

SECURITIES REPORT

(Report under Section 1, Article 24 of the Securities and Exchange Law)

Fiscal Year (40th Term)
(from January 1, 2002 to December 31, 2002)

CTI Engineering Co., Ltd.

9-11, Nihonbashi-honcho 4-chome, Chuo-ku, Tokyo

(941-172)

Securities Report

(Report under section 1, Article 24 of the Securities and Exchange Law)

Fiscal Year (40th Term): from January 1, 2002 to December 31, 2002

To the director of the Kanto Local Finance Bureau

Submitted on March 28, 2003

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Place Available for Public Inspection

<u>Designation Address</u>	<u>Address</u>
Osaka Office of CTI Engineering Co., Ltd.	2-15, Otemae 1-chome, Chuo-ku, Osaka
Tokyo Stock Exchange	2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo

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.

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Part1: CORPORATE INFORMATION

CHAPTER 1: General

1. Changes in Major Management Indices

(1) Consolidated Management Indices of the Company

Fiscal year	36th term	37th term	38th term	39th term	40th term
Fiscal year-end	December 1998	December 1999	December 2000	December 2001	December 2002
Sales amount (Million yen)	—	—	31,066	31,071	28,957
Ordinary profit (Million yen)	—	—	1,895	1,998	2,001
Net income (Million yen)	—	—	158	521	940
Net assets (Million yen)	—	—	14,384	14,688	15,514
Total assets (Million yen)	—	—	31,184	32,257	32,958
Net assets per share (Yen)	—	—	1,015.95	1,037.40	1,095.96
Net income per share (Yen)	—	—	11.17	36.84	66.43
Net income per share after adjustment of potential shares (Yen)	—	—	—	—	—
Net worth ratio (%)	—	—	46.1	45.5	47.1
Profit ratio of net worth (%)	—	—	1.1	3.6	6.2
Price earnings ratio (Times)	—	—	50.13	14.9	7.31
Cash flow from operating business activities (Million yen)	—	—	1,734	2,359	2,042
Cash flow from investment activities (Million yen)	—	—	1,599	525	350
Cash flow from financial activities (Million yen)	—	—	219	92	626
Closing balance of cash and cash equivalents (Million yen)	—	—	8,189	9,941	10,973
Number of employees (plus average number of temporary employees) (Persons)	— (—)	— (—)	1,105 (345)	1,042 (364)	1,029 (372)

Note:

1. Preparation of Consolidated Financial Statements started from the 38th term.
2. Sales amount does not include consumption tax
3. Net income per share after adjustment of potential shares is not entered after the 38th term because no potential shares have been issued.

(2) Non-Consolidated Management Indices of the Company

Fiscal year	36th term	37th term	38th term	39th term	40th term
Fiscal year-end	December 1998	December 1999	December 2000	December 2001	December 2002
Sales amount (Million yen)	31,799	31,759	30,198	30,339	28,305
Ordinary profit (Million yen)	1,765	1,941	1,858	1,873	1,944
Net income (Million yen)	838	751	150	470	921
Capital stock (Million yen)	3,025	3,025	3,025	3,025	3,025
Number of outstanding shares (shares)	12,871,897	14,159,086	14,159,086	14,159,086	14,159,086
Net assets (Million yen)	13,578	14,188	14,353	14,605	15,414
Total assets (Million yen)	28,248	29,360	30,767	31,870	32,349
Net assets per share (Yen)	1,054.89	1,002.05	1013.69	1,031.54	1088.95
Cash Dividend per share (Interim dividend per share) (Yen)	11.00 (—)	13.00 (—)	12.00 (—)	11.00 (—)	12.00 (—)
Net income per share (Yen)	65.11	53.05	10.65	33.23	65.11
Net income per share after adjustment of potential shares (Yen)	63.39	—	—	—	—
Net worth ratio (%)	—	—	46.6	45.8	47.7
Profit ratio of net worth (%)	—	—	1.1	3.3	6.1
Price earnings ratio (Times)	—	—	52.58	16.55	7.46
Divided Payout ratio (%)	16.89	24.50	112.6	33.1	18.4
Number of employees (plus average number of temporary employees) (Persons)	1,070 (299)	1,077 (330)	1,056 (339)	989 (360)	979 (372)

Note:

1. Sales amount does not include consumption tax.
2. The Company implemented stock splits at a ratio of 1 for 1.1 shares on February 20, 1998 and February 19, 1999. Net income per share is calculated as if the stock split had been implemented at the beginning of the term.
3. The cash dividend per share includes an additional dividend of 2 yen commemorating listing to the first section of TSE for the 37th term, a special dividend of 1 yen for the 38th term and a special dividend of 1 yen for the 40th term.
4. Net income per share after adjustment of potential shares is not entered after the 37th term because no potential shares have been issued.
5. From the 38th term, number of working employees is entered as “the number of employees.”

2. Chronology

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 Nihonbashi-koamicho, Chuuo-ku, Tokyo
September 1973	Moved the Head Office to Nihonbashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (Overseas Department at present) in the Head Office to increase the number of oversea project orders
April 1976	Opened Sendai Liaison Office (Sendai Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Nagoya Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Hiroshima Branch Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Branch Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Niigata Branch Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Takamatsu Branch Office at present) in Takamatsu-shi, Kagawa
December 1983	Established "CTI Chousasekkei KK" to be exclusively engaged in construction management projects
April 1985	Opened Nagasaki Liaison Office (Nagasaki Branch Office at present) in Nagasaki-shi, Nagasaki
June 1988	Opened Sapporo Liaison Office (Sapporo Branch Office at present) in Chuo-ku, Sapporo and Yokohama Liaison Office (Yokohama Branch Office at present) in Naka-ku, Yokohama
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
September 1990	Opened Fukui Liaison Office (Fukui Branch Office at present) in Fukui-shi, Fukui
April 1991	Opened Tokyo Office in Nihonbashi-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
April 1994	Opened Shizuoka Liaison Office (Shizuoka Branch Office at present) in Shizuoka-shi, Shizuoka
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
April 1995	Opened Kagoshima Branch Office in Kagoshima-shi, Kagoshima
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaragi
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
May 1997	Opened Kobe Branch Office in Chuo-ku, Kobe-shi
September 1997	Opened Kanazawa Branch Office in Kanazawa-shi, Ishikawa
September 1997	Constructed the Company's own building, which focuses on environment-consciousness, in Chuo-ku, Fukuoka as the first base-isolated building in Kyushu
April 1998	Promoted Sendai Branch and Nagoya Branch to Sendai Office and Nagoya Office respectively
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
April 1999	Opened Aomori Branch Office in Aomori-shi, Aomori and Okayama Branch Office in Okayama-shi, Okayama
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 2000	Opened Yamanashi Branch Office in Kofu-shi, Yamanashi, Gifu Branch Office in Gifu-shi, Gifu, Shiga Branch Office in Otsu-shi, Shiga and Nara Branch Office in Nara-shi, Nara
March 2001	With its main purposes being geological and related environmental activities, CTI Geo-Environment Co., Ltd. was established.
April 2001	Construction of the Company's own environmentally friendly headquarters in Omiya City (presently Saitama City), Saitama Prefecture.
November 2001	With its main purposes being environmental investigation activities, the CTI Environmental Techno. Co., Ltd. was established.

3. Business Contents

The Company's group consists of CTI Engineering Co., Ltd. (hereinafter "the Company") and other subsidiaries 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, there is one consolidated subsidiary and no affiliated company carried by the equity method.

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

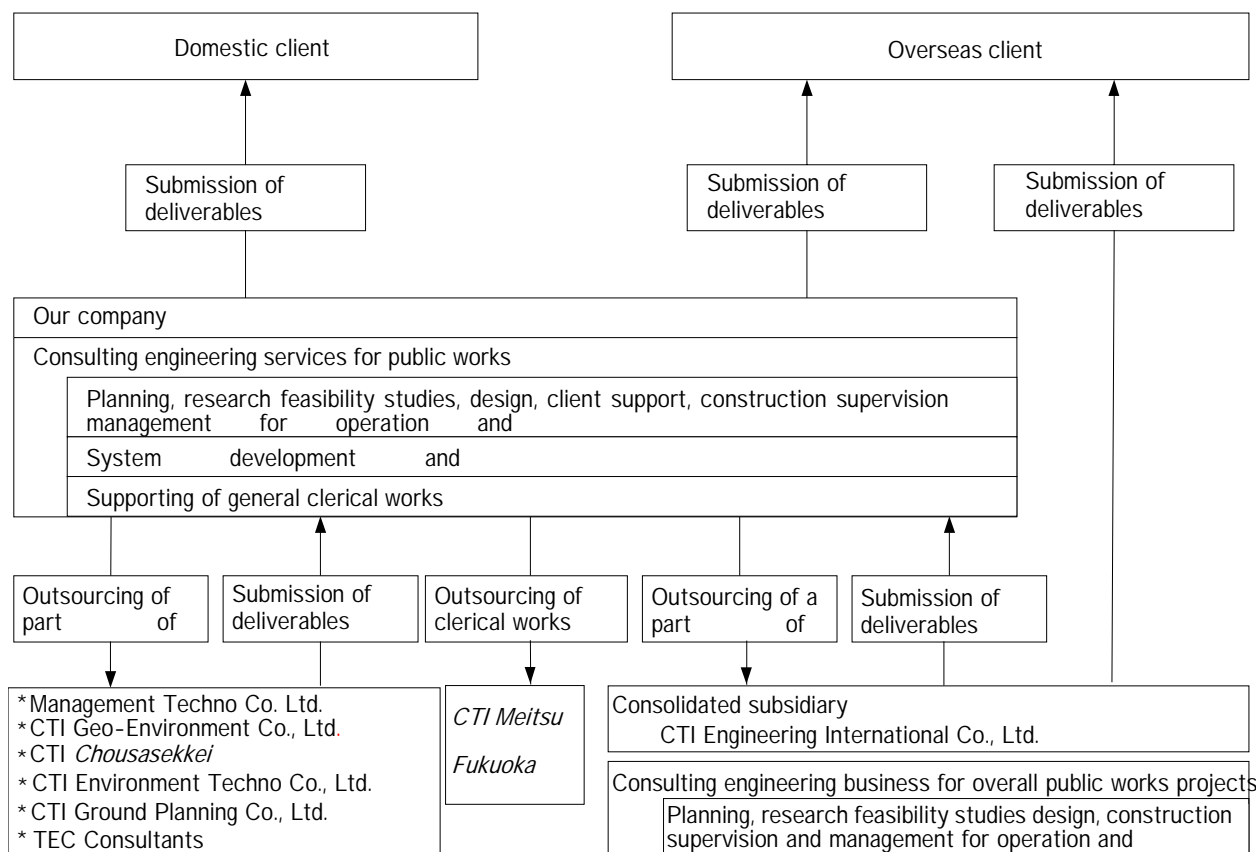
1) Domestic operations

Consulting engineering services including 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 make up the main areas of the Company's domestic business operations.

2) Overseas operations

Consulting engineering services for overall public works projects including project finding, formulation of master plans, planning, research, feasibility studies, design, construction supervision and management for operation and maintenance in overseas market make up the main areas of Company's overseas business operations. The Company is in charge of these services together with its subsidiary CTI Engineering International Co., Ltd.

The above description can be shown in the business chart below.



Note:

Subsidiaries marked with asterisks are excluded from consolidation range due to a lower degree of importance concerning scale.

4. Situation of Subsidiary

Company name	Address	Capital	Major business contents	Voting right ratio	Relation contents	Remarks
(Consolidated subsidiary) CTI Engineering International Co., Ltd.	Chuo-ku, Tokyo	Million yen 100,000	Engineering consulting for overseas market	% 70.0	Receiving orders for engineering consulting services in overseas markets with the Company. The Company guarantees some debts.	

5. Situation of employees

(1) Situation of consolidated Subsidiary

Number of employees	1,029 (372)
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Note:

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

(2) Situation of the Company

Number of employees	Age on average	Average length of employment	Average yearly wage
979 (372)	39.5 years old	12.8 years	8,412,400 yen

Note:

- "Number of employees" shows the number of regular workers. For temporary employees, the average number of additional temporary workers for the year is shown in ().
- The average yearly wage contains bonus and extra wages.

(3) Situation of labor union

Nothing to be mentioned specially.

CHAPTER 2: BUSINESS SITUATION

1. Outline of Results

(1) Results

The trend toward recovery in the Japanese economy turned sluggish during the current consolidated fiscal year. The overall economic situation continued to be severe, and the jobless rate reached its highest level to date. The national and local governments tightened their fiscal spending and allotted funds on a priority basis. Public works expenditures were reduced, and the general situation in the engineering consulting industry continued to be harsh.

In those circumstances, the CTI Engineering (CTIE) Group aggressively introduced diverse measures to cope with the changing situation and strive for management stability, including the obtaining of secure orders, introducing reforms in production systems, and entering new technological fields. Those efforts allowed the Group to achieve success in the following areas.

- Expansion of technological consulting for local autonomous bodies
- Process management assistance for public works projects
- Formulation of a new energy vision
- Assisting customers to introduce CALS (Continuous Acquisition and Life-Cycle Support) systems for digital product data and technical information
- Research into and formulation of plan for counteracting illegal disposal of waste products
- Continued technological assistance to the committee established to search for alternatives to dam construction
- Study of public facilities as a link in assets management, especially the design of dam maintenance systems and maintenance management systems for road bridges
- Design for rebuilding major public-use bridges

The CTIE Group is also aggressively tackling technological proposals, and has increased its market share among the 50 largest firms in the engineering consulting industry. Intensified competition has caused lower unit prices, however, and growth in orders received during the reporting term was flat.

The total value of orders received during the reporting term, including those received directly by the consolidated subsidiary CTI Engineering International Co., Ltd., was 28,586 million yen, down 3.1 percent YOY. Income from completed services was 28,957 million yen, down 6.8 percent, and ordinary profit was 2,001 million yen, up 0.2 percent. Also, because depreciation ended in the previous term for the disparity that emerged when retirement benefit expenses were entered in the books, current net income for the reporting term was 940 million yen, up 80.3 percent YOY.

(Note) The accounting in respect of consumption tax has been calculated using the tax exclusion method, therefore the sales and purchasing values presented in this report have all been calculated on a consumption tax excluded basis.

(2) Cash Flow

Although cash and cash equivalents (“capital”) for this consolidated fiscal year decreased due to expenditures such as the redemption of corporate bonds, they increased overall by 1,032 million yen YOY due to an increase in current net income prior to tax and other adjustments and an increase due to reduced sales credits, to reach 10,973 million yen at the end of December 2002.

The factors responsible for the cash flow position for the current consolidated fiscal year are as follows.

(Cash flow in respect of sales activities)

Capital generated by sales activities increased by 2,042 million yen (a 13.4% decrease compared to the previous consolidated fiscal year).

This is based on a pre-tax net profit of 1,808 million yen mainly due to a reduction of 375 million

yen in expenditures for trade receivable.

(Cash flow in respect of investment activities)

Capital generated by investment activities decreased by 350 million yen (a 33.3% decrease compared to the previous consolidated fiscal year).

This was principally due to the purchase of long-term savings and to other investment expenditures of 409 million yen.

(Cash flow generated by financing activities)

Capital generated by financing activities decreased by 626 million yen (a 573.8% decrease compared to the previous consolidated fiscal year).

The main factors were payment of 500 million yen debenture redemption and payment of share dividends of 156 million yen.

2. Production, orders received and sales

The Company's group is engaged in a single business as engineering consulting and incidental services.

The Company does not have business categories other than this, and its statements below are shown with a single segment.

(1) Production results

(Unit: Million yen)

Category	Current consolidated fiscal year (From January 1, 2002 to December 31, 2002)	Change from the same term in previous year (%)
Engineering consulting	28,957	6.8
Total	28,957	6.8

Note:

The amounts are calculated according to the sales prices.

(2) Order receiving situation

(Unit: Million yen)

Category	Current consolidated fiscal year (From January 1, 2002 to December 31, 2002)			
	Orders received	Change from the same term in previous year (%)	Orders in hand	Change from the same term in previous year (%)
Engineering consulting	28,586	3.1	27,594	1.3
Total	28,586	3.1	27,594	1.3

Note:

The amounts are calculated according to the sales prices.

(3) Sales results

1) Sales results

(Unit: Million yen)

Category	Current consolidated fiscal year (From January 1, 2002 to December 31, 2002)	Change from the same term in previous year (%)
Engineering consulting	28,957	6.8
Total	28,957	6.8

Note:

The amounts are calculated according to the sales prices.

2) Sales results by client

In the current consolidated fiscal year, the clients representing at least 10% of the total sales results are as follows

(Unit: Million yen)

Client	Term	Previous consolidated fiscal year (From January 1, 2001 to December 31, 2001)		Current consolidated fiscal year (From January 1, 2002 to December 31, 2002)	
		Amount	Ratio (%)	Amount	Ratio (%)
National Government		9,652	31.1	9,938	34.3

3. Our tasks ahead

(1) Outline of tasks

For 50 years after the end of the Second World War a period continued in Japan in which companies concentrated on supplying infrastructure, i.e., on construction projects. As a result, the surface appearance of infrastructure maintenance rose remarkably and the positive effect of supply gradually went unnoticed. Today, the infrastructure construction industry faces the most severe reforms of all Japanese industries.

As these reforms were introduced, the thinking behind infrastructure projects shifted from the question of “How to build it?” to questions such as “Why build it?” “What are the benefits of building it?” and “How can it be operated to result in the maximum benefits?” In short, engineering firms were increasingly required to respond to reforms that moved from emphasis on construction to emphasis on management. This new trend was expressed in the privatization of special public corporations, reduced expenditures for public works projects, moves toward CM (construction management), PM (project management), and DBs (design buildings), greater emphasis on assets management, and greater PFI (private finance initiative).

The CTIE Group strengthened its response to the reforms necessitated in the infrastructure business in several ways. It established a CM Headquarters in 1994, for instance, and then expanded it in 2000 to form the Management Business Department. It will strengthen its response further in the future as it expands the efforts needed to develop new business.

Next, in the increasing trend away from price competition and toward competition in technological competency, the CTIE Group will strengthen further its response in the situation where more customers are selecting vendors based on original technical proposals. It will also aim at securing a stable flow of orders by raising the level of customer satisfaction. In addition, it will continue to promote reforms in production systems as it aims for management stability in the current severe environment.

The main guiding principle of the company’s “CTI Environment Declaration,” meanwhile, is for the CTIE Group “To contribute to the resolution of global environmental issues by promoting clean, amenable natural surroundings.” It will promote this approach in all its business activities, simultaneously striving to improve its business results.

(2) Linked to the tasks

The national and local governments continued to introduce tight fiscal spending policies during the January-December 2002 fiscal term. Public works investments decreased during the term, leading to prediction of a further intensification of price competition. In response, the CTIE Group will continue to promote reforms in production systems and aim for greater stability in the severe management environment. In the areas of research and planning, meanwhile, a shift is occurring away from price competition and toward technological competition. CTIE will apply its full capabilities and strengthen still further its response in the situation where more customers are selecting vendors based on original technical proposals. Coupled with a move to raise the level of customer satisfaction, CTIE will aim to secure a stable level of orders.

4. Important agreement related to the management

Not applicable.

5. Research and development activities

The CTI group have been expanding services both in Japan and overseas, while maintaining the majority of business in consulting services. In this respect, the group endeavor research and development activities without placing the foundry between Japan and overseas.

The group consider management business and civil & social infrastructure development are core themes, thus investing significantly in these areas. The group have invested a total of 544 million yen as of December 2002 on the selected research and development subjects as shown below:

1. Research and Development in Management Business
 - PFI/CM/PM
 - Management methodology
2. R&D themes in the Research Center for Sustainable Communities
 - New public management
 - Asset management in infrastructure
 - Project Evaluation in infrastructure
 - Urban redevelopment
 - Utilization of Information Technology
 - Integrated disaster prevention systems against urban flooding
 - Disaster prevention technologies for cultural assets
3. Research and Development in New Fields and Innovation
 - Environmental remediation technology
 - Support system for disaster restoration
 - Water quality improvement by innovative technologies
 - Effective operation system for dams and reservoirs

CHAPTER 3: FACILITIES & EQUIPMENT

1. Outline of Investment into Facilities and Equipment

To enhance the client-focused sales activities and to improve the service-performing environment, the Company's group invested 86 million yen in facilities and equipment.

In the current consolidated fiscal year, the Company has not made any investment into or sold or removed any facilities or equipment that would seriously affect production capacity.

2. Major facilities and equipment

Major facilities and equipment of the Company's group are as shown below

(1) Company submitting the report

(as of December 31, 2002)

Establishment (location)	Business line	Book value					Number of employees	Remarks
		Buildings and structures	Machinery and delivery equipment	Land (Area: m ²)	Others	Total		
Head Office (Chuo-ku, Tokyo)	General administration facilities	Million yen 15	Million yen 8	Million yen	Million yen 35	Million yen 58	Persons 71 (2)	
Tokyo Head Office (Chuo-ku, Tokyo)	Office	113			38	151	297 (128)	
Kanto Office (Saitama-shi, Saitama)	Office	1,129	0	772 (1,978)	46	1,949	95 (46)	
Research Center Tsukuba (Tsukuba-shi, Ibaragi)	Office and laboratory facilities	561	62	1,937 (50,605)	5	2,567	35 (23)	
Yono Dormitory (Yono-shi, Saitama)	Welfare facilities	438		820 (1,565)	1	1,261	()	
Kyushu Office (Chuo-ku, Fukuoka)	Office	654	10	1,025 (1,136)	19	1,710	105 ()	

Note:

1. Land area of Research Center Tsukuba includes the area of 14,895 m² leased from a party other than the consolidated company.
2. The number of temporary employees is given in () with the average additional number for the year.

(2) Subsidiaries in Japan

Not applicable

(3) Subsidiaries out of Japan

Not applicable

3. New construction or removal plan for equipment

There are no plans for any construction or removal of major equipment at the end of this consolidated fiscal year.

CHAPTER 4: STATUS OF THE COMPANY

1. Status of Shares

(1) Total Number of Shares

Type	Total number of shares to be issued
Common stock	Stocks 40,000,000
Total	40,000,000

(2) Number of Shares Issued

Type	Issued shares		Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
	As of the end of the fiscal year (December 31, 2002)	As of the date for submission (March 28, 2003)		
Common stock	stocks 14,159,086	stocks 14,159,086	Tokyo Stock Exchange First Section	—
Total	14,159,086	14,159,086		

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

Date	Total number of outstanding shares		Capital stock		Capital surplus reserve		Remarks
	Increase/Decrease	Amount after increase/decrease	Increase/Decrease	Amount after increase/decrease	Increase/decrease	Amount after increase/decrease	
February 20, 1998	Stocks 1,170,172	stocks 12,871,897	Million yen	Million yen 3,025	Million yen	Million yen 4,122	Increase by stock split (1: 1.1)
February 19, 1999	1,287,189	14,159,086		3,025		4,122	Increase by stock split (1: 1.1)

(4) Shareholders

(As of December 31, 2002)

Category	Distribution of shares (Number of shares per unit: 100 shares)							Shares below a unit
	Government and local public entities	Financial institutions	Securities companies	Other corporations	Foreign corporations (individuals included)	Individuals etc.	Total	
Number of shareholders	persons	44	17	118	29 (3)	3,012	3,220	
Number of shares held	units	39,752	1,563	10,908	2,344 (235)	86,337	140,904	stocks 68,686
Shareholding ratio	%	28.2	1.1	7.7	1.7 (0.2)	61.3	100.0	

Note:

1. Among treasury stocks (3,549 stocks), 35 units are counted as "Individuals etc." and 49 stocks are counted as "Shares below a unit" in the table above. Note that, however, 3,549 is the number indicated on the shareholders' list. The number of stocks actually held is 3,449 stocks as of December 31, 2002.
2. "Other corporations" and "Shares below a unit" in the table above include 181 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

(5) Major shareholders

(As of December 31, 2002)

Name	Address	Number of shares held	Ratio of the number of shares held against the number of shares issued
CTI Engineering Employees' Stock-sharing Association	9th Chuo Bldg., 9-11, Nihonbashi-honcho 4-chome, Chuo-ku, Tokyo	thousand 2,093	% 14.8
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	649	4.6
Sumitomo Life Insurance	8-11, Harumi 1-chome, Chuo-ku, Tokyo	390	2.8
Mizuho Corporate Bank, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	369	2.6
UFJ Trust Bank Limited	4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	354	2.5
UFJ Bank Limited	21-24, Nishiki 3-chome, Naka-ku, Nagoya	303	2.1
Shiteitan 2332006			
State Street Trust and Banking Corp.	3-1, Toranomom 4-chome, Minato-ku, Tokyo	280	2.0
Nihon Life Insurance	2-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo	278	2.0
Daiichi Life Insurance	8-12, Harumi 1-chome, Chuo--ku, Tokyo	269	1.9
Mizuho Capital Co., Ltd.	3, Nihonbashi-kabutocho 4-chome, Chuo-ku, Tokyo	211	1.5
Total		5,198	36.7

Note: 1. 608,000 of the total shares CTIE held of The Master Trust Bank of Japan, Ltd., and all the shares it held of The State Street Bank and Trust Co. (Shiteitan 2332006) are related to trust operations.

2. Fuji Bank Co., Ltd., merged with Daiichi Kangyo Bank Co., Ltd., and Japan Kogyo Bank Co., Ltd., on April 1, 2002, and was reorganized into Mizuho Corporate Bank Co., Ltd., and Mizuho Bank Co., Ltd.
3. Fujigin Capital Co. changed its name on April 1, 2002, to Mizuho Capital Co., Ltd.

(6) Voting rights

1) Issued Shares

(As of December 31, 2002)

	Number of shares (stock)		Number of voting rights (votes)	Details
Nonvoting shares	—		—	—
Shares with limited voting rights (Treasury stocks, etc.)	—		—	—
Shares with limited voting rights (Others)	—		—	—
Shares with complete voting rights (Treasury stocks, etc)	Ordinary stocks	3,400	—	—
Shares with complete voting rights (Others)	Ordinary stocks	14,087,000	14,0870	—
Shares below a unit	Ordinary stocks	68,686	—	—
Total number of shares issued		14,159,086	—	—
Voting rights of total shareholders			14,0870	—

Note:

1. Included in “Shares with complete voting rights (others)” are 18,100 shares (181 votes) registered in the name of the Japan Securities Depository Center, Inc.
2. Included in “Shares below a unit” are 49 treasury stocks held by the Company.

2) Treasury Stocks

(As of December 31, 2002)

Name of owners		Number of shares held			Ratio of the shares held against the total number of shares issued
Name	Address	In its own name	Disguised ownership	Total	
CTI Engineering Co., Ltd.	9th Chuo Bldg., 9-11, Nihonbashi-honcho 4-chome, Chuo-ku, Tokyo	shares 3,449	shares	shares 3,449	%
Total		3,449		3,449	

Note:

In addition to above, there are 100 stocks (one vote) which should be owned by us according to the shareholders' list but are not actually owned by us. These stocks are included in "Others" under "Shares with complete voting rights" in the table of "Issued Shares" above.

(7) Contents of the stock option system

Not applicable

2. Acquirement of treasury stocks

1)[State of Purchase of Treasury Stock by Resolution at a Shareholders General Meeting, Purchase of Treasury Stock from Subsidiary Companies or Purchase of Treasury Stock Relative to Write-Offs due to Revaluation Difference]

(1) State of treasury stocks acquired during the previous resolution period

Not applicable

(2) Resolutions relative to acquired treasury stocks at this ordinary general meeting of shareholders

Not applicable

2) [State of Decrease in Capital Stock, Purchase of the Treasury Stock Relative to Write-Offs with Net Profit As Set Forth in Articles of Incorporation or of Callable stocks]

(1) State of treasury stocks acquired during the previous resolution period

Not applicable

(2) Resolutions relative to acquired treasury stocks at this ordinary general meeting of shareholders

Not applicable

3. Dividend Policy

Management at CTIE believes that long-term growth and the payment of stable dividends conform with the expectations of our shareholders. Also, because CTIE's business is engineering consulting, the company has a highly public profile. Not only is stable management thus essential, but the company must also maintain an appropriate level of internal reserves.

Since depreciation ended during the previous term for the disparity that emerged when retirement benefit expenses were entered in the books, income returned to the level prior to introducing that depreciation and it became possible to pay a dividend of 12 yen, including an ordinary dividend of 11 yen and an extraordinary dividend of 1 yen.

Internal reserves, meanwhile, are being applied to advance investments in new technological fields such as operations for responding to new implementation systems for public works projects.

4. Change in Stock Price

(Unit: yen)

Highest and lowest stock prices for the past five fiscal years	Fiscal year	36th term	37th term	38th term	39th term	40th term	
	Fiscal year end	December 1998	December 1999	December 2000	December 2001	December 2002	
Highest		884 710	1,400	769	650	639	
Lowest		591 619	625	545	451	462	
Highest and lowest stock prices by month for the past six months	Month	July 2002	August 2002	September 2002	October 2002	November 2002	December 2002
	Highest	600	595	583	550	550	520
	Lowest	531	523	492	504	505	462

Note: 1.The highest and lowest stock prices are those marked on the Second Section of the Tokyo Stock Exchange until May 31, 1999 and were on the First Section of the Tokyo Stock Exchange from June 1, 1999.

2. Values marked "[]" are the ex right stock prices due to the stock split.

5. Executive Management

Position	Name (date of birth)	Career	Number of shares held (thousand)
Chairman & Representative Director	Yumio Ishii (December 4, 1935)	<p>April 1959 Joined Civil Engineering Research Laboratory</p> <p>April 1963 Joined CTI Engineering</p> <p>June 1975 General Manager, Water Resources Div. I</p> <p>May 1982 Director & Member of the Board</p> <p>June 1988 Managing Director</p> <p>March 1991 Senior Managing Director and Tokyo Office Branch Administrator</p> <p>March 1994 Vice President & Representative Director</p> <p>March 1995 President & Representative Director</p> <p>March 2002 Chairman & Representative Director (present post)</p>	87
President & Representative Director	Kazuya Oshima (July 8, 1946)	<p>April 1969 Joined CTI Engineering</p> <p>April 1991 General Manager, Water Resources Div. II, Tokyo Office</p> <p>April 1994 Chief, Human Intelligence Dept., Tokyo Office</p> <p>March 1995 Director & Member of the Board</p> <p>April 1997 Deputy Branch Administrator, Tokyo Office</p> <p>March 1998 Managing Director</p> <p>April 1999 Tokyo Office (Tokyo Head Office at present) Branch Administrator</p> <p>March 2000 Senior Managing Director</p> <p>March 2001 Vice President</p> <p>March 2002 Vice President & Representative Director</p> <p>March 2003 President & Representative Director (present post)</p>	41
Senior Managing Director (Administrator, Tokyo Head Office)	Tetsuzo Okada (November 28, 1945)	<p>April 1970 Joined "Shin-Nihon Gijutsu Consultant Corp."</p> <p>July 1976 Joined CTI Engineering</p> <p>April 1991 General Manager, Highway & Bridges Div. II Osaka Office</p> <p>April 1995 Deputy Chief, Road & traffic Dept. Osaka Office</p> <p>March 1997 Director & Member of the Board and Chief, Road & traffic Dept. Tokyo Office</p> <p>April 1999 Deputy Branch Administrator, Tokyo Office</p> <p>March 2000 Managing Director and Chief, Headquarters Business Development Dept.</p> <p>March 2003 Senior Managing Director and Administrator of Tokyo Head Office (present post)</p>	22

Position	Name (date of birth)	Career	Number of shares held (thousand)
Managing Director (President & Representative Director of Management Techno Co., Ltd.)	Hiroaki Nakaya (February 24, 1940)	<p>April 1963 Joined the Ministry of Construction</p> <p>July 1967 Transferred to Science and Technology Agency</p> <p>October 1972 Transferred to Prime Minister's Office</p> <p>June 1974 Transferred to National Land Agency</p> <p>July 1979 Transferred to Okinawa Development Agency</p> <p>April 1986 Joined Kagawa Prefectural Office</p> <p>April 1988 Joined Hyogo Prefectural Office</p> <p>April 1990 Joined CTI Engineering</p> <p>March 1993 Director & Member of the Board</p> <p>April 1993 Deputy Chief, Headquarters Research & Development Dept. at present CTI Engineering</p> <p>March 1994 Chief, Headquarters Quality Management Dept.</p> <p>April 1997 Chief, Construction Management Headquarters</p> <p>March 1999 Managing Director and Branch Administrator of Fukuoka Office (Kyushu Office at present)</p> <p>April 2002 President & Representative Director of Management Techno Co., Ltd. (present post)</p>	17
Managing Director (Branch Administrator, Osaka Office)	Hiroshi Ide (November 12, 1943)	<p>April 1968 Joined CTI Engineering</p> <p>April 1990 General Manager, Urban & Regional Planning Div. Human Intelligence Dept.</p> <p>April 1993 General Affairs Div. General Manager, Tokyo Office</p> <p>April 1997 General Manager, General Affairs Div., Headquarters Management Dept.</p> <p>March 1998 Director & Member of the Board</p> <p>March 1999 Chief, Headquarters Management Dept.</p> <p>March 2000 Managing Director (present post)</p> <p>April 2001 Branch Administrator of Tohoku Office</p> <p>March 2003 Branch Administrator of Osaka Office (present post)</p>	30
Managing Director (Branch Administrator, Kyushu Office)	Mizuho Imamura (June 7, 1940)	<p>April 1964 Joined the Ministry of Construction</p> <p>April 1982 Manager of Ryumon Dam Works, Kyushu Region Construction Bureau, Ministry of Construction</p> <p>April 1987 Supervisor of the Waterways Development Planning Section, Kanto Region Construction Bureau, Ministry of Construction</p> <p>July 1989 Planning Division Manager, Kyushu Region Construction Bureau, Ministry of Construction</p> <p>April 1991 Joined Okayama Prefectural Office</p> <p>May 1993 Joined Water Resources Development Public Corporation</p> <p>May 1995 Joined Kyushu Kensetsu Kosaikai</p> <p>January 2002 Joined CTI Engineering as Chief Engineer of Headquarters Research & Development Dept. (present post)</p> <p>March 2002 Managing Director (present post)</p> <p>April 2002 Branch Administrator of Kyushu Office (present post)</p>	4

Position	Name (date of birth)	Career	Number of shares held (thousand)
Managing Director (Chief, Headquarters Research & Development Dept.)	Kazunori Yoshioka (January 4, 1946)	April 1970 Joined the Ministry of Construction December 1983 Manager of Ryumon Dam Works, Kyushu Region Construction Bureau, Ministry of Construction July 1991 Policy Planner, Minister's Secretariat, Ministry of Construction July 1994 Manager of the 2nd National Road Division, Road Bureau, Ministry of Construction June 1995 Manager of River Planning Division, River Bureau, Ministry of Construction April 1997 Director, Shikoku Construction Bureau, Ministry of Construction July 1998 Joined the Japan Institute of Construction Engineering July 2002 Joined CTI Engineering, Chief Engineer of Headquarters Research & Development Dept. March 2003 Managing Director and Chief of Headquarters Research & Development Dept. (present post)	3
Managing Director (Chief, Headquarters Business Development Dept.)	Reiichi Abe (November 4, 1949)	April 1974 Joined CTI Engineering April 1994 General Manager, Water Resources Div. I, Water Resources Dept. (River & Water Resources Div. at present), Tokyo Office April 1997 Chief, Water Resources Dept., Tokyo Office April 1999 Deputy Branch Administrator, Osaka Office March 2000 Director & Member of the Board March 2003 Managing Director and Chief of Headquarters Business Development Dept. (present post)	17
Managing Director (General Manager, Headquarters Operation Development Dept.)	Yoshihito Sabase (December 23, 1949)	April 1974 Joined CTI Engineering April 1993 General Manager, Information Technology Div., Human Intelligence Dept., Tokyo Office April 1997 Chief, Information & Construction Management Headquarters Tokyo Office March 1999 Chief, Construction Management Headquarters March 2000 Director & Member of the Board April 2000 Management Business Dept. Branch Administrator March 2003 Managing Director and General Manager of Headquarters Operation Development Dept.	14
Managing Director (Chief, Headquarters Management Dept.)	Konomu Uchimura (March 11, 1950)	April 1974 Joined CTI Engineering April 1994 General Manager, Water Resources Div. II, Water Resources Dept. (River & Water Resources Div.), Tokyo Office April 1997 Chief, Human Intelligence Dept., Tokyo Office April 1999 Deputy Branch Administrator, Tokyo Office March 2000 Director & Member of the Board April 2001 Chief, Headquarters Management Dept. (present post) March 2003 Managing Director (present post)	12

Position	Name (date of birth)	Career	Number of shares held (thousand)
Director & Member of the Board (Branch Administrator of Chugoku Office)	Shunichi Adachi (August 27, 1943)	April 1966 Joined CTI Engineering April 1989 General Manager, Highway & Bridge Div., Fukuoka Office March 1996 Director & Member of the Board (present post), Deputy Branch Administrator, Fukuoka Office March 1999 Deputy Chief, Headquarters Research & Development Dept. October 2000 Branch Administrator of Chugoku Office (present post)	32
Director & Member of the Board (Branch Administrator, Kanto Office)	Masami Nozaka (September 12, 1941)	April 1964 Joined CTI Engineering April 1991 General Manager, Dam & River Structure Div. Osaka Office April 1996 Chief, Dam & Water works Dept., Osaka Office April 1998 Chief, Dam & Water works Dept., Tokyo Office March 2000 Director & Member of the Board (present post) and Deputy Branch Administrator, Tokyo Office April 2001 Branch Administrator, Kanto Office (present post)	18
Director & Member of the Board (Deputy Branch Administrator, Kyushu Office)	Keiichi Koya (October 1, 1949)	April 1974 Joined CTI Engineering April 1994 General Manager, Environment & Systems Engineering Div., Water Resources Dept. Osaka Office April 1997 Chief, Water Resources Dept. Osaka Office April 1999 Deputy Branch Administrator, Fukuoka Office (Kyushu Office at present), (present post) March 2000 Director & Member of the Board (present post)	10
Director & Member of the Board (Branch Administrator, Chubu Office)	Ken Kamitakahara (February 2, 1944)	April 1968 Joined CTI Engineering April 1991 General Manager, Water Resources Div. I, Tokyo Office April 1996 Deputy Chief, Engineering and Development Dept. April 2000 Deputy Branch Administrator, Tohoku Office March 2001 Director & Member of the Board (present post) April 2001 Deputy Branch Administrator, Tokyo Head Office November 2001 President & Representative Director, CTI Environment Techno Co., Ltd. March 2003 Branch Administrator of Chubu Office of CTI Engineering (present post)	22
Director & Member of the Board (Branch Administrator, Tohoku Office)	Koji Nukazawa (December 9, 1947)	April 1972 Joined Ministry of Construction April 1988 Manager, Yamagata Works Office, Tohoku Region Construction Bureau, Ministry of Construction April 1992 Manager, Second Research Dept., ACTEC April 1996 Manager, Waterways Division, Kyushu Region Construction Bureau, Ministry of Construction April 1997 Joined Water Resources Development Public Corporation May 1999 Joined Civil Engineering Research Laboratory May 2001 Joined CTI Engineering as Chief Engineer, Headquarters Research & Development Dept. March 2002 Director & Member of the Board, CTI Engineering (present post) April 2002 Chief of Headquarters Quality Management Dprnt. March 2003 Branch Administrator of Tohoku Office (present post)	3

Position	Name (date of birth)	Career	Number of shares held (thousand)
Director & Member of the Board (Chief, Headquarters Quality Management Dept.)	Kazuo Murata (September 26, 1951)	April 1978 Joined CTI Engineering April 1997 General Manager, Water Resources Div. V, Water Resources Dept. Tokyo Office April 1999 Chief, Water Resources Dept., Tokyo Office April 2001 Deputy Branch Administrator, Tokyo Head Office March 2003 Director & Member of the Board and Chief of Headquarters Quality Management Dept. (present post)	11
Director & Member of the Board (Deputy Branch Administrator, Tokyo Head Office)	Yasuki Komatsu (October 15, 1951)	April 1976 Joined CTI Engineering April 1998 General Manager, Road Planning Div., Road and Traffic Dept., Tokyo Office April 1999 Chief, Road and Traffic Dept., Tokyo Office April 2001 Deputy Branch Administrator, Tokyo Head Office (present post) March 2003 Director & Member of the Board (present post)	11
Statutory Auditor	Nobuo Imanishi (November 19, 1943)	April 1967 Joined CTI Engineering April 1991 General Manager, Water Resources Div., Osaka Office April 1994 Chief, Water Resources Dept., Osaka Office March 1996 Director & Member of the Board April 1997 General Manager, Hiroshima Branch (Chugoku Office at present), Osaka Office October 2000 Deputy Chief of Headquarters Research & Development Dept. April 2001 Chief of Dam & Geotechnical Promotion Headquarters March 2003 Statutory Auditor (present post)	50
Auditor	Yoshio Hata (September 12, 1937)	April 1962 Joined Civil Engineering Research Laboratory April 1963 Joined CTI Engineering April 1990 General Manager, Information Technology Div. Human Intelligence Dept. January 1995 General Manager, Accounting Div., Headquarters Management Dept. April 1996 Deputy Chief, Headquarters Management Dept. March 2000 Statutory Auditor March 2003 Auditor (present post)	47
Auditor	Kunihiro Horiuchi (April 24, 1943)	April 1968 Appointed as Public Prosecutor April 1992 Public Prosecutor of Tokyo High Public Prosecutor's Office April 1996 Public Prosecutor of the Supreme Public Prosecutor's Office June 1997 Opened Horiuchi General Law Office (present post) April 1999 Professor at the Law Department, Tokai University (present post) March 2000 Auditor, CTI Engineering (present post)	

Position	Name (date of birth)	Career	Number of shares held (thousand)
Auditor	Tomoo Araki (January 1, 1936)	<p>April 1965 Appointed as Assistant Judge</p> <p>April 1974 Prosecutor of Tokyo District Public Prosecutor's Office</p> <p>April 1981 Judge of Tokyo District Court</p> <p>April 1989 Judge of Tokyo High Court</p> <p>June 1993 Director of Tokyo Legal Affairs Bureau</p> <p>March 1996 Director of Toyama District and Domestic Relations Courts</p> <p>February 1998 General Judge of Tokyo High Court</p> <p>January 2001 Registered as attorney (Tokyo Daiichi Law Office) (present post)</p> <p>March 2001 Auditor, CTI Engineering (present post)</p> <p>April 2001 Professor at the Law Department, RYUTSU KEIZAI UNIVERSITY (present post)</p>	
Total	21 persons		459

Note:

The two auditors -- Kunihiro Horiuchi and Tomoo Araki -- are outside auditors as set forth in Section 1, Article 18 of the Act Concerning Exceptions to the Commercial Code related to audit of joint-stock companies.

CHAPTER 5: STATUS OF ACCOUNTING

A. 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, hereinafter referred to as the "Regulations on Consolidated Financial Statements").

Based on the proviso in Section 2 of materials appended to the "Cabinet Ordinance for partial revision of regulations related to terminology, form, and method of preparation of consolidated financial statements" (Cabinet Ordinance No. 11 dated March 26, 2002), the regulation revisions were immediately applied to preparation of the financial statements

for the current consolidated fiscal year beginning January 1, 2002, and ending December 31, 2002.

- (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, hereinafter referred to as the "Regulations on Financial Statements").

Although "Unrealized loss of securities" was included in "Others" in the extraordinary loss listed for the previous consolidated fiscal year, it was divided and listed separately in this term's report because its size exceeded 10/100s. The "Unrealized loss of securities" for the previous consolidated fiscal year was 75 million yen.

B. Audit Certificate

In accordance with the provision of article 193 - 2 of the Securities and Exchange Law, the consolidated financial statements and the financial statements for the previous consolidated fiscal year (from January 1, 2001 to December 31, 2001), the 39th fiscal year (from January 1, 2001 to December 1, 2001), the current consolidated fiscal year (from January 1, 2002 to December 31, 2002) and the 40th fiscal year (from January 1, 2002 to December 31, 2002) were audited by Chuo Aoyama Audit Corporation. The Company received their audit reports for each fiscal year.

[The above mentioned audit reports located on pages 19 and 21 for consolidated basis and on pages 39 and 41 for non-consolidated basis in Japanese original are omitted from the English translation]

1. Consolidated Financial Statements and Other Materials

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet (Unit: Million yen)

(Unit: Million yen)

Accounts	Term	Previous Consolidated Fiscal Year (as of December 31, 2001)		Current Consolidated Fiscal Year (as of December 31, 2002)	
		Amount	Ratio	Amount	Ratio
			%		%
(Assets)					
Current assets					
1. Cash and bank deposits		2,619		5,750	
2. Notes receivable and other receivables		1,074		698	
3. Marketable Securities		7,322		5,223	
4. Prepaid expenses		8,324		8,379	
5. Deferred tax assets		117		198	
6. Others		265		295	
7. Allowance for doubtful accounts		1		0	
Total current Assets		19,721	61.1	20,545	62.3
Fixed assets					
(1) Tangible fixed assets					
1. Buildings and structures *2		4,751		4,786	
Accumulated depreciation		1,616	3,134	1,805	2,981
2. Machinery and transportation equipment		267		273	
Accumulated depreciation		174	93	185	88
3. Land *2			4,581		4,581
4. Provisional construction account					
5. Others		643		643	
Accumulated depreciation		436	207	436	181
Total tangible fixed assets			8,016		7,832
			24.9		23.8
(2) Intangible fixed assets					
1. Others			412		325
Total intangible fixed assets			412		325
			1.3		1.0
(3) Investments and other assets					
1. Investment in securities *1			655		474
2. Long-term loans receivable			67		56
3. Others			2,128		2,324
4. Deferred tax assets			1,256		1,399
5. Allowance for doubtful accounts			0		0
Total investments and other assets			4,106		4,254
			12.7		12.9
Total fixed assets			12,535		12,412
			38.9		37.7
Total assets			32,257		32,958
			100.0		100.0

(Unit: Million yen)

Accounts	Term	Previous Consolidated Fiscal Year (as of December 31, 2001)		Current Consolidated Fiscal Year (as of December 31, 2002)	
		Amount	Ratio	Amount	Ratio
			%		%
(Liabilities)					
Current liabilities					
1. Accounts payable		917		965	
2. Short-term borrowings		488		1,999	
3. Corporate Bonds to be repaid within a year *2		500		—	
4. Accrued income taxes		531		647	
5. Advances received		9,109		9,138	
6. Reserve for bonuses		292		423	
7. Others		835		991	
Total current liabilities		12,674	39.3	14,164	43.0
Fixed liabilities					
1. Long-term borrowings		1,477		—	
2. Reserve for retirement benefit		2,893		2,788	
3. Reserve for directors retirement benefits		421		377	
4. Others		36		41	
Total fixed liabilities		4,828	15.0	3,206	9.7
Total liabilities		17,503	54.3	17,371	52.7
(Minority interest)					
Minority interest		65	0.2	72	0.2
(Capital)					
Capital		3,025	9.4	—	—
Capital reserve		4,122	12.7	—	—
Consolidated surplus		7,588	23.5	—	—
IV Unrealized gains or losses on other securities		48	0.1	—	—
		14,688	45.5	—	—
Treasury stocks		0	0.0	—	—
Total shareholders' equity		14,688	45.5	—	—
Capital				3,025	9.2
Capital surplus				4,122	12.5
Profit surplus				8,370	25.4
IV Unrealized gains or losses on other securities				3	0.0
				15,515	47.1
Treasury stocks *4				1	0.0
Total Shareholders' equity				15,514	47.1
Total of liabilities, minority interest and shareholders equity		32,257	100.0	32,958	100.0

2) Consolidated Profit and Loss Account

(Unit: Million yen)

Accounts	Term	Previous Consolidated Fiscal Year (from January 1, 2001 to December 31, 2001)		Current Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	
		Amount	Ratio	Amount	Ratio
Sales					%
Income from completed services		31,071	100.0	28,957	100.0
Cost of sales					
Cost of completed services		22,707	73.1	20,822	71.9
Gross profit		8,363	26.9	8,134	28.1
*1 Selling, general and administrative expenses		6,271	20.2	6,114	21.1
Operating income		2,092	6.7	2,020	7.0
Non-operating revenues					
1. Interest earned		29		22	
2. Dividend earned		11		6	
3. House rent earned		24		30	
4. Insurance dividends earned		13		16	
5. Others		57	0.4	50	0.4
136				126	
Non-operating expenses					
1. Interest expense		42		39	
2. Loss on sales of securities		49		23	
3. Loss from investment trust cancellation		128		37	
4. Exchange loss		—		30	
5. Others		9	0.7	14	0.5
230				144	
Ordinary profit		1,998	6.4	2,001	6.9
Extraordinary gain					
1. Reversal of reserve for doubtful accounts		—	—	0	0.0
Extraordinary loss					
1. Loss from fixed assets disposal *2		42		5	
2. Unrealized loss of membership		6		12	
3. Retirement benefit expenses		746		—	
4. Transferred reserve for directors' retirement benefits		55		30	
5. Unrealized loss on marketable securities		—		143	
6. Others		118	3.1	2	0.7
969				193	
Net income before income tax		1,028	3.3	1,808	6.2
Corporation tax, inhabitants taxes and enterprise tax		1,000		1,114	
Deferred income taxes etc.		518	1.5	257	3.0
Minority interest in profit of consolidated Companies		24	0.1	10	0.0
Current net income		521	1.7	940	3.2

3) Consolidation Surplus Account

(Unit: Million yen)

Accounts	Term	Previous Consolidated Fiscal Year (from January 1, 2001 to December 31, 2001)	Current Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)
		Amount	Amount
(Capital surplus)			
Opening balance of capital surplus		—	4,122
Increase of capital surplus		—	—
Decrease of capital surplus		—	—
Closing balance of capital surplus		—	4,122
(Profit surplus)			
Opening balance of consolidated surplus		7,236	—
Decrease of consolidation surplus			
1. Dividend		169	—
Current net income		521	—
Closing balance of consolidation surplus		7,588	—
Opening balance of profit surplus		—	7,588
Increase of profit surplus			
1. Current net income		—	940
Decrease of profit surplus			
1. Dividend		—	155
2. Bonuses paid to directors		—	3
Closing balance of profit surplus		—	8,370

4) Consolidated Cash Flow Statement

(Unit: Million yen)

Accounts	Term	Previous Consolidated Fiscal Year (From January 1, 2001 to December 31, 2001)	Current Consolidated Fiscal Year (From January 1, 2002 to December 31, 2002)
		Amount	Amount
Cash flow from operating activities			
Current net income before income tax		1,028	1,808
Depreciation and amortization		472	418
Increase(decrease) in allowance for doubtful receivables		0	0
Decrease in reserve for retirement allowance		1,520	—
Increase (decrease) in reserve for retirement benefit		2,893	105
Increase (decrease) in reserve for directors' retirement benefits		119	44
Increase (decrease) in reserve for bonuses		79	130
Interest and dividend earned		41	28
Interest payable		42	39
Other non-operating revenues		11	6
Other non-operating expenses		0	32
Loss from fixed assets disposal		42	4
Loss on sales of securities		49	23
Loss from investment trust cancellation		91	37
Unrealized loss on investment securities		75	150
Unrealized loss of membership		6	12
Decrease in sales account		9	375
Increase (decrease) in prepaid expenses		926	55
Increase (decrease) in other current assets		90	44
Increase (decrease) in account payable		170	49
Increase in advances received		224	29
Payment of directors' bonuses		—	3
Increase (decrease) in other current liabilities		31	135
Increase (decrease) in other fixed liabilities		807	4
Sub total		3,231	3,052
Received interest and dividend		46	28
Interest payment		44	39
Payment of corporation income tax etc.		873	998
Cash flow provided by operating activities		2,359	2,042
Cash flow from investment activities			
Payments for marketable securities acquisition		601	—
Income from selling of marketable securities		598	—
Payments for acquisition of investment securities		51	55
Proceeds from sales of investment securities		178	117
Payments for acquisition of tangible fixed assets		686	71
Income from selling of tangible fixed assets		0	0
Payments for acquisition of intangible fixed assets		117	50
Payments for loans		54	205
Income from loan collection		57	136
Other payments for investment		164	409
Other income from investment		315	187
Cash flow provided by investment activities		525	350
Cash flow from financial activities			
Income from short-term borrowing		788	972
Payment of short-term borrowing		600	838
Payment of long-term borrowing		108	100
Payment of debenture redemption		—	500
Retirement of treasury stocks		0	—
Payment for acquisition of treasury stocks		0	1
Dividend payment		169	156
Dividend payment for minority shareholders		3	3
Cash flow provided by financial activity		92	626
Effect in fluctuation of exchange rate for cash and cash equivalents		11	32
Increase/decrease in cash and cash equivalents		1,752	1,032
Opening balance of cash and cash equivalents		8,189	9,941
Closing balance of cash and cash equivalents		9,941	10,973

Basic Important Matters for Preparation of Consolidated Financial Statements

Term Item	Previous Consolidated Fiscal Year (from January 1, 2001 to December 31, 2001)	Current Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)
1. Consolidation range	<p>(1) Number of consolidated subsidiaries: 1 Name of the consolidated subsidiary: Kensetsu Giken International Co., Ltd.</p> <p>(2) Number of non-consolidated subsidiaries: 7 Non-consolidated subsidiaries: Management Techno Co., Ltd. Construction Technologies Research Geological Environment Co., Ltd. CTI Investigation Design Co., Ltd. CTI Environment Techno Co., Ltd. CTI New Technology Co., Ltd. Tech Consultants Co., Ltd. CTI Mates Fukuoka Co., Ltd.</p> <p>(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 profit and loss, surplus and others of the current term do not largely influence the consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 1 Name of the consolidated subsidiary: As at present.</p> <p>(2) Number of non-consolidated subsidiaries: 7 Non-consolidated subsidiaries: Management Techno Co., Ltd. Construction Technologies Research Geological Environment Co., Ltd. CTI Investigation Design Co., Ltd. CTI Environment Techno Co., Ltd. CTI Ground Planning Co., Ltd. (CTI New Technology Co., Ltd. changed its company name on May 1, 2002) Tech Consultants Co., Ltd. CTI Mates Fukuoka Co., Ltd.</p> <p>(3) Reason why the non-consolidated subsidiaries are excluded from consolidation range As at present.</p>
2. Application of equity method	<p>(1) Number of non-consolidated subsidiaries to which the equity method is applied: The equity method is not applied to any non-consolidated subsidiary.</p> <p>(2) Non-consolidated subsidiaries to which the equity method is not applied Management Techno Co., Ltd., Construction Technologies Research Geological Environment Co., Ltd., CTI Investigation Design Co., Ltd., CTI Environment Techno Co., Ltd., CTI New Technology Co., Ltd., Tech Consultants Co., Ltd. and CIT Mates Fukuoka Co., Ltd. have only a slight influence on the consolidated net profit and loss and the consolidated surplus respectively and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.</p>	<p>(1) Number of non-consolidated subsidiaries to which the equity method is applied: As at present.</p> <p>(2) Non-consolidated subsidiaries to which the equity method is not applied Management Techno Co., Ltd., Construction Technologies Research Geological Environment Co., Ltd., CTI Investigation Design Co., Ltd., CTI Environment Techno Co., Ltd., CTI Ground Planning Co., Ltd., Tech Consultants Co., Ltd., CTI Mates Fukuoka Co., Ltd. have only a slight influence on the consolidated net profit and loss and the consolidated surplus respectively and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.</p>
3. Fiscal year of the consolidated subsidiary	The fiscal year of the consolidated subsidiary ends on the consolidated closing date.	As at present.

Term Item	Previous Consolidated Fiscal Year (from January 1, 2001 to December 31, 2001)	Current Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)
(3) Entry standard of important reserves and allowances	<p>1) Reserve 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.</p> <p>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.</p> <p>3) Reserve for retirement allowances To prepare for 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. Further, in respect of the disparity arising at the time of alteration to accounting standards (746 million yen), an extraordinary loss redemption has been made. As regards the accounting disparity, expenses shall be disposed of from the next consolidated accounting 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.</p> <p>4) Reserve for directors' retirement benefits To prepare for payment of the directors' retirement benefit, the Company enters the required payment amount at the end of the term according to its internal rules. Since the Company created this system 2 consolidated fiscal years ago, the Company will transfer the amount for the past years equally for next five years. The amount of 55million yen in total for this term is entered as extraordinary loss.</p>	<p>1) Reserve for doubtful accounts As at present.</p> <p>2) Reserve for bonuses As at present.</p> <p>3) Reserve for retirement benefits To prepare for 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 the current fiscal year. 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.</p> <p>4) Reserve for directors' retirement benefits To prepare for payment of the directors' retirement benefit, the Company enters the required payment amount at the end of the term according to its internal rules. Since the Company created this system at the consolidated fiscal year of 1999, the Company will transfer the amount for the past years equally for next five years. The amount of 30million yen in total for this term is entered as extraordinary loss.</p>

Term Item	Previous Consolidated Fiscal Year (from January 1, 2001 to December 31, 2001)	Current Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)
<p>(4) Accounting treatment of important lease transactions</p> <p>(5) Accounting treatment of important hedging activities</p> <p>(6) Other important matters for preparation of the consolidated financial statements</p>	<p>Except for the cases where the ownership of the leased assets is transferred to leases, financial lease transactions are treated according to the method for ordinary lease transactions.</p> <p>1) Accounting for hedging activities The appropriate method is utilized for interest swap transactions because all the requirements for exceptional treatment are met.</p> <p>2) Hedging instruments and hedging items - Hedging instruments: Interest swap transactions - Hedging items: Bank borrowings</p> <p>3) Hedging policy For derivative transactions related to interests, the Company conducts interest swap transactions to hedge the interest fluctuation risk in borrowing. The Company does not conduct any other transactions for speculative purpose or the like.</p> <p>1) Accounting treatment of consumption tax Tax exclusion method is adopted.</p>	<p>As at present.</p> <p>1) Accounting for hedging activities As at present.</p> <p>2) Hedging instruments and hedging items As at present.</p> <p>3) Hedging policy As at present.</p> <p>1) Accounting treatment of consumption tax As at present.</p>
<p>5. Valuation of assets and liabilities of the consolidated subsidiary</p>	<p>For valuation of assets and liabilities of the consolidated subsidiary, the overall current value method is adopted.</p>	<p>As at present.</p>
<p>6. Amortization of consolidated adjustment account</p>	<p>Not applicable</p>	<p>As at present.</p>
<p>7. Treatment of appropriation items</p>	<p>The consolidation surplus account is prepared according to the appropriation fixed in the consolidated fiscal year for appropriation of profit at the consolidated company.</p>	<p>As at present.</p>
<p>8. Range of fund in the consolidated cash flow account</p>	<p>The fund (cash and cash equivalents) in the consolidated cash flow account 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.</p>	<p>As at present.</p>

(Change in presentation of accounts)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002
<p>(Consolidated Profit and Loss Statement)</p> <p>“The received insurance dividend” was included in the non-operating profit “Other” category for the previous consolidated fiscal year. However, as the amount exceeded 10% of the total amount of non-operating profit from the current consolidated fiscal year, it has been given a separate classification.</p> <p>Further, “received insurance dividend” for the previous consolidated fiscal year was ¥12 million.</p> <p>“Loss from selling securities” were included in the non-operating profit “Other” category for the previous consolidated fiscal year. However, as the amount exceeded 10% of the total amount of non-operating expenses from the current consolidated fiscal year, it has been given a separate classification.</p> <p>Further, “Loss from selling securities” for the previous consolidated fiscal year were ¥2 million.</p> <p>(Consolidated Cash Flow Account Statement)</p> <p>“Loss from selling securities” in the previous consolidated fiscal year were included in the category of “Other non-operating expenses” appearing in the business activities cash flow. However, as its importance has increased in terms of the amount, from the current consolidated fiscal year, it has been given a separate classification.</p>	<p>(Consolidated Profit and Loss Statement)</p> <p>“Loss from selling securities” were included in the non-operating profit “Other” category for the previous consolidated fiscal year. However, as the amount exceeded 10% of the total amount of non-operating expenses from the current consolidated fiscal year, it has been given a separate classification.</p> <p>Further, “Loss from selling securities” for the previous consolidated fiscal year were ¥75 million.</p>

(Additional information)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002
<p>1. Retirement Benefit Calculations</p> <p>From the current consolidated fiscal year, the accounting standards in respect of retirement benefits (“Opinion paper concerning establishment of accounting standards in respect of retirement benefits” – Business Accounting Council, June 16, 1998) have become applicable. As a result, due to disparities with the previous method, retirement benefit expenses increased by ¥932 million. Current profit was ¥124 million and gross profit prior to tax adjustment fell by ¥600 million.</p> <p>Further, now included in the retirement benefit reserves are the retirement benefit payment reserves and outstanding amounts for pre-existing employment obligation expenses that arose in respect of prior obligations under the corporate pension system.</p> <p>2. Financial Products Accounting</p> <p>From the current consolidated fiscal year, the accounting standard in respect of financial products (“Opinion paper concerning establishment of accounting standards in respect of Financial Products – Business Accounting Council, January 22, 1999) has become applicable and the negotiable securities evaluation method has altered.</p> <p>As a result, due to disparities with the previous method, current profit was ¥115 million and gross profit prior to tax adjustment increased by ¥39 million.</p> <p>Further, at the beginning of the fiscal term, there was an examination of the purposes of holding the negotiable securities currently held and from those securities and investment trusts inclusive of all other securities, those with a maximum redemption period of less than one year from the present were recorded as liquid asset securities while all others were expressed as investment securities.</p> <p>As a result, the amount of liquid asset securities fell by ¥491 million while the amount of investment securities increased by the same amount.</p> <p>3. Foreign Currency Dealing Accounting Standards</p> <p>From the current consolidated fiscal year, the amended Foreign Currency Dealing Accounting Standards (“Opinion paper concerning amendments to the Foreign currency Dealing Accounting Standards” – Business Accounting Council, October 22, 1999) have become applicable. These changes have no effect on profit and loss amounts.</p>	<p>1. Terms used in profit and loss account: The revised regulations concerning consolidated financial statements have been applied from the current reporting term. Accordingly, the term “Capital reserve” was replaced by the term “Capital surplus” and the term “Consolidated surplus” was replaced by the term “Profit surplus.”</p> <p>2. Terms used in statement of assets and liabilities: The revised regulations concerning consolidated financial statements have been applied from the current consolidated fiscal year. Accordingly, the content of the term “Consolidated surplus account” was divided into “Capital surplus” and “Profit surplus.”</p> <p>3. Treasury stocks and reduction of legal reserve account: The “Standards for treasury stocks and reduction of legal reserve accounts (Accounting Standards No. 1)” have been applied from this consolidated reporting term. The effect on the profit and loss in this consolidated report was negligible.</p>

Remarks

(Notes to Consolidated Balance Sheet)

Previous consolidated fiscal year (as of December 31, 2001)	Current consolidated fiscal year (as of December 31, 2002)
*1 For non-consolidated companies Investment securities ¥149 million	*1 For non-consolidated companies Investment securities ¥160 million
*2 Pledged assets and corresponding liabilities are as follows: (a) Pledged assets Buildings ¥447 million Land 846 Total 1,293 (b) Corresponding liabilities Corporate bonds ¥500 million Total 500	*2 _____ 3. Warranty for liabilities Warranty for the Company's employees' liabilities of 173 million yen borrowed from banks
3. Warranty for liabilities Warranty for the Company's employees' liabilities of 201 million yen borrowed from banks	*4. Treasury stocks held by the Company are listed as follows: Ordinary shares 3,449 shares

(Notes on Consolidated Profit and Loss Account)

Current consolidated fiscal year from January 1, 2001 to December 31, 2001					Current consolidated fiscal year from January 1, 2002 to December 31, 2002			
*1 Major items and amounts among selling, general and administrative expenses are as follows					*1 Major items and amounts among selling, general and administrative expenses are as follows			
Wages and allowances ¥1,897million					Wages and allowances ¥1,897million			
Bonuses 407					Bonuses 407			
Transferred reserve for bonuses 84					Transferred reserve for bonuses 84			
Retirement allowances 66					Retirement allowances 66			
Retirement benefit expenses 122					Retirement benefit expenses 122			
Transferred reserve for directors' retirement benefits 113					Transferred reserve for directors' retirement benefits 113			
Transferred reserve for doubtful receivables 0					Transferred reserve for doubtful receivables 0			
Research and investigation expenses 588								
*2 Loss from fixed assets disposal can be broken down as follows					*2 Loss from fixed assets disposal can be broken down as follows			
(Unit: Million yen)					(Unit: Million yen)			
	Loss from fixed assets write-off	Loss from fixed assets cancellation	Loss from fixed assets selling	Total		Loss from fixed assets write-off	Loss from fixed assets selling	Total
Buildings and structures	26			26	Buildings and structures	2		2
Tangible fixed assets etc.	9		0	9	Machine & equipment, and delivery equipment	—	0	0
Investment and other assets	—	6		6	Tangible fixed assets etc.	1	—	1
Total	35	6	0	35	Intangible fixed assets etc.	0		0
					Total	3	0	3

(Notes on Consolidated cash flow Account)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002
1. Relation between the closing balance of the cash and cash equivalents and the amounts for items described on the Consolidated Balance Sheet (as of December 31, 2001)	1. Relation between the closing balance of the cash and cash equivalents and the amounts for items described on the Consolidated Balance Sheet (as of December 31, 2002)
Cash and bank deposit account ¥2,619million	Cash and bank deposit account ¥5,750million
<u>Marketable securities account 7,322</u>	<u>Marketable securities account 5,223</u>
Total 9,941	Total 10,973

(Notes on lease arrangements)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002																																
Financial lease transactions other than those by which the ownership of the leased assets is to be transferred to leases 1. Assumed acquisition cost, accumulated depreciation and closing balance of the leased assets (Unit: Million yen)	Financial lease transactions other than those by which the ownership of the leased assets is to be transferred to leases 1. Assumed acquisition cost, accumulated depreciation and closing balance of the leased assets (Unit: Million yen)																																
<table border="1"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Closing balance</th> </tr> </thead> <tbody> <tr> <td>Tangible fixed assets etc.</td> <td style="text-align: center;">268</td> <td style="text-align: center;">513</td> <td style="text-align: center;">115</td> </tr> <tr> <td>Intangible fixed assets etc.</td> <td style="text-align: center;">45</td> <td style="text-align: center;">33</td> <td style="text-align: center;">11</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">314</td> <td style="text-align: center;">187</td> <td style="text-align: center;">127</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Closing balance	Tangible fixed assets etc.	268	513	115	Intangible fixed assets etc.	45	33	11	Total	314	187	127	<table border="1"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Closing balance</th> </tr> </thead> <tbody> <tr> <td>Tangible fixed assets etc.</td> <td style="text-align: center;">220</td> <td style="text-align: center;">103</td> <td style="text-align: center;">117</td> </tr> <tr> <td>Intangible fixed assets etc.</td> <td style="text-align: center;">18</td> <td style="text-align: center;">12</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">239</td> <td style="text-align: center;">115</td> <td style="text-align: center;">123</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Closing balance	Tangible fixed assets etc.	220	103	117	Intangible fixed assets etc.	18	12	5	Total	239	115	123
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Intangible fixed assets etc.	18	12	5																														
Total	239	115	123																														
2. Unexpired lease payment at the end of term Within one year ¥64 million Over one year 74 Total 138	2. Unexpired lease payment at the end of term Within one year ¥55 million Over one year 76 Total 131																																
3. Lease payments, assumed depreciation, and assumed interest payments Lease payments ¥103 million Assumed depreciation 90 Assumed interest payment 7	3. Lease payments, assumed depreciation, and assumed interest payments Lease payments ¥74 million Assumed depreciation 66 Assumed interest payment 5																																
4. Calculation method of assumed depreciation Straight-line method using the lease period as the service life and considering the residual value to be zero.	4. Calculation method of assumed depreciation As at present.																																
5. Calculation method of assumed interest payments The difference between total lease payments and acquisition costs of the leased assets is considered the assumed interest. Interest method is used for its allocation to each period.	5. Calculation method of assumed interest payments As at present.																																

Marketable Securities

1. Other securities with fair value

(Unit: Million yen)

		Previous Consolidated Fiscal Year (as of December 31, 2001)			Current Consolidated Fiscal Year (as of December 31, 2002)		
Classification	Type	Acquisition Cost	Consolidated Balance Sheet Recorded Amount	Amount Difference	Acquisition Cost	Consolidated Balance Sheet Recorded Amount	Amount Difference
Those whose acquisition cost exceeded the amount recorded on the consolidated balance sheet	(1) Shares	73	88	14	43	46	3
	(2) Bonds and Notes						
	1. National, local bonds						
	2. Corporate bonds						
	3. Others						
	Sub Total	73	88	14	43	46	3
Those whose acquisition cost did not exceed the amount recorded on the consolidated balance sheet	(1) Shares	313	248	64	105	96	8
	(2) Bonds and Notes						
	1. National, local bonds	—	—	—	—	—	—
	2. Corporate bonds	5	4	0	5	4	0
	3. Others	—	—	—	—	—	—
	(3) Others	132	99	33	—	—	—
	Sub Total	451	353	98	110	101	8
Total		525	441	83	154	148	5

2. Other securities sold during the previous consolidated fiscal year and the current consolidated fiscal year.

(Unit: Million yen)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001			Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002		
Proceeds Amount	Total Gains on Sales	Total Loss on Sales	Proceeds Amount	Total Gains on Sales	Total Loss on Sales
6,123	0	179	2,679	1	67

3. Details of major securities with no fair value

(Unit: Million yen)

Types	Previous Consolidated Fiscal Year (as of December 31, 2001)		Current Consolidated Fiscal Year (as of December 31, 2002)	
	Consolidated Balance Sheet Recorded Amount	Remarks	Consolidated Balance Sheet Recorded Amount	Remarks
(1) Other securities				
1. Non-listed Shares (excluding over-the-counter shares)	63		38	
2. Money Management Fund	4,716		2,616	
3. Medium-term government securities fund	1,405		1,405	
4. Free Financial Fund	1,200		900	
5. Others	—		300	

(Notes on derivatives transactions)

1. Matters concerning status of transactions

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002
<p>1. Transaction contents Interest swap transactions</p> <p>2. Trading policy for transactions For derivative transactions related to interests, the Company conducts interest swap transactions to hedge the interest fluctuation risk in borrowing. The Company does not conduct any other transactions for speculative purpose or the like.</p> <p>3. Purpose of transaction utilization U/C combined borrowing at variable interest from the bank and interest swap transactions in August 1998 so as to borrow money from the bank substantially at a fixed rate of interest.</p> <p>4. Contents of the risk for the transactions These consist of interest swap transactions with variable received amount and fixed payments. There is no interest fluctuation risk. The transaction counterparts are limited to high credit rated domestic banks and the Company judges that it carries little default risk.</p> <p>5. Trading risk management system Since the Company does not conduct derivative transactions on a daily basis, it does not have any internal rules. According to the resolution at the Board of Directors, the Company adopted the interest swap transactions to borrow money at a fixed rate. The Company does not admit to combine any new transaction with such interest swap transactions.</p> <p>6. Supplementary explanation about market value of transactions Not applicable</p>	<p>As at present.</p>

2. Matters concerning market value of transactions

(1) Matters related to currency

Not applicable

(2) Matters related to interest rate

There are no corresponding items, because hedge accounting is applied to derivative trading used by group of the Company.

(Notes on Retirement Benefit)

1. Outline of the current retirement benefit system

(1) The retirement benefit system of the Company and consolidated subsidiaries.

The Company and its consolidated subsidiaries as settled benefit type systems have an eligibility based retirement pension system and lump sum retirement system.

Concerning the pension fund system, the Company has participated in the **Japan Civil Engineering Consultants Pension Fund** (comprehensive type) since 1971.

In addition, in the case of the retirement of present employees, there are cases where a retirement amount is paid even if the calculations performed in accordance with the retirement benefit accounting show no financial obligation to pay a retirement benefit.

(2) Additional explanation of system classification

1) Retirement Lump Sum System

	Establishment Date	Other	Remarks
The Company	At date of company establishment.	_____	
CTI Engineering International Co., Ltd.	At date of company establishment.	_____	

2) Qualification Retirement Pension System

	Establishment Date	Other	Remarks
The Company	1989	_____	Combined contract
CTI Engineering International Co., Ltd.	At date of company establishment.	_____	Combined contract

2. Retirement Benefit Obligations and Related Accounting Items

(Unit: Million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2001)	Current Consolidated Fiscal Year (as of December 31, 2002)
(1) Retirement Benefit Obligations	6,213	6,169
(2) Pension Assets	2,615	2,886
(3) Outstanding Accumulated Retirement Benefit Obligations: (1) + (2)	3,597	3,310
(4) Undisposed amount due to disparities arising at time of accounting standards alterations	—	—
(5) Previously unrecognized accounting disparities.	704	522
(6) Previously unrecognized pre-existing employment obligations (Obligation reduction amount)	—	—
(7) Consolidated Balance Sheet Recorded Net Amount: (3) + (4) + (5) + (6)	2,893	2,788
(8) Previously Paid Pension Assets	—	—
(9) Retirement Benefit Reserves: (7) – (8)	2,893	2,788

Note: Besides the above pension funds, the pension assets computed as a percentage of installment contributions in the comprehensive-type pension fund scheme totaled 3,625 million yen in the previous term's consolidated report and 3,559 million yen in the current term's consolidated report.

3. Retirement Benefit Costs and Related Accounting Items

(Unit: Million yen)

	Previous Consolidated Fiscal Year (As of December 31, 2001)	Current Consolidated Fiscal Year (As of December 31, 2002)
Retirement Benefit Costs	1,271	691
(1) Labor costs	395	424
(2) Interest costs	209	178
(3) Expected operating profit (Subtracted)	83	78
(4) Cost disposal amount arising from disparities at the time of alteration to accounting treatment standards.	746	—
(5) Cost disposal Amount arising from accounting disparity	—	140
(6) Temporarily paid retirement amount	3	25

Note: Besides the above listed expenses for retirement allowances, the payments into the comprehensive-type pension fund (borne by corporation) were 180 million yen for the previous fiscal year's consolidated report and 184 million yen for this fiscal year's consolidated report.

4. Items Related to Accounting Standards for Retirement Benefit Obligations

	Previous Consolidated Fiscal Year (As of December 31, 2001)	Current Consolidated Fiscal Year (As of December 31, 2002)
(1) Discount percentage (See note)	2.8%	2.8%
(2) Expected operating profit percentage	3.0%	2.5%
(3) Retirement benefits forecast	Periodic fixed amount standard.	Periodic fixed amount standard.
(4) No. of years for disposal of disparity arising from accounting.	5 years from the next consolidated fiscal year.	5 years from the next consolidated fiscal year.
(5) No. of years for disposal of previous labor obligation.	—	—
(6) No. of years for disposal of disparities arising at time of accounting standard alterations.	1 year	—

Note: At the beginning of the previous fiscal year, the operations discount rate was 3.5%.

(Tax effect accounting)

Term Item	Previous Consolidated Fiscal Year: (from January 1, 2001 to December 31, 2001)	Current Consolidated Fiscal Year: (from January 1, 2002 to December 31, 2002)
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	Deferred tax assets (current assets)	Deferred tax assets (current assets)
	Enterprise tax payable ¥53 million	Enterprise tax payable ¥52 million
	Reserve for bonuses 53	Reserve for bonuses 133
	Others 11	Others 12
	Total 117	Total 198
	Deferred tax assets (fixed assets)	Deferred tax assets (fixed assets)
	Reserve for retirement allowances ¥896 million	Reserve for retirement allowances ¥1,017 million
	Reserve for directors' retirement benefits 162	Reserve for directors' retirement benefits 158
	Unrealized loss of marketable securities 40	Unrealized loss of marketable securities 93
	Unrealized loss of membership 117	Unrealized loss of membership 122
	Unrealized gains or losses on other securities 35	Unrealized gains or losses on other securities 2
	Others 4	Others 4
	Total 1,256	Total 1,399
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	Legal effective tax rate (Adjustment) 42.05 %	Legal effective tax rate (Adjustment) 42.05 %
	No entry of loss from entertainment expense etc. 2.45	No entry of loss from entertainment expense etc. 1.14
	Per capita inhabitant tax 5.93	Per capita inhabitant tax 3.54
	Income tax for the previous term 1.81	Income tax for the previous term 0.29
	No entry of profit from dividend earned etc. 0.71	
	Special exclusions arising on income from overseas trading including Technology 1.47	Special exclusions arising on income from overseas trading including Technology 0.21
	Others 3.21	Others 1.16
	Bearing rate of corporation tax or the like after application of tax effect accounting 46.85	Bearing rate of corporation tax or the like after application of tax effect accounting 47.39

(Segment information)

The previous consolidated fiscal year (from January 1, 2001 to December 31, 2001) and the current consolidated fiscal year (from January 1, 2002 to December 31, 2002).

1. Segment information by business type

The Company's group is engaged in a single business of engineering consulting and incidental services. The Company does not have any other business type and have nothing to be described here.

2. Segment information by location

The Company does not have any consolidated subsidiary located in any country or area outside of Japan or any important overseas branch. The Company has nothing to be described here.

3. Sales in overseas market

Sales in overseas market are below 10% of the consolidated sales amount and are omitted here.

(Information per share)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002
Net assets per share ¥1,037.40	Net assets per share ¥1,095.96
Current net income per share ¥36.84	Current net income per share ¥66.43
Current net income per share after adjustment of potential shares is not stated because the Company has not issued any bonds with stock option or convertible bond	As at present.

(Important matters generated later)

Previous Consolidated Fiscal Year: from January 1, 2001 to December 31, 2001	Current Consolidated Fiscal Year: from January 1, 2002 to December 31, 2002
_____	_____

5) Supplemental Specifications for Consolidated Financial Statements

i) Corporate bonds specification

(Unit: Million yen)

Issuer	Description	Issuance date	Previous term closing balance	Current term closing balance	Rate	Security	Redemption date	Remarks
CTI Engineering Co., Ltd.	7th secured bond with real guarantee	September 25, 1998	500	—	Yearly rate of 1.2%	Applicable	September 25, 2002	
Total			500	—				

ii) Specifications about borrowings

(Unit: Million yen)

Category	Previous term closing balance	Current term closing balance	Average rate	Repayment deadline	Remarks
Short-term borrowings	388	522	1.12%	—	
Long-term borrowings to be repaid within 1 year	100	1,477	1.99	—	
Long-term borrowings except those to be repaid within 1 year	1,477	—	—	—	
Other Interest-bearing Liabilities	—	—	—	—	
Total	1,965	1,999			

Note:

In respect of the average interest ratio, outstanding borrowings amounts at the end of the term are set forth at a weighted average percentage.

(2) Others

Not applicable

2. Non-Consolidated Financial Statements and Other Materials

(1) Non-Consolidated Financial Statements

1) Non-Consolidated Balance Sheet

(Unit: Million yen)

Accounts	Term	39th fiscal year (as of December 31, 2001)		40th fiscal year (as of December 31, 2002)	
		Amount	Ratio	Amount	Ratio
(Assets)			%		%
Current assets					
1. Cash and bank deposits		2,508		5,601	
2. Notes receivable		5		5	
3. Other receivables		1,049		645	
4. Marketable securities		7,322		5,223	
5. Prepaid expenses		8,096		7,993	
6. Advance payment		118		105	
7. Deferred tax assets		100		194	
8. Short-term loans		30		110	
9. Others		98		69	
10. Allowance for doubtful accounts		1		0	
Total current Assets		19,328	60.6	19,948	61.7
Fixed assets					
(1) Tangible fixed assets					
1. Buildings *1		4,035		4,063	
Accumulated depreciation		1,318	2,717	1,472	2,591
2. Structures		707		714	
Accumulated depreciation		294	412	328	385
3. Machinery and equipment		234		235	
Accumulated depreciation		148	86	161	73
4. Vehicle and transportation equipment		21		24	
Accumulated depreciation		19	1	15	8
5. Furniture and fixtures		634		663	
Accumulated depreciation		430	203	485	178
6. Land *1		4,581		4,581	
Total tangible fixed assets		8,003	25.1	7,819	24.2
(2) Intangible fixed assets					
1. Leasehold		16		16	
2. Software		365		279	
3. Telephone rights		22		22	
4. Right of using special facilities		3		3	
5. Others		0		1	
Total intangible fixed assets		408	1.3	323	1.0
(3) Investments and other assets					
1. Investment in securities *1, *5		505		312	
2. Shares of affiliated companies		219		230	
3. Investments		70		64	
4. Long-term deposit		500		800	
5. Long-term loan to employees		67		56	
6. Long-term prepaid cost		21		21	
7. Deferred tax assets		1,240		1,372	
8. Lease and guarantee deposit		1,085		1,080	
9. Membership		79		66	
10. Insurance reserve fond		330		243	
11. Others		10		10	
12. Allowance for doubtful accounts		0		0	
Total investments and other assets		4,129	13.0	4,257	13.1
Total fixed assets		12,541	39.4	12,400	38.3
Total assets		31,870	100.0	32,349	100.0

(Unit: Million yen)

Accounts	Term	39th fiscal year (as of December 31, 2001)		40th fiscal year (as of December 31, 2002)	
		Amount	Ratio	Amount	Ratio
(Liabilities)			%		%
Current liabilities					
1. Accounts payable for services *2		1,274		1,174	
2. Short-term Borrowings		188		322	
3. Long-term borrowings to be repaid within a year		100		1,477	
4. Corporate Bonds to be repaid within a year *1		500		—	
5. Accounts payable		150		177	
6. Accrued income taxes		470		645	
7. Accrued consumption taxes		89		245	
8. Accrued expenses		310		305	
9. Advances received		8,913		8,851	
10. Deposits received		216		190	
11. Revenue received in advance		2		2	
12. Reserve for bonuses		259		401	
Total current liabilities		12,475	39.2	13,795	42.6
Fixed liabilities					
1. Long-term borrowing		1,477		—	
2. Reserve for retirement benefits		2,889		2,768	
3. Reserve for directors' retirement benefits		387		330	
4. Others		36		41	
Total fixed liabilities		4,789	15.0	3,139	9.7
Total liabilities		17,265	54.2	16,934	52.3
(Capital)					
Capital *3		3,025	9.5	—	—
Capital reserve		4,122	13.0	—	—
Profit reserve		176	0.5	—	—
Other surplus					
(1) Voluntary reserve					
Separate reserve	5,965	5,965		—	—
(2) Current unappropriated profit		1,363		—	—
Other surplus total		7,328	23.0	—	—
V Unrealized gains or losses on other securities		48	0.2	—	—
VI Treasury stocks		0	0.0	—	—
Total shareholders' equity		14,605	45.8	—	—
Capital *3		—		3,025	9.4
Capital surplus					
(1) Capital reserve		—		4,122	
Total capital surplus		—		4,122	12.7
Profit surplus					
(1) Profit reserve		—		176	
(2) Voluntary reserve					
Separate reserve		—		6,265	
(3) Current unappropriated profit		—		1,829	
Total profit surplus		—		8,271	25.6
Unrealized gains or losses on other securities		—		3	0.0
V Treasury stocks *4		—		1	0.0
Total shareholders' equity		—		15,414	47.7
Total of liabilities and shareholders equity		31,870	100.0	32,349	100.0

2) Non-Consolidated Profit and Loss Account

(Unit: Million yen)

Accounts	Term	39th fiscal year (from Jan. 1, 2001 to Dec. 31, 2001)		39th fiscal year (from Jan. 1, 2002 to Dec. 31, 2002)	
		Amount	Ratio	Amount	Ratio
Sales			%		%
Income from completed services		30,339	100.0	28,305	100.0
Cost of sales					
Cost of completed services		22,301	73.5	20,419	72.1
Gross profit		8,038	26.5	7,885	27.9
Selling, general and administrative expenses					
1. Directors' remuneration		361		318	
2. Salaries and allowances		1,909		1,934	
3. Bonuses		399		423	
4. Provision of reserve for bonuses		81		158	
5. Retirement allowances		66		64	
6. Retirement benefit expenses		119		160	
7. Provision of reserve for directors' retirement benefits		101		64	
8. Legal welfare expenses		329		335	
9. Traveling expenses		352		322	
10. Tax and public imposts		70		72	
11. Depreciation		112		94	
12. Rent expenses		615		526	
13. Provision of allowance for doubtful receivables		0		—	
14. Research and investigation expenses		588		544	
15. Others		955		902	
Operating income		1,974	6.5	1,961	7.0
Non-operating revenues					
1. Interest earned		12		9	
2. Dividend earned		18		13	
3. Interest from securities		14		3	
4. Rent earned		24		30	
5. Insurance dividends earned		13		15	
6. Others		43		50	
Non-operating expenses					
1. Interest expense		33		32	
2. Interest of corporate bonds		6		4	
3. Loss from selling securities		49		23	
4. Loss from investment trust cancellation		128		37	
5. Loss from foreign exchange		0		27	
6. Others		9		14	
Ordinary profit		1,873	6.2	1,944	6.9
Extraordinary gain					
1. Reversal of allowance for doubtful accounts		—		0	0.0
Extraordinary loss					
1. Loss from fixed assets disposal *1		43		5	
2. Office moving cost		43		2	
3. Unrealized loss of securities		75		143	
4. Unrealized loss of membership		5		12	
5. Retirement benefit expenses		746		—	
6. Transferred reserve for directors' retirement benefits		55		30	
Net income before income tax		904	3.0	1,751	6.2
Corporation tax, inhabitants tax and enterprise tax		929		1,088	
Deferred income taxes etc.		496	1.4	258	2.9
Current net income		470	1.6	921	3.3
Profit brought forward to the next year		892		907	
Current unappropriated profit		1,363		1,829	

Cost Specifications for Completed Services

(Unit: Million yen)

Accounts	Term	39th fiscal year (from Jan. 1, 2001 to Dec. 31, 2001)		40th fiscal year (from Jan. 1, 2002 to Dec. 31, 2002)	
		Amount	Ratio	Amount	Ratio
Labor cost			%		
1. Salaries		5,236		5,242	
2. Bonuses		1,072		1,051	
3. Provision of reserve for bonuses		178		243	
4. Retirement benefit expense		377		466	
5. Others		907	7,772	892	7,895
Amount paid to subcontractors			9,603		8,536
Expenses					
1. Traveling expenses		862		878	
2. Printing and copying expenses		1,048		968	
3. Expendables cost		212		205	
4. Rents		1,114		1,016	
5. Depreciation		193		169	
6. Others		682	4,114	647	3,885
Current general business expenses			21,490		20,317
Opening expenses prepaid for uncompleted services			8,907		8,096
Total			30,397		28,413
Closing expenses prepaid for uncompleted services			8,096		7,993
Current cost of completed services			22,301		20,419
			36.2		38.9
			44.7		42.0
			19.1		19.1
			100.0		100.0

(Footnote)

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
Cost accounting is according to the job order costing method.	Same as the previous year

3) Statement of Appropriation of Profit

(Unit: Million yen)

Accounts	Term	39th fiscal year (Approved at General Shareholders' Meeting on March 28, 2002)		39th fiscal year (Approved at General Shareholders' Meeting on March 27, 2003)	
		Accounts	Accounts	Accounts	Accounts
Current unappropriated profit			1,363		1,829
Appropriation of profit					
1. Dividends		155		169	
2. Directors' bonuses		—		21	
3. Voluntary reserve					
Separate reserve		300	455	735	925
Retained earnings carried forward			907		903

Important Accounting Policy

Term Item	39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
1. Valuation base and method for securities	<p>(1) Shares in subsidiaries and affiliates Cost method according to moving average method</p> <p>(2) Other 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 according to moving average method.</p>	<p>(1) Shares in subsidiaries and affiliates As at present.</p> <p>(2) Other securities As at present.</p>
2. Valuation base and method for inventories	<p>Expenses prepaid for uncompleted services As at present.</p>	<p>Expenses prepaid for uncompleted services As at present.</p>
3. Depreciation of fixed assets	<p>(1) Tangible fixed 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. Further, the average life expectancy is as set forth below. Buildings: 15 – 50 years</p> <p>(2) Intangible fixed assets ... Straight-line method For the software, however, the straight-line method according to the useful period in the Company (5 years) is adopted.</p>	<p>(1) Tangible fixed assets As at present.</p> <p>(2) Intangible fixed assets ... Straight-line method As at present.</p>
4. Accounting for allowances and reserves	<p>(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.</p> <p>(2) Accrued bonuses As at present.</p>	<p>(1) Allowance for doubtful accounts As at present</p> <p>(2) Accrued bonuses As at present.</p>

Term Item	39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
5. Accounting for leases	<p>(3) Reserve for retirement benefits</p> <p>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.</p> <p>Further, in respect of the disparity arising at time of the alteration to accounting standards (746 million yen), an extraordinary loss redemption has been made.</p> <p>As regards the accounting disparity, expenses shall be disposed of from the next consolidated accounting 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.</p> <p>Finance lease transactions other than those by which the ownership of the leased assets is to be transferred to lessees are treated by the accounting method conform to that for ordinary rental transaction.</p>	<p>(3) Reserve for retirement benefits</p> <p>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 fiscal year.</p> <p>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.</p> <p>As at present</p>
6. Accounting treatment of hedging activities	<p>1) Accounting for hedging activities</p> <p>The appropriate method is utilized for interest rate swaps because all the requirements for exceptional treatment are met.</p> <p>2) Hedging instruments and hedging items</p> <p>- Hedging instruments: interest rate swaps</p> <p>- Hedging items: Bank borrowings</p> <p>3) Hedging policy</p> <p>In respect of interest-related derivative trading, in order to hedge the interest rate fluctuation risk on monies borrowed, interest rate swaps takes place.</p> <p>There is no other speculative trading other than this item.</p> <p>Tax exclusion method is adopted.</p>	<p>1) Accounting for hedging activities</p> <p>As at present.</p> <p>2) Hedging instruments and hedging items</p> <p>As at present</p> <p>3) Hedging policy</p> <p>As at present</p>
7. Accounting for consumption taxes	<p>Tax exclusion method is adopted.</p>	<p>As at present</p>

Change in presentation of accounts

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
<p>“Insurance dividend earned” was included “Other” in the non-operating revenue in the previous fiscal year, but it is presented as an independent item from the current fiscal year because the amount exceeds 10/100 of the total amount of non-operating revenue from the current fiscal year.</p> <p>Further, “Insurance dividend earned” for the previous fiscal year was 12 million yen.</p>	<hr/>

Additional information

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
<p>1. Retirement Benefit Calculations</p> <p>From this fiscal year, the accounting standards in respect of retirement benefits (“Opinion paper concerning establishment of accounting standards in respect of retirement benefits” – Business Accounting Council, June 16, 1998) have become applicable. As a result, due to disparities with the previous method, retirement benefit expenses increased by 932 million yen. Current profit was 124 million yen and gross profit prior to tax adjustment fell by 600 million yen.</p> <p>Further, now included in the retirement benefit reserves are the retirement benefit payment reserves and outstanding amounts for pre-existing employment obligation expenses that arose in respect of prior obligations under the corporate pension system.</p> <p>2. Financial Products Accounting</p> <p>From this fiscal year, the accounting standard in respect of financial products (“Opinion paper concerning establishment of accounting standards in respect of Financial Products – Business Accounting Council, January 22, 1999) has become applicable and the marketable securities evaluation method has altered.</p> <p>As a result, due to disparities with the previous method, current profit was 115 million yen and gross profit prior to tax adjustment increased by 39 million yen.</p> <p>Further, at the beginning of the fiscal term, there was an examination of the purposes of holding the marketable securities currently held and from those securities and investment trusts inclusive of all other securities, those with a maximum redemption period of less than one year from the present were recorded as liquid asset securities while all others were expressed as investment securities.</p> <p>As a result, the amount of liquid asset securities fell by 491 million yen while the amount of investment securities increased by the same amount.</p> <p>3. Foreign Currency Dealing Accounting Standard</p> <p>From this fiscal year, the amended Foreign Currency Dealing Accounting Standards (“Opinion paper concerning amendments to the Foreign currency Dealing Accounting Standards” – Business Accounting Council, October 22, 1999) have become applicable. These changes have no effect on profit and loss amounts.</p> <p>4. Treasury stocks</p> <p>“Treasury stocks” (liquid assets 0 million yen) that were recorded in the asset section the previous fiscal year due to amendments in the Financial Statements Regulations, were this fiscal year presented at the end of the assets section.</p>	<p>1. Terms used in profit and loss account: The revised regulations concerning consolidated financial statements have been applied from the current consolidated fiscal year. Accordingly, the term “Capital reserve” was replaced by the term “Capital surplus” and the term “Consolidated surplus” was replaced by the term “Profit surplus.”</p> <p>2. Treasury stocks and reduction of legal reserve account: The “Standards for treasury stocks and reduction of legal reserve accounts (Accounting Standards No. 1)” have been applied from this consolidated reporting term. The effect on the profit and loss in this consolidated report was negligible.</p>

Notes

(Notes on Balance Sheet)

39th fiscal year (as of December 31, 2001)	40th fiscal year (as of December 31, 2002)										
<p>*1 Pledged assets and corresponding liabilities are as follows</p> <p>(a) Pledged assets</p> <table> <tr> <td>Buildings</td> <td>¥447 million</td> </tr> <tr> <td>Land</td> <td>846</td> </tr> <tr> <td>Total</td> <td>1,293</td> </tr> </table> <p>(b) Corresponding liabilities</p> <p>Long-term borrowings (including the amount to be repaid within a year)</p> <table> <tr> <td></td> <td>¥500 million</td> </tr> <tr> <td>Total</td> <td>500</td> </tr> </table>	Buildings	¥447 million	Land	846	Total	1,293		¥500 million	Total	500	<p>*1 _____</p>
Buildings	¥447 million										
Land	846										
Total	1,293										
	¥500 million										
Total	500										
<p>*2 Amount for related companies is included as follows</p> <table> <tr> <td>Account payable-trade</td> <td>¥460 million</td> </tr> </table>	Account payable-trade	¥460 million	<p>*2 Amount for related companies is included as follows</p> <table> <tr> <td>Account payable-trade</td> <td>¥332 million</td> </tr> </table>	Account payable-trade	¥332 million						
Account payable-trade	¥460 million										
Account payable-trade	¥332 million										
<p>*3 Number of authorized shares 40,000,000 shares</p> <p>Total number of issued shares 14,159,086 shares</p>	<p>*3 Number of authorized shares 40,000,000 shares</p> <p>Total number of issued shares 14,159,086 shares (ordinary stocks)</p>										
<p>*4 _____</p>	<p>*4 Treasury stocks (ordinary stocks) 3,449 shares</p>										
<p>5 Guarantee of debts</p> <p>The Company guarantees its employees' borrowing from bank (200 million yen) and the borrowing from the bank and advancement of Kensetsu Giken International (379 million yen).</p>	<p>5 Guarantee of debts</p> <p>The Company guarantees its employees' borrowing from bank (171 million yen) and, the borrowing from the bank and advancement of Kensetsu Giken International, and its employees' borrowing from the bank (438 million yen).</p>										

(Note on Profit and Loss Statement)

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)																																																						
<p>*1 Within non-operating profits, the total amount of profit from affiliated companies was 23 million yen, mainly comprised of the following major items.</p> <p>Received dividends: 11 million yen.</p> <p>Received rent income: 11 million yen.</p>	<p>*1 Within non-operating profits, the total amount of profit from affiliated companies was 25 million yen, mainly comprised of the following major items.</p> <p>Received dividends: 7 million yen.</p> <p>Received rent income: 15 million yen.</p>																																																						
<p>*2 Loss from fixed assets disposal can be broken down as follows (Unit: Million yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off</th> <th>Loss from fixed assets cancellation</th> <th>Loss from fixed assets selling</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td>26</td> <td>—</td> <td>—</td> <td>26</td> </tr> <tr> <td>Vehicle and delivery equipment</td> <td>0</td> <td>—</td> <td>0</td> <td>0</td> </tr> <tr> <td>Furniture and fixtures</td> <td>8</td> <td>—</td> <td>—</td> <td>8</td> </tr> <tr> <td>Membership</td> <td>—</td> <td>6</td> <td>1</td> <td>7</td> </tr> <tr> <td>Total</td> <td>35</td> <td>6</td> <td>1</td> <td>43</td> </tr> </tbody> </table>		Loss from fixed assets write-off	Loss from fixed assets cancellation	Loss from fixed assets selling	Total	Buildings	26	—	—	26	Vehicle and delivery equipment	0	—	0	0	Furniture and fixtures	8	—	—	8	Membership	—	6	1	7	Total	35	6	1	43	<p>*2 Loss from fixed assets disposal can be broken down as follows (Unit: Million yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off</th> <th>Loss from fixed assets selling</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td>2</td> <td>—</td> <td>2</td> </tr> <tr> <td>Vehicle and delivery equipment</td> <td>—</td> <td>—</td> <td>—</td> </tr> <tr> <td>Furniture and fixtures</td> <td>1</td> <td>—</td> <td>1</td> </tr> <tr> <td>Membership</td> <td>0</td> <td>—</td> <td>0</td> </tr> <tr> <td>Total</td> <td>5</td> <td>0</td> <td>5</td> </tr> </tbody> </table>		Loss from fixed assets write-off	Loss from fixed assets selling	Total	Buildings	2	—	2	Vehicle and delivery equipment	—	—	—	Furniture and fixtures	1	—	1	Membership	0	—	0	Total	5	0	5
	Loss from fixed assets write-off	Loss from fixed assets cancellation	Loss from fixed assets selling	Total																																																			
Buildings	26	—	—	26																																																			
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Total	5	0	5																																																				

(Notes on lease arrangements)

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)																																																								
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(Notes on securities)

39th fiscal year (as of December 31, 2001)	40th fiscal year (as of December 31, 2002)
Current market value was not used for any of the subsidiaries.	As at present

(Notes on tax effect accounting)

Term Item	39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	Deferred tax assets (current assets)	Deferred tax assets (current assets)
	Enterprise tax payable ¥46million	Enterprise tax payable ¥53million
	Accrued bonuses 43	Accrued bonuses 128
	Others 10	Others 12
	Total 100	Total 194
	Deferred tax assets (fixed assets)	Deferred tax assets (fixed assets)
	Reserve for retirement allowances ¥880million	Reserve for retirement allowances ¥1,010million
	Reserve for directors' retirement benefits 162	Reserve for directors' retirement benefits 138
	Unrealized loss of securities 40	Unrealized loss of securities 93
	Unrealized loss of membership 117	Unrealized loss of membership 122
Unrealized gains or losses	Unrealized gains or losses	
On other securities 35	On other securities 2	
Others 4	Others 4	
Total 1,240	Total 1,372	
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	Legal effective tax rate 42.05 %	Legal effective tax rate 42.05 %
	(Adjustment)	(Adjustment)
	No entry of loss from entertainment expense etc. 2.14	No entry of loss from entertainment expense etc. 0.96
	Per capita inhabitant tax 6.53	Per capita inhabitant tax 3.54
	Corporation tax for the previous term 2.06	
	No entry of profit from dividend earned etc. 0.81	No entry of profit from dividend earned etc. 0.30
	Others 4.03	Others 1.11
	Bearing rate of corporation tax or the like after application of tax effect accounting	Bearing rate of corporation tax or the like after application of tax effect accounting
	47.94	47.36

(Information per share)

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
Net assets per share ¥1,031.54	Net assets per share ¥1,088.95
Current net income per share ¥33.23	Current net income per share ¥65.11
Current net income per share after adjustment of potential shares is not stated because there no potential shares.	As at present.

(Important matters generated later)

39th fiscal year (from January 1, 2001 to December 31, 2001)	40th fiscal year (from January 1, 2002 to December 31, 2002)
_____	_____

4) Supplemental specifications

1) Specifications of securities

i) Marketable securities

(Unit: Million yen)

Other securities	Other	Issuer name	Investment amount	Book value on balance sheet	Remarks
					Million
		Nomura Asset Management Co., Ltd. (Money Management Fund) (Free Financial Fund)	1,201 700	1,201 700	
		UFJ Partners Asset Management Co., Ltd. (Medium-term government securities fund)	1,205	1,205	
		Daiwa Securities Investment Trust Consignment Co., Ltd. (Money Management Fund) (Free Financial Fund)	814 200	814 200	
		Shinko Investment Trust Co., Ltd. (Money Management Fund)	600	600	
		Nikko Asset Management Investment and Trust Co., Ltd. (Medium-term government securities fund)	200	200	
		DWS Investment S.A. (Deutsch Monay-Plus)	0	300	
		Total		5,223	

ii) Investment securities

(Unit: Million yen)

Other securities	Stock	Issuer name	Number of shares	Book value on balance sheet	Remarks
		Daido Life Insurance Company	192	47	
		Mitsubishi Tokyo Financial Group, Inc.	69	44	
		Maezawa Kasei Industries Co., Ltd.	36,000	41	
		Chuo Securities Co., Ltd.	60,000	24	
		Asia Air Survey Co., Ltd.	102,000	21	
		UFJ Holdings, Inc.	123.78	14	
		Oyo Corp.	17,666	13	
		Kuwayama Corporation	26,400	13	
		West Japan System Construction Corp.	74,000	12	
		Sho-Bond Corporation	12,800	9	
		Others (17 issuers)	92,355	51	
		Total	421,605.78	295	
	Bonds	Issuer name	Total face value	Book value on balance sheet	Remarks
		Convertible bond, Forval Corporation, the first issue	5	4	
		Total	5	4	
	Other	Issuer name	Investment amount	Book value on balance sheet	Remarks
		Yasuda Kasai Global Asset Management Co., Ltd. (Stock CB Fund)	0	12	
			0	12	

2) Specifications of tangible fixed assets and others

(Unit: Million yen)

Type of assets		Opening balance	Increase during the year	Decrease during the year	Closing balance	Accumulated depreciation or amortization		Closing balance after deduction	Remarks
							Amortization in the current term		
Tangible fixed assets	Buildings	4,035	29	2	4,063	1,472	154	2,591	
	Structures	707	7	—	714	328	34	385	
	Machinery and equipment	234	0	—	235	161	13	73	
	Vehicle and delivery equipment	21	10	7	24	15	2	8	
	Furniture and fixtures	634	35	6	663	485	58	178	
	Land	4,581	—	—	4,581	—	—	4,581	
	Total	10,215	83	15	10,282	2,463	263	7,819	
Intangible fixed assets	Leasehold	16	—	—	16	—	—	16	
	Software	685	52	2	738	459	137	279	
	Telephone right	22	—	—	22	—	—	22	
	Right of using special facilities	6	—	—	6	3	0	3	
	Others	1	0	—	1	0	0	1	
	Total	736	53	2	786	463	137	323	
Long-term prepaid expenses		55	10	2	63	41	9	21	
Deferred Assets		—	—	—	—	—	—	—	

3) Specifications of capital

(Unit: Million yen)

Category		Opening balance	Increase during the year	Decrease during the year	Closing account	Remarks
Capital		3,025	—	—	3,025	
Already issued shares included	(Issued shares)	(14,159,086shares)	(—shares)	(—shares)	(14,159,086shares)	(Note) 1
	Par value ordinary shares	3,025	—	—	3,025	
	Total	(14,159,086shares)	(—shares)	(—shares)	(14,159,086shares)	
		3,025	—	—	3,025	
Capital reserve and other capital surplus	(Capital reserve)					
	Premium on shares	4,122	—	—	4,122	
	Total	4,122	—	—	4,122	
Profit reserve and voluntary reserve	(Profit reserve)	176	—	—	176	
	(Voluntary reserve)					
	Separate reserve	5,965	300	—	6,265	(Note) 2
	Total	6,141	300	—	6,441	

Note:

1. The number of treasury stocks as at the final day of the fiscal year was 3,449.
2. Increase during the year mainly caused by reserve from profit disposal in closing of the previous fiscal year.

4) Specifications of allowances and reserves

(Unit: Million yen)

Category	Opening balance	Increase during the year	Decrease during the year		Closing balance	Remarks
			Use with purpose	Others		
Allowance for doubtful accounts	1	0	—	1	1	(Note)
Accrued bonuses	259	401	259	—	401	
Reserve for directors' retirement benefits	387	94	151	—	330	

Note:

The reductions to the allowance for doubtful accounts in this period were recorded by low cost accounting.

(2) Details of major assets/liabilities

1) Assets section

i) Cash and bank deposits

(Unit: Million yen)

Category		Amount	Remarks
Cash on hand		6	
Type of bank deposits	Checking deposit	763	
	Ordinary deposit	4,828	
	Special deposit	2	
	Sub total	5,594	
Total		5,601	

ii) Notes receivable

(a) Breakdown by client

(Unit: Million yen)

Client name	Amount	Remarks
Hazama Corporation	5	
Total	5	

(b) Breakdown by maturity date

(Unit: Million yen)

Maturity date	Amount	Remarks
January 2003	—	
February	—	
March	—	
April	5	
May	—	
Total	5	

iii) Accounts receivable from completed services

(a) Breakdown by client

(Unit: Million yen)

Client	Amount	Remarks
Japanese Government	195	
The Republic of the Philippines	78	
Hyogo Prefecture	41	
Yamaguchi Prefecture	39	
Kyoto Prefecture	34	
The Republic of Indonesia	33	
Japan Construction Information Center	32	
Japan Highway Public Corporation	29	
Kyoto City	23	
Aomori Prefecture	20	
Others	114	including the City of Matsuyama
Total	645	

(b) Generation, collection and remaining of accounts receivable

(Unit: Million yen)

Balance brought forward (A)	Generation in current term (B)	Collected amount in current term (C)	Balance carried forward (D)	Collection ratio $\frac{(C)}{(A) + (B)} \times 100$	Days of remaining $\frac{(A) + (D)}{2}$ $\frac{(B)}{365}$
1,049	2,127	2,532	645	79.7%	145.4 days

Note:

1. Though the tax exclusion method is applied to accounting of consumption taxes, the above amounts include consumption tax.
2. The amount of generation in current term does not include the amount entered as the advances received.

iv) Prepaid expenses for uncompleted services

(Unit: Million yen)

Category	Amount	Remarks
Labor cost	3,127	
Subcontractor cost	3,248	
Expense	1,618	
Total	7,993	

2) Liabilities

i) Accounts payable—Trade

(Unit: Million yen)

Service provider	Amount	Remarks
CTI Engineering International Co., Ltd.	218	
Mikuniya Corporation	39	
CTI Investigation and Design Co., Ltd.	26	
TEC Consultants	23	
Mates Printing System Co., Ltd.	23	
CTI Ground Planning Co., Ltd.	21	
Otsuka Corporation	19	
Mita Blueprints Ltd.	15	
CTI Mates Fukuoka Co., Ltd.	14	
Nissoku Co., Ltd.	14	
Others	758	including Management Techno Co., Ltd.
Total	1,174	

ii) Advances received

(Unit: Million yen)

Client	Amount	Remarks
Japanese Government	2,883	
Nagasaki Prefecture	394	
Japan Highway Public Corporation	254	
Iwate Prefecture	234	
Oita Prefecture	224	
Yamaguchi Prefecture	217	
Kagoshima Prefecture	216	
Shizuoka Prefecture	210	
Hyogo Prefecture	207	
Aomori Prefecture	198	
Others	3,807	Including Miyazaki Prefecture
Total	8,851	

(3) Others

Not applicable

Chapter 6: Shareholder Related Information

Closing date of account	December 31	Ordinary general meeting of shareholders	In March
Closing of the register of shareholders	January 1 to January 31	Record date	December 31
Classes of share certificate	One hundred (100) shares One thousand (1,000) shares Ten thousand (10,000) shares	Record date of interim dividends	June 30
		Unit of shares	100 shares
Stock transfer	Place of transfer	Stock Transfer Agency Division UFJ Trust Bank Limited 4-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo	
	Transfer agent	UFJ Trust Bank Limited 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	
	Service offices	Head office and branches of UFJ Trust Bank Limited	
	Transfer fee	free of charge	New certificate issuance fee
Purchase of shares below one unit of shares	Place of purchase	Stock Transfer Agency Division UFJ Trust Bank Limited 4-3 Marunouchi 1-chome, Chiyoda-ku, Tokyo	
	Agent	UFJ Trust Bank Limited 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	
	Service office	Head office and branches of UFJ Trust Bank Limited	
	Service charge for purchase	free of charge	
Media of public notice	Nihon Keizai Shimbun, daily newspaper		
Privilege to shareholders	None		

Chapter 7: Reference

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

1. Securities Report and accompanying documents:[For the 39th fiscal year: from January 1, 2001 to December 31, 2001]
Submitted to the director of the Kanto Local Finance Bureau on March 29, 2002
2. Semiannual Securities Report [during the 40th fiscal year: from January 1, 2002 to June 30, 2002] Submitted to the director of the Kanto Local Finance Bureau on September 25, 2002.

Part2: SURETY COMPANY'S INFORMATION

Not applicable