI Engineering International Co., Ltd. and Waterman Group Plc.

In both the domestic and overseas businesses, in line with the onset of the COVID-19 pandemic, the Group actively promoted work styles that utilize telework as the "new normal," striving to continue business production while ensuring the safety and security of employees. As a result, the Group managed to maintain its production system even under the state of emergency declaration in Japan and under a state of lockdown overseas.

As a result of these initiatives, orders received of the Group during this consolidated fiscal year were 84,448 million yen, a YoY increase of 22.2%. Meanwhile, income from completed services was 74,409 million yen, a YoY increase of 14.1%, and ordinary profit increased by 36.4% YoY to 7,118 million yen. Net income attributable to owners of the parent increased by 22.5% YoY to 4,471 million yen.

In the Medium-term Business Plan 2021 where 2021 is the final year, orders received of 70,000 million yen, income from completed services of 70,000 million yen, and operating income of 5,000 million yen were set as targets, and they were all achieved in the current consolidated fiscal year.

Results by reportable segment of the Group were as follows.

##### i) Domestic consulting engineering business

For the domestic consulting engineering business, the Group further expanded orders in five key business fields, including disaster prevention, disaster mitigation, building national resilience, maintenance and management. Accordingly, orders received for the domestic consulting engineering business increased by 15.1% YoY to 58,660 million yen, income from completed services increased by 9.6% YoY to 53,696 million yen, and segment income increased by 19.9% YoY to 6,032 million yen.

ii) Overseas consulting engineering business

For the overseas consulting engineering business, CTI Engineering International Co., Ltd. in Southeast Asia received a large-scale order, while the business of Waterman Group Plc expanded significantly as the UK economy gradually recovered. Accordingly, orders received for the overseas consulting engineering business increased by 42.1% YoY to 25,787 million yen, income from completed services increased by 27.8% YoY to 20,713 million yen, and segment income was 951 million yen (45 million yen in the previous fiscal year).

2) Financial conditions

At the end of the current consolidated fiscal year, the Group's total assets totaled 71,880 million yen, an increase of 12.3% compared to the end of the previous fiscal year. This was mainly because of increases in cash and bank deposits, and notes receivable and completed work receivables.

Total liabilities at the end of this consolidated fiscal year were 33,059 million yen, an increase of 10.3% compared to the end of the previous fiscal year. This was mainly because of increases in reserve for bonuses, accrued income taxes, and advances received from uncompleted services.

At the end of the current consolidated fiscal year, net assets totaled 38,820 million yen, an increase of 14.1% compared to the end of the previous fiscal year. This was mainly because profit surplus increased due to 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 3,842 million yen YoY, to a total of 20,527 million yen.

Net cash provided by operating activities was 5,344 million yen, a YoY decrease of 38.5%. This was mainly because of proceeds owing to net income before income tax of 6,879 million yen and depreciation and amortization of 1,094 million yen offset payments due to increase in trade receivables of 2,226 million yen.

Net cash used for investment activities was 671 million yen, a YoY decrease of 14.0%. The major items were payments for acquisition of tangible fixed assets of 360 million yen and payments for acquisition of intangible fixed assets of 201 million yen.

Net cash used for financial activities was 1,128 million yen, a YoY decrease of 4.9%. This was mainly because of repayments of lease obligations of 444 million yen and dividend payments of 634 million yen.

4) Results of production, orders received and sales

1) Production results

Segment name	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	53,696	9.6
Overseas consulting engineering business	20,713	27.8
Total	74,409	14.1

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, 2021 to December 31, 2021)			
	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	58,660	15.1	56,673	9.6
Overseas consulting engineering business	25,787	42.1	24,587	26.0
Total	84,448	22.2	81,260	14.1

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) Sales results

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

Segment name	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	53,696	9.6
Overseas consulting engineering business	20,713	27.8
Total	74,409	14.1

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

Client	Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)		Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government of Japan	24,323	37.3	26,074	35.0

(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.

2) Analysis of business performance, etc.

With regard to business performance 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., 1) Business performance.

The operating margin of the domestic consulting engineering business segment increased from 10.3% in the previous fiscal year to 11.2% 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. However, the Group believes that the business profitability of this segment has improved because the ratio of selling, general and administrative expenses has decreased on the whole.

The operating margin of the overseas consulting engineering business segment increased from 0.3% in the previous fiscal year to 4.6% in the current consolidated fiscal year.

In the previous year, this segment was greatly affected by the COVID-19 pandemic. Nonetheless, in the current consolidated fiscal year, as the public works division of Waterman Group Plc in the UK led sales to a level that exceeded the level before the COVID-19 crisis. The Group believes this is why the business profitability of this segment has improved.

### 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 totaled 71,880 million yen, an increase of 12.3% compared to the end of the previous fiscal year, total liabilities were 33,059 million yen, an increase of 10.3% compared to the end of the previous fiscal year, and net assets totaled 38,820 million yen, an increase of 14.1% 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 52.9% in the previous fiscal year to 53.8% 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. From the 58th term, research and development investments have been restructured, in order to enhance the results of research and development, and accelerate the business.

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 976 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 970 million yen for domestic consulting engineering business and 6 million yen for overseas consulting engineering business.

- 1) Planned research and development investments (9 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])
- 2) Short-term research and development investments (26 topics including: development of real-time low water prediction system based on weather fluctuations; research on development and design methods of new erosion control facilities effective as medium- and long-term sediment outflow countermeasures; development of useful life extension technology for tunnel lining concrete joints; development of debris-flow detection system; development of energy business that utilizes decarbonized power supply; research and development on the possibility of information provision services for private construction companies)
- 3) Emergency investments (ascertain spread of COVID-19 by utilizing sewage system infrastructure)
- 4) Investments supporting business start-ups (research on utilizing corns grown in farms in rebuilding areas; subscription business to run a sustainable weather radar)
- 5) Research in national land and culture (research on tourism contents that utilize AR/VR; research on urban development in the “new normal” era; consulting technology development for building a smart city in Nihombashi-hamacho; study on landscape design; research on medium- to long-term issues concerning water resources and prevention of water disasters)
- 6) International investments (international business promotion; cooperation with Waterman)
- 7) 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 360 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, 2021

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and delivery equipment	Land (area: m <sup>2</sup> )	Lease assets	Other	Total	
Head Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	General administration facilities	26	—	—	6	76	108	127 (4)
Tokyo Head Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	Office	121	—	—	4	68	193	594 (191)
Tokyo Head Office Saitama Office (Urawa-ku, Saitama)	Domestic consulting engineering business	Office	757	0	772 (1,978)	0	13	1,543	76 (54)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Domestic consulting engineering business	Office and laboratory facilities	230	1	1,937 (50,605)	1	10	2,180	25 (7)
Yono Dormitory (Chuo-ku, Saitama)	Domestic consulting engineering business	Welfare facilities	155	—	820 (1,565)	—	1	977	— (—)
Kyushu Office (Chuo-ku, Fukuoka)	Domestic consulting engineering business	Office	374	0	1,025 (1,136)	—	36	1,436	177 (36)
CTI Keihanna Bldg. (Seikacho, Souraku-gun, Kyoto)	Domestic consulting engineering business	Office and environmental research and analysis facilities	632	2	121 (4,660)	—	2	759	— (—)
CTI Okazaki Bldg. (Okazaki-shi, Aichi)	Domestic consulting engineering business	Office and environmental research and analysis facilities	186	—	109 (1,200)	—	1	297	— (—)



Notes: 1. Land area of Research Center Tsukuba includes the area of 14,895 m<sup>2</sup> leased from a party other than the consolidated company.

2. The Company leases the CTI Keihanna Bldg. and CTI Okazaki Bldg. to Environmental Research & Solutions CO., LTD., a non-consolidated subsidiary of the Company.

3. 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, 2021)	Issued shares as of the date for submission (shares) (March 25, 2022)	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 First Section	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, 2021

As of December 31, 2021

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)	—	19	31	76	95	5	2,541	2,767	—
Number of shares held (units)	—	37,726	2,893	26,504	14,293	192	59,750	141,358	23,286
Shareholding ratio (%)	—	26.7	2.0	18.8	10.1	0.1	42.3	100.0	—

- Notes: 1. Among treasury stocks (19,335 stocks), 193 units are counted as “Individuals etc.” and 35 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, 2021

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	1,619	11.5
HIKARI POWER LIMITED	314 Asahi Toranomon Mansion, 18-6, Toranomon 3-chome, Minato-ku, Tokyo	1,154	8.2
CTI Engineering Employees' Stock-sharing Association	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	1,084	7.7
Custody Bank of Japan, Ltd. (trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	445	3.2
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	-	6,207	43.9

- Notes: 1. 1,619 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 443 thousand shares held in Custody Bank of Japan, Ltd. (trust account) are shares related to trust services.
2. In the Report of Possession of Large Volume (Change Report) made available for public inspection on March 11, 2022, HIKARI POWER LIMITED and its joint holder Yasumitsu Shigeta reported the ownership of the following shares. However, the status of major shareholders stated above shows the status as of December 31, 2021.

The contents of the Report of Possession of Large Volume are as follows:

Name	Address	Number of share certificates, etc. held (thousand shares)	Ownership ratio of share certificates, etc.
HIKARI POWER LIMITED	314 Asahi Toranomon Mansion, 18-6, Toranomon 3-chome, Minato-ku, Tokyo	1,233	8.7
Yasumitsu Shigeta	Minato-ku, Tokyo	396	2.8

(7) Voting rights

(i) Issued shares

As of December 31, 2021

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 19,300	—	—
Shares with complete voting rights (Other)	Common stock 14,116,500	141,165	—
Shares below a unit	Common stock 23,286	—	—
Total number of shares issued	14,159,086	—	—
Voting rights of total shareholders	—	141,165	—

- 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 35 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2021

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	19,300	—	19,300	0.1
Total	—	19,300	—	19,300	0.1

(8) Contents of shareholding system for executives and employees

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

9,000 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, Item 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  
None.

(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	147	383,913
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, 2022 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	19,335	—	19,335	—

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2022 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, 2021, it was resolved at the 59th Ordinary General Meeting of Shareholders held on March 24, 2022 to pay a dividend of 60 yen per share (total dividend payment amount: 848 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 a Board of Auditors 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 3 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 & 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 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 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. External Director Yoshihisa Sonobe was appointed as a new External Director at the 59th Ordinary General Meeting of Shareholders held on March 24, 2022. He 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 his knowledge and broad insight related to accounting and finance and global business.

**\* 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 Shuichi Ikebuchi, Fumiko Kosao, and Yoshihisa Sonobe, Vice Chairman & Director Kazuhiro Terai, and Representative Director & CEO Tetsumi Nakamura. The Committee is chaired by External Director 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 & 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 & CEO Tetsumi Nakamura, and holds substantive discussion on matters necessary for the business execution in response to consultations from the Representative Director & 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 & CEO and Executive Officers, held once a month in principle. At the Executive Officers' Meeting, which is chaired by Representative Director & 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 & 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 & 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 & CEO Tetsumi Nakamura, deliberates and reports matters necessary for Group management, and thereby functions to strengthen cooperation in Group management.

\* Board of Auditors Meetings

The Board of Auditors Meetings 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 is held once a month in principle. The Board of Auditors Meetings is chaired by Statutory Auditor Shigeo Nakashita, and appropriately fulfills its functions of operational and financial auditing from the perspective of fiduciary duties to shareholders. The Board of Auditors 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 Yasuro Tanaka and Go Ishikawa report on the audits they conducted, closely cooperate with other Auditors for information exchange, and give necessary opinions at the Board of Auditors Meetings based on their insight centering around the legal field and the wealth of experience they have accumulated as lawyers.

b. Reasons for employing the system

At the Company, the Board of Directors consisting of 12 Directors, including 3 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 Managing Dept. and relevant departments in the Head Office 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 Regulations for the Operation of Emergency Headquarters, the Company has established the Emergency Headquarters with the President as the Chief, and measures are being taken on an organizational level.

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 3 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 plans to enter 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: 15 persons Female: 1 person (Ratio of female Directors and Auditors: 6.3%)

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Vice Chairman & Director	Kazuhiro Terai	February 28, 1956	April 1981 April 1999  April 2003 April 2007 March 2012 April 2012 March 2013 April 2013 March 2016 April 2017 March 2018 March 2019  April 2019 March 2021	Joined CTI Engineering General Manager, Environmental Measures Div., Headquarters Environment Dept., Osaka Office General Manager, Management Business Division Deputy Branch Administrator, Tokyo Head Office Executive Officer Deputy Administrator, Tokyo Head Office Director Chief, Headquarters Management Dept. Managing Executive Officer Principal, Osaka Head Office Senior Managing Executive Officer Executive Officer, Representative Director & Vice President Principal, Tokyo Head Office Vice Chairman & Director (present post)	1	23
Representative Director & 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, Water Resources Dept., Tokyo Head Office Deputy Branch Administrator, Tokyo Head Office Deputy Administrator, Tokyo Head Office Executive Officer Principal, Tohoku Office Director Principal, Kyushu Office and Okinawa Office Managing Executive Officer Principal, Tokyo Head Office Senior Managing Executive Officer Representative Director & CEO (present post)	1	26
Representative Director & Executive Vice President / Chief, Planning & Business Development Headquarters	Tatsuya Nishimura	August 9, 1959	April 1985 April 2004  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 Head Office Deputy Branch Administrator, Chubu Office Executive Officer Deputy Administrator, Tokyo Head Office Managing Executive Officer Principal, Tohoku Office Director, Senior Managing Executive Officer Chief, Planning & Business Development Headquarters (present post) Managing Director (present post) Representative Director & Executive Vice President (present post)	1	19
Senior Managing Executive Officer & Director / Principal, Tokyo Head Office	Yoshiaki Nanami	January 2, 1960	July 2017  November 2017 March 2018  March 2019 March 2021	Retired from Director-General, Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism Joined CTI Engineering, Executive Manager Executive Officer, Deputy Chief, Headquarters Engineering Dept. Director (present post), Managing Executive Officer, Chief, Headquarters Engineering Dept. Senior Managing Executive Officer, Principal, Tokyo Head Office (present post)	1	3

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Managing Executive Officer & Director / Chief, Governance Management Headquarters	Tsutomu Akiba	July 7, 1957	April 1980 April 2004 April 2006 April 2010 March 2013 April 2013 March 2015 March 2017 April 2017 March 2019 April 2019	Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Tokyo Head Office Deputy Branch Administrator, Tohoku Office Deputy Chief, Headquarters Business Development Dept. Executive Officer Principal, Chubu Office Principal, Tohoku Office Managing Executive Officer (present post) Principal, Kyushu Office and Okinawa Office Director (present post) Chief, Governance Management Headquarters (present post)	1	22
Managing Executive Officer & Director / Principal, Osaka Head Office	Hiroshi Kiuchi	July 9, 1958	April 1981 April 2005 April 2011 March 2015 April 2015 November 2015 March 2017 March 2019 April 2019	Joined CTI Engineering General Manager, Water Resources Div., Osaka Head Office Deputy Branch Administrator, Osaka Head Office Executive Officer Deputy Administrator, Tokyo Head Office President & Managing Director, NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. Managing Executive Officer, CTI Engineering (present post) Director (present post) Principal, Osaka Head Office (present post)	1	17
Managing Executive Officer & Director / Chief, Headquarters Management Dept.	Naoto Suzuki	November 22, 1961	April 1991 May 1991 April 2006 April 2011 April 2012 March 2017 April 2017 March 2020 March 2022	Retired from Yachiyo Engineering Co., Ltd. Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Osaka Head Office General Manager, Sales & Marketing Division, Osaka Head Office Deputy Branch Administrator, Osaka Head Office Executive Officer Deputy Chief, Headquarters Management Dept., General Manager, Personnel Div., Headquarters Management Dept. Director, Chief, Headquarters Management Dept. (present post) Managing Executive Officer (present post)	1	3
Managing Executive Officer & Director / Chief, Headquarters Engineering Dept.	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 Head Office Deputy Branch Administrator, Tohoku Office President & Managing Director, Japan Urban Engineering Co., Ltd. Executive Officer Managing Executive Officer (present post) Principal, Tohoku Office Chief, Headquarters Engineering Dept. (present post) Director (present post)	1	10
Managing Executive Officer & Director / 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 Deputy Branch Administrator, Kyushu Office Deputy Chief, Planning Headquarters; General Manager of Management Planning Div., Headquarters Planning Dept. Executive Officer Managing Executive Officer (present post) Principal, Chubu Office Director, Principal, Kyushu Office and Okinawa Office (present post)	1	15



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 April 1996 May 1999 October 2004 April 2007 April 2013 March 2017	Professor, Disaster Prevention Research Institute, Kyoto University Chief, Water Resources Research Center, Disaster Prevention Research Institute, Kyoto University Director, Disaster Prevention Research Institute, Kyoto University Director and General Manager, Research Institute, Meteorological Engineering Center, Inc. Professor Emeritus, Kyoto University; Research Advisor, Foundation of River & Watershed Environment Management Research Fellow, The River Foundation (present post) Director, CTI Engineering (present post)	1	—
Director	Fumiko Kosao	April 17, 1954	April 1973 July 1997 July 2011 July 2014 August 2015 June 2016 March 2017 June 2017 July 2020	Employed by National Tax Agency Teacher, Tokyo Training Center, National Tax College District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau District Director, Nihonbashi Tax Office, Tokyo Regional Taxation Bureau Registered as Certified Public Tax Accountant (present post) Fumiko Kosao Tax Accountant Office (present post) External Auditor, TOBISHIMA CORPORATION Director, CTI Engineering (present post) External Director, METAWATER Co., Ltd. (present post) External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. (present post)	1	—
Director	Yoshihisa Sonobe	October 17, 1956	April 1980 June 2009 April 2011 April 2014 June 2014 April 2016 April 2017 April 2019 April 2020 April 2021 June 2021 March 2022	Joined Teijin Limited Corporate Officer; Head of Corporate Planning, Teijin Limited CFO; General Manager, Accounting and Finance Unit, Teijin Limited General Manager, Corporate Strategy Unit, Teijin Limited Director, Teijin Limited Executive Officer, Teijin Limited 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 Senior Executive Officer; Chief Financial Officer; Teijin Limited Representative Director, Teijin Limited Director; Part-Time Advisor, Teijin Limited (present post) Retired as Director of Teijin Limited 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)
Statutory Auditor	Shigeo Nakashita	October 22, 1961	April 1984 April 2003	Joined CTI Engineering Manager, Tohoku Geology Office, Geology Center, Headquarters Business Promotion Dept.	3	13
			April 2012	General Manager, Geo-environment Div., Tokyo Head Office		
			April 2017	Deputy Branch Administrator, Chubu Office		
			March 2021	Statutory Auditor (present post)		
Auditor	Koichi Saito	December 14, 1959	April 1982 April 2009	Joined CTI Engineering General Manager, Water Resources Div., Tohoku Office	2	5
			April 2014	Manager, Secretariat Office		
			April 2017	Deputy Branch Administrator, Tohoku Office		
			March 2019 March 2021	Statutory Auditor Auditor (present post)		
Auditor	Yasuro Tanaka	February 9, 1946	April 1971 April 1981 April 1985	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	2	—
			April 1994	General Judge of Tokyo District Court		
			February 2003	Director of Morioka District and Domestic Relations Courts		
			February 2005	General Judge of Tokyo High Court		
			March 2009	Director of Sapporo High Court		
			February 2011	Registered as attorney (present post)		
			April 2011	Professor at the Meiji University Graduate School of Law	2	—
			March 2015	Auditor, CTI Engineering (present post)		
Auditor	Go Ishikawa	July 8, 1968	April 1995 July 1998 September 2008	Registered as attorney (present post) Partner, Kakimoto Law Office Partner, Kasumigaseki Law & Accounting Office		
			March 2011	External Auditor, Mediaflag Inc. (currently Impact HD Inc.)		
			February 2012	Outside Auditor, ALTECH CO., LTD. (present post)		
			March 2015	Senior Partner, SAKURADADORI PARTNERS (present post)		
			March 2016	External Director, Mediaflag Inc. (currently Impact HD Inc.) (present post)	2	—
			April 2016	Deputy Chairman, Dai-Ichi Tokyo Bar Association		
			March 2019	Auditor, CTI Engineering (present post)		
Total						161

- Notes: 1 From March 24, 2022 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2024.
- 2 From March 26, 2019 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2022.
- 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, Shuichi Ikebuchi, Fumiko Kosao and Yoshihisa Sonobe, are External Directors.
- 5 Auditors, Yasuro Tanaka and Go Ishikawa, are External Auditors.

- 6 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 16th Council on Antimonopoly Policy of the Japan Fair Trade Commission (JFTC) (present post) Outside Director Audit & Supervisory Board Member, Panasonic Corporation (present post)	1	-

- Notes: 1 From March 26, 2019 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2022.
- 2 The reserve auditor, Setsuko Yufu, satisfies requirements as an External Auditor.

## 2) External Directors/Auditors

The Company appoints 3 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 3 External Directors.

The Company has deemed that External Director Shuichi Ikebuchi 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 his specialized knowledge and broad insight as an academic. Therefore, he has been reappointed as an External Director.

The Company has deemed that External Director Fumiko Kosao 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 specialized knowledge and broad insight as a Certified Public Tax Accountant. Therefore, she has been reappointed as an External Director.

At Teijin Limited, External Director Yoshihisa Sonobe has been leveraging his insight in accounting and finance 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 (General Manager, Corporate Officer and Executive Officer) and CFO (Corporate Officer and Senior Executive Officer). The Company has deemed that he will leverage his extensive experience and broad insight accumulated at the above-mentioned company in the overall management of the Company. Therefore, he has been appointed as an External Director.

### 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 almost all of the Board of Auditors 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 Yasuro Tanaka and 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 Board of Auditors 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 Go Ishikawa.

c. Independent External Directors/Auditors

Although the Company has no standard or policy on the election of independent External Directors/Auditors, the Company mainly adheres to the Standard of Judgment on the independence of independent directors/auditors set by Tokyo Stock Exchange, Inc. and has reported Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe and Mr. Yasuro Tanaka as independent directors/auditors to the exchange.

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 3 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 a Board of Auditors, and 4 members, including 2 internal Auditors and 2 External Auditors, make up the Board of Auditors. Regarding audits by Auditors, operational and financial auditing are conducted based on the Auditing Standards by Auditors stipulated by the Board of Auditors.

Duties of the Board of Auditors include determining the audit policy, the audit plan and the allocation of duties for the current fiscal year, as well as reviewing 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.

In addition, 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.

Furthermore, 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. 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.

Besides receiving regular reports from the Compliance Office and the Internal Audit Office, Auditors also strive to exchange information with them to prevent the occurrence of corporate scandals and such.

As statutory employees, Statutory 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.

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

Category	Name	Attendance at the Board of Auditors Meetings (12 in total)
Statutory Auditor	Shigeo Nakashita	12
Auditor	Koichi Saito	12
External Auditor	Yasuro Tanaka	12
External Auditor	Go Ishikawa	12

## 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

9 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 6 CPAs and 22 other staff members.

### v) Policy and reasons for selecting the audit corporation

When selecting the Accounting Auditor, the Board of Auditors 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 Board of Auditors has judged it appropriate to reappoint Deloitte Touche Tohmatsu LLC.

If there is difficulty for the Accounting Auditor to execute its duties or the Board of Auditors determines it necessary to dismiss or not reappoint the Accounting Auditor, the Board of Auditors 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 Board of Auditors with the unanimous approval of Auditors.

### vi) Evaluation of the audit corporation by Auditors and the Board of Auditors

Auditors and the Board of Auditors 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 Board of Auditors 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	56	5	71	9
Consolidated subsidiaries	–	–	–	–
Total	56	5	71	9

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 Board of Auditors agreed to compensation, etc. for the Accounting Auditor

The Board of Auditors 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

The Company has formulated a policy for determining the compensation, etc. of individual Directors in the Basic Corporate Governance Policy, which was established via a resolution at the Board of Directors' meeting held on July 28, 2016.

Compensation for Directors other than External Directors consists of fixed compensation (monthly compensation) as a consideration for the execution of their duties and bonuses linked to the consolidated results for the current fiscal year. Compensation for External Directors consists of fixed compensation (monthly compensation) only, from the viewpoint of their roles and independence. With regard to the fixed compensation for Directors, the Company appropriately calculates monthly compensation according to a predetermined table of executive monthly compensation standards. With regard to the performance-linked compensation (bonuses), the Company sets a standard amount according to the consolidated results for the

current fiscal year, and sets a specific amount for each Director within the compensation limit after the Representative Director & CEO evaluates each Director's contributions, and thereupon the Board of Directors makes a resolution through deliberations at the Nomination & Compensation Advisory Committee.

Regarding the compensation, etc. of individual Directors for the current fiscal year, the Board of Directors has verified that the method of determining the compensation, etc. and the contents of the compensation, etc. determined are consistent with the policy for determining the compensation, etc. of individual Directors, and that the report from the Nomination & Compensation Advisory Committee, chaired by an External Director, was respected. Accordingly, the Board of Directors has deemed that the compensation, etc. are in line with the policy for determining the compensation, etc. of individual Directors.

Performance-linked compensation (bonuses) is positioned as an incentive for increasing short-term performance and net income before income tax for the current fiscal year has been chosen as an indicator appropriate for that purpose. The said indicator for the current fiscal year was targeted at 4,900 million yen, while the actual performance amounted to 6,879 million yen.

Compensation for Auditors is determined through a discussion between the Auditors and consists of monthly compensation only, from the viewpoint of ensuring a high level of independence.

## 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 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.

## 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)
		Basic compensation	Performance-linked compensation (Bonuses)	Retirement benefits	
Directors	273	232	40	—	10
External Directors	14	14	—	—	2
Auditors	32	32	—	—	3
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 40 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 1 Director who resigned at the conclusion of the 58th Ordinary General Meeting of Shareholders held on March 25, 2021, and 1 Auditor who retired upon the expiration of his term.

- 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, 2021 the Nomination & Compensation Advisory Committee was held 5 times, and for the fiscal year ending December 31, 2022 the Committee was held on January 21, 2022, 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

Total amount (million yen)	Number of employees concurrently serving as Directors (persons)	Description
16	1	Amount equivalent to employee salary

(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, maintaining, and strengthening favorable relationships with business partners, etc. for the Group's sustainable growth and increased 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.

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.

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	84
Stock other than the above	30	2,824

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

Not applicable.

(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	1	11

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	To maintain and continue stable business relations	Yes (Note 2)
	90	66		
The Chiba Bank, Ltd.	30,000	30,000	To maintain and continue stable business relations	Yes (Note 2)
	19	17		
Dai-ichi Life Holdings, Inc.	2,600	2,600	To maintain and continue stable business relations	Yes (Note 2)
	6	4		
T&D Holdings, Inc.	38,400	38,400	To maintain and continue stable business relations	No
	56	46		
Mizuho Financial Group, Inc.	8,100	8,100	To maintain and continue stable business relations	No
	11	10		
SHO-BOND Holdings Co., Ltd.	47,000	47,000	To expand business	Yes (Note 2)
	242	235		
RAITO KOGYO CO., LTD.	265,100	265,100	To expand business	Yes
	525	480		
COMSYS Holdings Corporation	15,392	15,392	To expand business	Yes
	39	49		
JAPAN FOUNDATION ENGINEERING CO., LTD	134,000	134,000	To expand business	Yes
	76	65		
NITTO CONSTRUCTION CO., LTD.	51,200	68,200	To expand business	Yes
	33	53		
KAWADA technologies, inc.	12,000	12,000	To expand business	Yes (Note 2)
	51	51		
Yokogawa Bridge Holdings Corp.	21,700	21,700	To expand business	Yes
	47	47		
Ube Industries, Ltd.	19,040	19,040	To expand business	Yes (Note 2)
	38	35		
E • J Holdings Inc.	120,680	120,680	To maintain a good relationship	Yes
	150	126		

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)		
NJS CO., LTD.	50,000	50,000	To maintain a good relationship	Yes
	96	102		
Oriental Consultants Holdings Co., Ltd.	57,200	57,200	To maintain a good relationship	Yes
	195	125		
Kawasaki Geological Engineering Co., Ltd.	9,400	9,400	To maintain a good relationship	Yes
	30	22		
ASIA AIR SURVEY CO., LTD.	102,000	102,000	To maintain a good relationship	Yes
	82	90		
Founder's Consultants Holdings Inc.	45,387	41,261	To maintain a good relationship	Yes
	36	38		
People, Dreams & Technologies Group Co., Ltd.	105,000	105,000	To maintain a good relationship	Yes
	199	159		
Wesco Holdings Inc.	180,000	180,000	To maintain a good relationship	Yes
	84	80		
OYO Corporation	98,500	98,500	To maintain a good relationship	Yes
	211	120		
OHBA CO., LTD.	186,000	186,000	To maintain a good relationship	Yes
	146	133		
IDEA Consultants, Inc.	81,900	81,900	To maintain a good relationship	Yes
	153	143		
DN HOLDINGS CO., LTD.	100,000	100,000	To maintain a good relationship	Yes
	118	91		
NIPPON KOEI CO., LTD.	231	231	To maintain a good relationship	No
	0	0		
Maezawa Kasei Industries Co., Ltd.	36,000	36,000	To smoothly perform business operations	Yes
	46	35		
UCHIDA YOKO CO., LTD.	3,200	3,200	To smoothly perform business operations	Yes
	16	13		
ARIAKE JAPAN Co., Ltd.	1,829	1,829	To smoothly perform business operations	No
	11	13		
ICHINEN HOLDINGS Co., Ltd.	1,800	1,800	To smoothly perform business operations	Yes
	2	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.
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, 2021 to December 31, 2021) and the non-consolidated financial statements for the current fiscal year (from January 1, 2021 to December 31, 2021) 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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and bank deposits	16,684	20,527
Notes receivable and completed work receivables	7,127	9,804
Prepaid expenses for uncompleted services	17,421	17,345
Other	719	965
Allowance for doubtful accounts	-603	-456
Total current assets	41,350	48,187
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,165	6,315
Accumulated depreciation	-3,258	-3,423
Buildings and structures, net	2,907	2,892
Machinery and transportation equipment	951	960
Accumulated depreciation	-848	-854
Machinery and transportation equipment, net	103	105
Land	4,816	4,816
Lease assets	330	332
Accumulated depreciation	-132	-159
Lease assets, net	197	172
Right-of-use assets	1,784	2,126
Accumulated depreciation	-529	-863
Right-of-use assets, net	1,255	1,263
Construction in progress	11	-
Other	1,931	2,100
Accumulated depreciation	-1,494	-1,652
Other, net	437	447
Total tangible fixed assets	9,729	9,698
Intangible fixed assets		
Lease assets	16	12
Goodwill	4,035	4,208
Other	796	746
Total intangible fixed assets	4,848	4,967
Investments and other assets		
Investment securities	*1 4,230	*1 4,443
Long-term loans receivable from subsidiaries and affiliates	529	499
Deferred tax assets	1,117	1,051
Net defined benefit asset	784	1,501
Other	*1 1,514	*1 1,655
Allowance for doubtful accounts	-123	-123
Total investments and other assets	8,052	9,027
Total fixed assets	22,630	23,693
Total assets	63,980	71,880

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	2,147	2,302
Short-term borrowings	750	900
Lease obligations	411	467
Accrued income taxes	1,254	1,831
Advances received from uncompleted services	13,860	14,268
Reserve for bonuses	2,047	2,843
Reserve for bonuses to directors	69	215
Allowance for losses in operations	100	118
Provision for warranties for completed operation	-	198
Other	6,112	6,219
Total current liabilities	26,754	29,365
Fixed liabilities		
Long-term accounts payable	7	7
Lease obligations	1,189	1,113
Provision for warranties for completed operation	709	776
Deferred tax liabilities	42	33
Net defined benefit liability	1,034	1,002
Asset retirement obligations	222	241
Other	3	520
Total fixed liabilities	3,208	3,694
Total liabilities	29,963	33,059
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	4,144	3,610
Profit surplus	26,026	29,861
Treasury stock	-13	-13
Total shareholders' equity	33,183	36,484
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,164	1,414
Foreign currency translation adjustment	-247	391
Remeasurements of defined benefit plans	-259	381
Total accumulated other comprehensive income	658	2,187
Non-controlling interests	174	148
Total net assets	34,016	38,820
Total liabilities and net assets	63,980	71,880

(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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Sales	65,190	74,409
Cost of sales	46,955	53,678
Gross profit	18,234	20,731
Selling, general and administrative expenses	*1 *2 13,149	*1 *2 13,740
Operating income	5,085	6,991
Non-operating revenues		
Interest earned	17	13
Dividend earned	70	82
Foreign exchange gains	-	8
House rent earned	91	94
Other	65	83
Total non-operating revenues	244	283
Non-operating expenses		
Interest expense	51	50
Commission paid	3	15
Foreign exchange losses	3	-
Rental expenses	54	54
Loss related to impropriety	-	32
Other	0	3
Total non-operating expenses	113	156
Ordinary profit	5,216	7,118
Extraordinary gain		
Gain on sale of non-current assets	0	-
Gain on investments in investment partnerships	52	3
Total extraordinary gain	52	3
Extraordinary loss		
Loss from fixed assets disposal	*3 22	*3 27
Unrealized loss on investment securities	-	212
Other	2	1
Total extraordinary loss	24	241
Net income before income tax	5,244	6,879
Corporation tax, inhabitants taxes and enterprise tax	1,882	2,696
Deferred income taxes etc.	-290	-337
Total income taxes	1,592	2,359
Net income	3,651	4,520
Net income attributable to non-controlling interests	1	48
Net income attributable to owners of the parent	3,650	4,471

## Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Net income	3,651	4,520
Other comprehensive income		
Other valuation difference on available-for-sale securities	-91	250
Foreign currency translation adjustment	-133	670
Remeasurements of defined benefit plans, net of tax	228	640
Total other comprehensive income	*1 4	*1 1,561
Comprehensive Income	3,656	6,082
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	3,637	6,001
Comprehensive income attributable to non-controlling interests	18	80

(iii) Statement of Fluctuations in Consolidated Shareholders' Equity  
Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	4,122	22,870	-12	30,006
Changes of items during the period					
Dividends from surplus			-494		-494
Net income attributable to owners of the parent			3,650		3,650
Acquisition of treasury stock				-0	-0
Change in ownership interest of parent due to transactions with non-controlling interests		22			22
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	22	3,155	-0	3,177
Balance at the end of current period	3,025	4,144	26,026	-13	33,183

(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	1,255	-96	-487	671	252	30,929
Changes of items during the period						
Dividends from surplus						-494
Net income attributable to owners of the parent						3,650
Acquisition of treasury stock						-0
Change in ownership interest of parent due to transactions with non-controlling interests						22
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	-91	-150	228	-13	-77	-90
Total changes of items during the period	-91	-150	228	-13	-77	3,087
Balance at the end of current period	1,164	-247	-259	658	174	34,016

## Current 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

## (iv) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Cash flow from operating activities		
Net income before income tax	5,244	6,879
Depreciation and amortization	1,056	1,094
Amortization of goodwill	239	264
Increase (decrease) in allowance for doubtful accounts	32	-207
Increase (decrease) in net defined benefit liability	102	58
Decrease (increase) in net defined benefit asset	111	118
Increase (decrease) in reserve for bonuses	422	790
Increase (decrease) in reserve for bonuses to directors	-68	139
Increase (decrease) in allowance for losses in operations	0	18
Increase (decrease) in provision for warranties for completed operation	152	187
Increase (decrease) in long-term accounts payable	-7	-
Interest and dividend earned	-88	-95
Interest payable	51	50
Foreign exchange loss (gain)	-48	35
Subsidy income	-8	-
Unrealized loss (gain) on investment securities	-	212
Loss (gain) on investments in investment partnerships	-52	-3
Loss (gain) from fixed assets disposal	22	27
Decrease (increase) in sales account	1,142	-2,226
Decrease (increase) in prepaid expenses for uncompleted services	237	63
Decrease (increase) in other current assets	238	-224
Increase (decrease) in account payable	-448	105
Increase (decrease) in advances received from uncompleted services	669	242
Increase (decrease) in accrued consumption taxes	885	-532
Increase (decrease) in other current liabilities	316	614
Increase (decrease) in other fixed liabilities	-1	-
Other	2	13
Subtotal	10,207	7,627
Received interest and dividend	91	98
Interest payment	-51	-50
Payment of corporation income tax etc.	-1,559	-2,330
Cash flow provided by operating activities	8,687	5,344

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Cash flow from investment activities		
Payments for acquisition of tangible fixed assets	-433	-360
Proceeds from sale of property, plant and equipment	13	-
Payments for acquisition of intangible fixed assets	-204	-201
Payments for acquisition of investment securities	-50	-0
Proceeds from sales of investment securities	3	11
Repayments for loans	-60	-55
Income from loan collection	104	89
Payments for investments in capital	-32	-25
Proceeds from divestments	64	4
Subsidies received	8	-
Other payments	-192	-133
Other proceeds	-	0
Cash flow used for investment activities	-779	-671
Cash flow from financial activities		
Net increase (decrease) in short-term borrowings	-250	150
Acquisition of treasury stock	-0	-0
Repayments of lease obligations	-367	-444
Dividend payments	-494	-634
Dividends paid to non-controlling interests	-19	-89
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-54	-108
Cash flow used for financial activity	-1,185	-1,128
Effect in fluctuation of exchange rate for cash and cash equivalents	89	297
Increase (decrease) in cash and cash equivalents	6,810	3,842
Opening balance of cash and cash equivalents	9,873	16,684
Closing balance of cash and cash equivalents	*1 16,684	*1 20,527



Notes:

## Basic Important Matters for Preparation of Consolidated Financial Statements

### 1. Consolidation range

#### (1) Number of consolidated subsidiaries: 22

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.

Waterman AHW (Victoria) Pty Limited changed its trading name to Waterman Group (Aus) Pty Limited on July 1, 2021.

#### (2) Number of non-consolidated subsidiaries: 12

Names of the non-consolidated subsidiaries:

Environmental Research & Solutions CO., LTD.

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.

CTI AURA Co., Ltd. changed its trading name to CTI REED Co., Ltd. on April 1, 2021.

CTI Pilipinas, Inc. is a local subsidiary established in the Philippines on April 20, 2021.

#### (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

Environmental Research & Solutions CO., LTD., 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

- With fair 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 capital imputation method, while value of products sold has been calculated according to the moving average method.)

- With no fair 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

Sales are recognized by the completed-contract method. However, the revenues and expenses of construction contracts whose percentages of completion up to the end of this consolidated fiscal year can be reliably estimated are recognized by the percentage-of-completion method (the percentage of completion is computed

at the cost incurred as a percentage of the estimated total expenses).

(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.

(9) Other important matters for preparation of the consolidated financial statements

Accounting treatment of consumption tax

Tax exclusion method is adopted.

(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

Goodwill	4,208 million yen
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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 the COVID-19 pandemic.

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, without a unified view on the future trajectory of the pandemic, it is difficult to determine when it will be contained and the normalization of economic activities will occur and how Waterman Group Plc's business performance will be impacted in the future. Therefore, the Company assumes that the said impact will last until the end of the next consolidated fiscal year.

(New Accounting Pronouncements)

The establishment or amendment of major accounting standards, etc. issued up to December 31, 2021 but not yet applied are as follows.

1. Accounting standards, etc. for revenue recognition

- \* “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020)
- \* “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 26, 2021)

(1) Outline

These accounting standards, etc. are comprehensive accounting standards for revenue recognition. Revenue is to be recognized by applying the five steps below.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Planned date for application

The Company plans to apply these accounting standards, etc. from the beginning of the consolidated fiscal year ending December 31, 2022.

(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)

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31 issued on March 31, 2020) has been applied from the consolidated financial statements at the end of the current consolidated fiscal year, and notes on important accounting estimates have been stated in the consolidated financial statements.

However, the said notes do not include contents related to the previous consolidated fiscal year, in accordance with the transitional treatment stipulated in the proviso to Paragraph 11 of the said accounting standard.

(Notes on Consolidated Profit and Loss Account)

“Insurance dividends earned,” which was presented separately under “Non-operating revenues” in the previous consolidated fiscal year, has been included in “Other” effective from the current consolidated fiscal year due to decreased materiality in terms of its amount. 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 profit and loss account for the previous consolidated fiscal year, the 12 million yen of “Insurance dividends earned” and 53 million yen of “Other” presented under “Non-operating revenues” have been reclassified as 65 million yen of “Other.”

(Additional Information)

Due to the regulations, etc. enforced in each country because of the COVID-19 pandemic, in the Group’s overseas business, a portion of the projects experienced delays in progress or prolonged construction periods. However, the impact on the Group’s overall business results was insignificant.

Since it is difficult to predict when the COVID-19 pandemic will conclude, based on the information available at the time of preparation of the consolidated financial statements, with the assumption that the impact of the COVID-19 pandemic will last until the end of the next consolidated fiscal year, the Company conducted accounting estimates for such an item as impairment accounting for fixed assets including goodwill.

(Notes on Consolidated Balance Sheet)

\*1 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Investment securities (stock)	877 million yen	805 million yen
“Other” in investments and other assets	0	0

\*2 Warranty for liabilities

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

	Previous Consolidated Fiscal Year (as of December 31, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	73 million yen	73 million yen
VESTA·CHP Co., Ltd. (affiliate)	-	54
Employees of the Group	25	26
Total	98	153

(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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Wages and allowances	4,345 million yen	4,620 million yen
Bonuses	700	789
Transferred reserve for bonuses	474	674
Reserve for bonuses to directors	54	159
Retirement benefits expenses	260	273
Research and investigation expenses	923	976
Allowance for doubtful accounts	79	48

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

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
	923 million yen	976 million yen

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

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Buildings and structures in tangible fixed assets	15 million yen	6 million yen
Other tangible fixed assets	2	1
Other intangible fixed assets	4	19
Total	22	27

## (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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Other valuation difference on available- for-sale securities		
Amount recognized in the period	-141 million yen	374 million yen
Reclassification adjustments to net income	-	-1
Before tax-effect adjustment	-141	373
Amount of tax effects	49	-123
Other valuation difference on available- for-sale securities	-91	250
Foreign currency translation adjustment		
Amount recognized in the period	-133	670
Before tax-effect adjustment	-133	670
Foreign currency translation adjustment	-133	670
Remeasurements of defined benefit plans, net of tax		
Amount recognized in the period	89	687
Reclassification adjustments to net income	241	238
Before tax-effect adjustment	330	926
Amount of tax effects	-101	-285
Remeasurements of defined benefit plans, net of tax	228	640
Total other comprehensive income	4	1,561

(Statement of Fluctuations in Consolidated Shareholders' Equity)

Previous Consolidated Fiscal Year (From January 1, 2020 to December 31, 2020)

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	18,959	229	—	19,188

Note: The increase in the amount of treasury stock of 229 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 26, 2020	Common stock	494	35	December 31, 2019	March 27, 2020

(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 25, 2021	Common stock	Profit surplus	636	45	December 31, 2020	March 26, 2021

Current 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.

#### (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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Cash and bank deposit account	16,684 million yen	20,527 million yen
Cash and cash equivalents	16,684	20,527

#### (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 includes the value based on market prices or a reasonably calculated value for those without market prices. Because the calculation of the value 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. The table below does not include any financial instrument whose fair value is deemed to be considerably difficult to recognize.

Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	16,684	16,684	—
(2) Notes receivable and completed work receivables	7,127	7,127	—
(3) Investment securities			
1) Held-to-maturity securities	714	716	2
2) Available-for-sale securities	2,464	2,464	—
Total	26,990	26,993	2

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

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	20,527	20,527	—
(2) Notes receivable and completed work receivables	9,804	9,804	—
(3) Investment securities			
1) Held-to-maturity securities	711	714	3
2) Available-for-sale securities	2,824	2,824	—
Total	33,868	33,871	3

Note 1. Items related to the methods for calculating the fair value of financial instruments and securities

Assets

(1) Cash and bank deposits

Cash and bank deposits are reported in book value because the fair value is almost equal to the book value due to the relatively short period of accounts settlement.

(2) Notes receivable and completed work receivables

Notes receivable and completed work receivables are reported in book value because the fair value is almost equal to the book value due to the relatively short period of accounts settlement.

(3) Investment securities

With regard to the fair value of investment securities, shares are recorded according to prices on stock exchanges, and bonds and notes are recorded according to prices on exchanges or prices quoted by financial institutions. With regard to items related to securities classified by purposes of holding, please see the Notes on Marketable Securities.

Liabilities

Not applicable.

Note 2. Book value on the consolidated balance sheet of financial instruments whose fair value is deemed to be considerably difficult to recognize

(million yen)

Account title	Previous Consolidated Fiscal Year As of December 31, 2020	Current Consolidated Fiscal Year As of December 31, 2021
Non-listed shares	1,051	906

Because non-listed shares have no market prices and their future cash flows cannot be estimated, their fair value is deemed to be considerably difficult to recognize. Accordingly, non-listed shares are not included in (3) Investment securities.

Note 3. 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, 2020)

	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	16,684	—	—	—
Notes receivable and completed work receivables	7,127	—	—	—
Investment securities				
Held-to-maturity securities				
Corporate bonds	—	214	—	500
Total	23,812	214	—	500

Current 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

(Notes on Marketable Securities)

1. Held-to-maturity securities

Previous Consolidated Fiscal Year (as of December 31, 2020)

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	214	213	-0
	(3) Other	—	—	—
	Subtotal	214	213	-0
Total		714	716	2

Current 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

## 2. Available-for-sale securities

### Previous Consolidated Fiscal Year (as of December 31, 2020)

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	2,416	830	1,586
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	2,416	830	1,586
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	47	50	-2
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	47	50	-2
Total		2,464	880	1,583

### Current 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

3. Held-to-maturity securities sold during the consolidated fiscal year

Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)

Not applicable.

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

Not applicable.

4. Available-for-sale securities sold during the consolidated fiscal year

Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	3	—	—

Current 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

5. Securities written down

Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)

Not applicable.

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

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

(Notes on Derivatives Transactions)

The Group did not use any derivative transactions at all, and therefore, there is no applicable information.

(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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Balance of retirement benefit obligations at the beginning of year	14,464	15,022
Labor costs	1,048	1,091
Interest costs	43	46
Accounting disparity	-77	-49
Retirement benefits paid	-457	-799
Balance of the retirement benefit obligations at the end of year	15,022	15,311

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

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Balance of pension assets at the beginning of year	14,207	14,852
Expected operating profit	284	297
Accounting disparity	11	638
Contribution from employer	759	794
Retirement benefits paid	-410	-706
Balance of the pension assets at the end of year	14,852	15,876

(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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Funded retirement benefits obligations	14,139	14,453
Pension assets	-14,852	-15,876
	-712	-1,423
Unfunded retirement benefits obligations	883	857
Net amount of relevant liabilities and assets on the consolidated balance sheets	170	-565
Net defined benefit liability	883	857
Net defined benefit asset	-712	-1,423
Net amount of relevant liabilities and assets on the consolidated balance sheets	170	-565

(4) Retirement benefits costs and related accounting items

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Labor costs	1,048	1,091
Interest costs	43	46
Expected operating profit	-284	-297
Cost disposal amount arising from accounting disparity	241	238
Retirement benefits costs under the defined benefit system	1,049	1,078

(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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Accounting disparities	330	926
Total	330	926

(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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Previously unrecognized accounting disparities	-373	552
Total	-373	552



(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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Domestic bonds	12 %	12 %
Domestic stocks	10	10
Foreign bonds	7	8
Foreign stocks	10	13
Life insurance general accounts	54	52
Other	7	5
Total	100	100

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (9% 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, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Discount percentage	Primarily 0.3%	Primarily 0.3%
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

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
	(million yen)	
Balance of net defined benefit liability at the beginning of year	108	79
Retirement benefits costs	58	48
Retirement benefits paid	-15	-4
Contribution to systems	-71	-56
Net amount of relevant benefit liability and asset	79	66
Net defined benefit liability	151	144
Net defined benefit asset	-71	-78
Net amount of relevant benefit liability and asset	79	66

(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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Funded retirement benefits obligations	854	887
Pension assets	-774	-820
	79	66
Unfunded retirement benefits obligations	—	—
Net amount of relevant liabilities and assets on the consolidated balance sheets	79	66
Net defined benefit liability	151	144
Net defined benefit asset	-71	-78
Net amount of relevant liabilities and assets on the consolidated balance sheets	79	66

(3) Retirement benefit costs

Retirement benefit costs calculated using the simplified method

Previous Consolidated Fiscal Year	58 million yen
Current Consolidated Fiscal Year	48 million yen

4. Defined Contribution System

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

Previous Consolidated Fiscal Year	211 million yen
Current Consolidated Fiscal Year	239 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 340 million yen for the previous consolidated fiscal year and 205 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, 2020)	Current Consolidated Fiscal Year (as of March 31, 2021)
Pension assets	82,462	92,388
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	63,733	70,975
Balance	18,729	21,412

2) Surveying & Design Enterprises Multi Employers Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year (as of March 31, 2020)	Current Consolidated Fiscal Year (as of March 31, 2021)
Pension assets	58,254	63,837
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	46,764	47,057
Balance	11,490	16,780

(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 8.14% (from April 1, 2019 to March 31, 2020)

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

2) Surveying & Design Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year 0.41% (from April 1, 2019 to March 31, 2020)

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

(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 (2,818 million yen for the previous consolidated fiscal year and 1,487 million yen for the current consolidated fiscal year) and surplus brought forward (-21,574 million yen for the previous consolidated fiscal year and -22,899 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 15 years in the previous consolidated fiscal year, and an amortization period of 5 years in the current consolidated fiscal year. A special premium (238 million yen for the previous consolidated fiscal year and 79 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 (-11,490 million yen for the previous consolidated fiscal year and -16,780 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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Deferred tax assets		
Accrued enterprise tax	89 million yen	116 million yen
Allowance for losses in operations	34	40
Provision for warranties for completed operation	—	60
Reserve for bonuses	627	837
Social insurance premiums for bonuses	94	127
Net defined benefit liability	476	416
Long-term accounts payable	2	2
Unrealized loss on securities	62	85
Asset retirement obligations	70	76
Loss brought forward	221	195
Other	467	553
Subtotal	2,147	2,511
Allowance account	-546	-676
Total	1,600	1,834
Deferred tax liabilities		
Net defined benefit asset	64	230
Tangible fixed assets	41	43
Other valuation difference on available-for-sale securities	419	542
Total	525	815
Net of deferred tax assets	1,074	1,018

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, 2020)	Current Consolidated Fiscal Year (as of December 31, 2021)
Legal effective tax rate	—	30.62 %
(Adjustment)		
No entry of loss from entertainment expense etc.	—	0.56
Per capita inhabitant tax	—	1.35
No entry of profit from dividends earned, etc.	—	-0.06
Tax credit of experiment and research expenses	—	-0.42
No entry of loss from bonuses to directors	—	0.20
Amortization of goodwill	—	1.18
Increase/decrease in allowance account	—	1.89
Other	—	-1.02
Bearing rate of corporation tax or the like after application of tax effect accounting	—	34.30

(Note) For the previous consolidated fiscal year, as the difference between the legal effective tax rate and the bearing rate of corporation tax or the like after application of tax effect accounting is 5% or less of the legal effective tax rate, the information is omitted.

(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.

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

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

	(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	48,978	16,211	65,190	—	65,190
Inter-segment sales or transfers	21	46	67	-67	—
Total	48,999	16,258	65,257	-67	65,190
Segment income	5,032	45	5,078	7	5,085
Segment assets	48,137	16,695	64,833	-853	63,980
Other items					
Depreciation	636	420	1,056	—	1,056
Amortization of goodwill	—	239	239	—	239

Notes: 1. Adjustments to inter-segment sales or transfers (-67 million yen), adjustments to segment income (7 million yen), and adjustments to segment assets (-853 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, 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.

## Relevant Information

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

### 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		
48,858	2,298	11,660	1,097	1,275	65,190

- 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		
8,215	0	1,240	153	118	9,729

- 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	24,323	Domestic consulting engineering business

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

1. Information by products and services

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

2. Information by areas

(1) Sales

(million yen)

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

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

(2) Tangible Fixed Assets

(million yen)

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

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

3. Information by major customers

(million yen)

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



Impairment losses on fixed assets by reportable segments

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

Not applicable.

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

Not applicable.

Amortized amount and unamortized balance of goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	—	239	—	239
Balance at the end of the current period	—	4,035	—	4,035

Current 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

Gain on negative goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

Not applicable.

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

Not applicable.

Information on related parties

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

(1) Transaction between the company submitting consolidated financial statements and the related parties

Not applicable.

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

(1) Transaction between the company submitting consolidated financial statements and the related parties

Not applicable.

(Notes on Investment and Rental Property)

Previous consolidated fiscal year (from January 1, 2020 to December 31, 2020)

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

Current 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.

(Information per Share)

	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Net assets per share	2,393.36 yen	2,734.99 yen
Net income per share	258.17 yen	316.25 yen

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

2. Basis of calculation of net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Consolidated Fiscal Year (from January 1, 2021 to December 31, 2021)
Net income attributable to owners of the parent (million yen)	3,650	4,471
Amounts not belonging to ordinary shareholders (million yen)	—	—
Net income attributable to owners of the parent related to common shares (million yen)	3,650	4,471
Average number of common shares for the entire fiscal year (shares)	14,140,024	14,139,826

(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	750	900	0.5	—
Long-term borrowings to be repaid within 1 year	—	—	—	—
Lease obligations to be repaid within 1 year	411	467	—	—
Long-term borrowings except those to be repaid within 1 year	—	—	—	—
Lease obligations except those to be repaid within 1 year	1,189	1,113	—	2023 to 2028
Other Interest-bearing Liabilities	—	—	—	—
Total	2,350	2,480	—	—

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 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)
Lease obligations	407	327	234	123

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, 2021	First half ended June 30, 2021	Nine months ended September 30, 2021	Current consolidated fiscal year
Sales (million yen)	12,741	35,222	51,602	74,409
Net income before income tax (million yen)	501	3,588	4,976	6,879
Net income attributable to owners of the parent (million yen)	326	2,355	3,255	4,471
Net income per share (yen)	23.10	166.56	230.20	316.25

(Fiscal period)	First quarter from January 1, 2021 to March 31, 2021	Second quarter from April 1, 2021 to June 30, 2021	Third quarter from July 1, 2021 to September 30, 2021	Fourth quarter from October 1, 2021 to December 31, 2021
Net income per share (yen)	23.10	143.46	63.64	86.05

## 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, 2020)	Current Fiscal Year (as of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and bank deposits	11,952	15,006
Notes receivable	1	-
Completed work receivables	1,521	3,101
Prepaid expenses for uncompleted services	13,667	13,065
Advance payment	221	322
Short-term loans	*1 1,439	*1 1,846
Other	122	101
Total current assets	28,926	33,443
Fixed assets		
Tangible fixed assets		
Buildings	5,154	5,242
Accumulated depreciation	-2,533	-2,671
Buildings, net	2,621	2,570
Structures	757	763
Accumulated depreciation	-609	-617
Structures, net	148	145
Machinery and equipment	242	242
Accumulated depreciation	-238	-238
Machinery and equipment, net	4	3
Furniture and fixtures	1,312	1,418
Accumulated depreciation	-985	-1,092
Furniture and fixtures, net	326	325
Land	4,787	4,787
Lease assets	197	198
Accumulated depreciation	-77	-100
Lease assets, net	120	98
Construction in progress	3	-
Total tangible fixed assets	8,012	7,931
Intangible fixed assets		
Leasehold	16	16
Software	723	647
Telephone rights	22	22
Right of using special facilities	0	-
Lease assets	2	1
Other	0	0
Total intangible fixed assets	765	688
Investments and other assets		
Investment securities	3,337	3,621
Shares in subsidiaries and affiliates	8,001	8,078
Investments	75	96
Long-term loans	*1 529	*1 499
Long-term prepaid expenses	26	26
Deferred tax assets	821	1,002
Lease and guarantee deposit	1,148	1,260
Prepaid pension cost	1,084	964
Other	6	6
Allowance for doubtful accounts	-106	-106
Total investments and other assets	14,924	15,447
Total fixed assets	23,702	24,067
Total assets	52,628	57,510

(million yen)

	Previous Fiscal Year (as of December 31, 2020)	Current Fiscal Year (as of December 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable for services	*1 1,598	*1 1,733
Lease obligations	41	41
Accounts payable	447	409
Accrued income taxes	1,194	1,557
Accrued consumption taxes	954	940
Accrued expenses	1,158	1,286
Advances received from uncompleted services	9,792	9,698
Deposits received	716	774
Revenue received in advance	14	16
Reserve for bonuses	1,892	2,436
Reserve for bonuses to directors	38	40
Allowance for losses in operations	7	22
Provision for warranties for completed operation	-	198
Other	0	-
Total current liabilities	17,856	19,155
Fixed liabilities		
Long-term accounts payable	7	7
Lease obligations	84	61
Reserve for retirement benefits	893	953
Asset retirement obligations	172	183
Other	3	3
Total fixed liabilities	1,161	1,209
Total liabilities	19,017	20,364
<b>Net assets</b>		
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	16,434	19,720
Total profit surplus	25,311	28,597
Treasury stock	-13	-13
Total shareholders' equity	32,446	35,731
Valuation and translation differences		
Other valuation difference on available-for-sale securities	1,164	1,414
Total valuation and translation adjustment	1,164	1,414
Total net assets	33,610	37,146
Total liabilities and net assets	52,628	57,510

## (ii) Non-consolidated Profit and Loss Account

(million yen)

	Previous Fiscal Year (from January 1, 2020 to December 31, 2020)		Current Fiscal Year (from January 1, 2021 to December 31, 2021)	
Sales	*1	44,322	*1	48,591
Cost of sales	*1	30,532	*1	33,565
Gross profit		13,789		15,025
Selling, general and administrative expenses	*2	8,953	*2	9,201
Operating income		4,835		5,823
Non-operating revenues				
Interest earned	*1	16	*1	16
Dividend earned	*1	68	*1	170
Interest from securities		4		4
Rent earned	*1	93	*1	99
Other		61		76
Total non-operating revenues		244		367
Non-operating expenses				
Interest expense		0		-
Commissions paid		3		15
Rental expenses		55		55
Loss related to impropriety		-		32
Other		0		2
Total non-operating expenses		60		105
Ordinary profit		5,019		6,085
Extraordinary gain				
Gain on investments in investment partnerships		52		3
Total extraordinary gain		52		3
Extraordinary loss				
Loss from fixed assets disposal	*3	22	*3	26
Unrealized loss on investment securities		-		74
Unrealized loss on shares in subsidiaries and affiliates		-		138
Other		2		4
Total extraordinary loss		24		244
Net income before income tax		5,047		5,845
Corporation tax, inhabitants tax and enterprise tax		1,748		2,226
Deferred income taxes etc.		-315		-303
Total income taxes		1,433		1,922
Net income		3,613		3,922

# Cost Specifications for Completed Services

		Previous Fiscal Year (from January 1, 2020 to December 31, 2020)			Current Fiscal Year (from January 1, 2021 to December 31, 2021)		
Category	Note No.	Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		9,725			10,475		
2. Bonuses		1,894			2,253		
3. Provision of reserve for bonuses		1,365			1,772		
4. Retirement benefits expense		780			804		
5. Other		2,312	16,077	53.4	2,450	17,755	53.9
II Amount paid to subcontractors			10,172	33.8		10,793	32.7
III Expenses							
1. Traveling expenses		706			606		
2. Printing and copying expenses		349			335		
3. Expendables cost		410			433		
4. Rents		1,434			1,665		
5. Depreciation		143			155		
6. Provision of allowance for losses in operations		-27			14		
7. Allowance for provision for warranties for completed operation		-			198		
8. Other		852	3,869	12.8	1,004	4,413	13.4
Current general business expenses			30,119	100.0		32,963	100.0
Opening prepaid expenses for uncompleted services			14,080			13,667	
Total			44,200			46,630	
Closing prepaid expenses for uncompleted services			13,667			13,065	
Current cost of completed services			30,532			33,565	

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



(iii) Statement of Fluctuations in Shareholders' Equity  
Previous Fiscal Year (from January 1, 2020 to December 31, 2020)

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		
		Capital reserve	Total capital surplus		Other profit surplus		Total profit surplus
					General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	13,316	22,192
Changes of items during the period							
Dividends from surplus						-494	-494
Net income						3,613	3,613
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	-	-	-	-	-	3,118	3,118
Balance at the end of current period	3,025	4,122	4,122	176	8,700	16,434	25,311

(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	-12	29,328	1,255	1,255	30,583
Changes of items during the period					
Dividends from surplus		-494			-494
Net income		3,613			3,613
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			-91	-91	-91
Total changes of items during the period	-0	3,117	-91	-91	3,026
Balance at the end of current period	-13	32,446	1,164	1,164	33,610

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

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit surplus			
		Capital reserve	Total capital surplus	Profit reserve	Other profit surplus		Total profit 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

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

\* With fair 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.)

\* With no fair 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 consolidated 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

Sales are recognized by the completed-contract method. However, revenues and expenses of construction contracts whose percentages of completion up to the end of this fiscal year can be reliably estimated are recognized by the percentage-of-completion method (the percentage of completion is computed at the cost incurred as a percentage of the estimated total expenses).

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

(1) Accounting treatment of consumption taxes

Tax exclusion method is adopted.

(2) 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

Out of 8,078 million yen of shares in subsidiaries and affiliates, there are 6,962 million yen of shares concerning Waterman Group Plc

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 (Notes on 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 the COVID-19 pandemic.

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, without a unified view on the future trajectory of the pandemic, it is difficult to determine when it will be contained and the normalization of economic activities will occur and how Waterman Group Plc's business performance will be impacted in the future. Therefore, the Company assumes that the said impact will last until the end of the next fiscal year.

#### (Changes in Presentation Method)

##### (Application of "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued on March 31, 2020) has been applied from the non-consolidated financial statements at the end of the current fiscal year, and notes on important accounting estimates have been stated in the non-consolidated financial statements.

However, the said notes do not include contents related to the previous fiscal year, in accordance with the transitional treatment stipulated in the proviso to Paragraph 11 of the said accounting standard.

#### (Notes on Non-consolidated Profit and Loss Account)

"Insurance dividends earned," which was presented separately under "Non-operating revenues" in the previous fiscal year, has been included in "Other" effective from the current fiscal year due to decreased materiality in terms of its amount. The non-consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation method.

As a result, on the non-consolidated profit and loss account for the previous fiscal year, the 12 million yen of "Insurance dividends earned" and 49 million yen of "Other" presented under "Non-operating revenues" have been reclassified as 61 million yen of "Other."

"Foreign exchange losses," which was presented separately under "Non-operating expenses" in the previous fiscal year, has been included in "Other" effective from the current fiscal year due to decreased materiality in terms of its amount. The non-consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation method.

As a result, on the non-consolidated profit and loss account for the previous fiscal year, the 0 million yen of "Foreign exchange losses" and 0 million yen of "Other" presented under "Non-operating expenses" have been reclassified as 0 million yen of "Other."

#### (Additional Information)

Due to the regulations, etc. enforced in each country because of the COVID-19 pandemic, in the Group's overseas business, a portion of the projects experienced delays in progress or prolonged construction periods, which caused impacts such as reduced sales. However, the impact on the Group's overall business results was insignificant.

Since it is difficult to predict when the COVID-19 pandemic will conclude, based on the information available at the time of preparation of the financial statements, with the assumption that the impact of the COVID-19 pandemic will last until the end of the next fiscal year, the Company conducted accounting estimates for such an item as impairment losses of shares in subsidiaries and affiliates.

(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, 2020)	Current Fiscal Year (as of December 31, 2021)
Shot-term monetary claims	1,465 million yen	1,886 million yen
Shot-term monetary debts	283	409
Long-term monetary claims	530	500

2 Warranty for liabilities

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

	Previous Fiscal Year (as of December 31, 2020)	Current Fiscal Year (as of December 31, 2021)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	73 million yen	73 million yen
VESTA・CHP Co., Ltd. (affiliate)	-	54
Employees of the Group	25	26
Total	98	153

(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, 2020 to December 31, 2020)	Current Fiscal Year (from January 1, 2021 to December 31, 2021)
Turnover of operating transactions		
Sales	53 million yen	51 million yen
Subcontractor cost	1,781	1,833
Other operating transactions	116	124
Turnover of transactions other than operating transactions	132	240

\*2 The percentage of expenses included in selling expenses is approximately 29% for the previous year and 28% for the current fiscal year, and the percentage of expenses included in general and administrative expenses is 71% for the previous fiscal year and 72% for the current fiscal year.

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

	Previous Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Fiscal Year (from January 1, 2021 to December 31, 2021)
Wages and allowances	2,901 million yen	2,962 million yen
Transferred reserve for bonuses	442	596
Reserve for bonuses to directors	38	40
Retirement benefits expenses	204	198
Depreciation and amortization	141	146
Research and investigation expenses	908	953

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

	Previous Fiscal Year (from January 1, 2020 to December 31, 2020)	Current Fiscal Year (from January 1, 2021 to December 31, 2021)
Buildings	15 million yen	5 million yen
Structures	-	0
Furniture and fixtures	2	1
Software	4	19
Total	22	26

(Notes on Securities)

The fair value of shares in subsidiaries and affiliates is not stated, as these shares have no market value and their fair value is considered difficult to recognize.

The book value on the balance sheet for shares in subsidiaries and affiliates whose fair value is deemed to be considerably difficult to recognize is as follows.

	Previous Fiscal Year (as of December 31, 2020)	Current Fiscal Year (as of December 31, 2021)
Shares in subsidiaries	7,951 million yen	8,028 million yen
Shares in subsidiaries and affiliates	50	50
Total	8,001	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, 2020)	Current Fiscal Year (as of December 31, 2021)
Deferred tax assets		
Accrued enterprise tax	90 million yen	101 million yen
Allowance for losses in operations	2	6
Provision for warranties for completed operation	-	60
Reserve for bonuses	579	745
Social insurance premiums for bonuses	85	111
Reserve for retirement benefits	350	406
Long-term accounts payable	2	2
Unrealized loss of securities	62	84
Asset retirement obligations	52	56
Other	258	313
Subtotal	1,483	1,889
Allowance account	-206	-309
Total	1,276	1,579
Deferred tax liabilities		
Tangible fixed assets	35	34
Other valuation difference on available-for-sale securities	419	542
Total	454	577
Net of deferred tax assets	821 million yen	1,002 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, 2020)		Current Fiscal Year (as of December 31, 2021)	
Legal effective tax rate	30.62	%	30.62	%
(Adjustment)				
No entry of loss from entertainment expense etc.	0.04		0.02	
Per capita inhabitant tax	1.70		1.38	
No entry of profit from dividend earned etc.	-0.09		-0.53	
Tax credit of experiment and research expenses	-0.77		-0.49	
Tax credit of income expansion promotion tax system	-2.60		-	
No entry of loss from bonuses to directors	0.23		0.20	
Increase/decrease in allowance account	-0.01		1.76	
Other	-0.71		-0.06	
Bearing rate of corporation tax or the like after application of tax effect accounting	28.41		32.90	

(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	2,621	101	5	146	2,570	2,671
Structures	148	7	0	9	145	617
Machinery and equipment	4	—	—	0	3	238
Furniture and fixtures	326	146	1	145	325	1,092
Land	4,787	—	—	—	4,787	—
Lease assets	120	20	0	42	98	100
Construction in progress	3	—	3	—	—	—
Total tangible fixed assets	8,012	275	11	344	7,931	4,722
Intangible fixed assets						
Leasehold	16	—	—	—	16	—
Software	723	183	19	240	647	—
Telephone rights	22	—	—	—	22	—
Right of using special facilities	0	—	—	0	—	—
Lease assets	2	—	—	0	1	—
Other	0	—	—	0	0	—
Total intangible fixed assets	765	183	19	240	688	—

## 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	1,892	2,436	1,892	2,436
Reserve for bonuses to directors	38	40	38	40
Allowance for losses in operations	7	22	7	22
Provision for warranties for completed operation	—	198	—	198
Reserve for retirement benefits	893	151	91	953

## (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: <a href="http://www.ctie.co.jp/">http://www.ctie.co.jp/</a>
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 (58th fiscal year) (from January 1, 2020 to December 31, 2020)	Submitted to the director of the Kanto Local Finance Bureau on March 26, 2021.
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(2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on March 26, 2021.

(3) Quarterly Report and confirmation note

(First quarter of 59th fiscal year) (from January 1, 2021 to March 31, 2021)	Submitted to the director of the Kanto Local Finance Bureau on May 13, 2021.
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(Second quarter of 59th fiscal year) (from April 1, 2021 to June 30, 2021)	Submitted to the director of the Kanto Local Finance Bureau on August 13, 2021.
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(Third quarter of 59th fiscal year) (from July 1, 2021 to September 30, 2021)	Submitted to the director of the Kanto Local Finance Bureau on November 11, 2021.
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(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 26, 2021.
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## Part 2: SURETY COMPANY INFORMATION

Not applicable.