

# SECURITIES REPORT

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

Fiscal Year (41st Term) (from January 1, 2003 to December 31, 2003)

CTI Engineering Co., Ltd.

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

(941-172)

41st Term ( from January 1, 2003 to December 31, 2003 )

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# SECURITIES REPORT

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1. This securities report is the one obtained by attaching the table of contents to the paginating data on the securities report compiled under Article 24 Section 1 of the Securities and Exchange Law, which was submitted on March 30, 2004 through the Electronic Disclosure for Investors' Network (EDINET) stipulated in Article 27 Section 30.2 of the Law, and by outputting and printing the data.
2. This report does not include documents attached to the securities report submitted using the method mentioned above, but the audit reports are inserted at the end of this report.

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

CTI Engineering Co., Ltd.

# Contents

	Page
<b>41st Term SECURITIES REPORT</b>	
<b>[Cover]</b> .....	1
<b>Part1: CORPORATE INFORMATION</b> .....	2
<b>CHAPTER 1: General</b> .....	2
<b>1. Changes in Major Management Indices</b> .....	2
<b>2. Chronology</b> .....	4
<b>3. Business Contents</b> .....	5
<b>4. Situation of Subsidiary</b> .....	6
<b>5. Situation of employees</b> .....	6
<b>CHAPTER 2: BUSINESS SITUATION</b> .....	7
<b>1. Outline of Results</b> .....	7
<b>2. Production, orders received and sales</b> .....	9
<b>3. Our tasks ahead</b> .....	10
<b>4. Important agreement related to the management</b> .....	10
<b>5. Research and development activities</b> .....	10
<b>CHAPTER 3: FACILITIES &amp; EQUIPMENT</b> .....	11
<b>1. Outline of Investment into Facilities and Equipment</b> .....	11
<b>2. Major facilities and equipment</b> .....	12
<b>3. New Construction or Removal Plan for Equipment</b> .....	12
<b>CHAPTER 4: STATUS OF THE COMPANY</b> .....	13
<b>1. Status of Shares</b> .....	13
<b>2. Acquirement of Treasury Stocks</b> .....	16
<b>3. Dividend Policy</b> .....	16
<b>4. Change in Stock Price</b> .....	16
<b>5. Executive Management</b> .....	17
<b>CHAPTER 5: STATUS OF ACCOUNTING</b> .....	21
<b>1. Consolidated Financial Statements and Other Materials</b> .....	22
<b>2. Non-Consolidated Financial Statements and Other Materials</b> .....	42
<b>Chapter 6: Shareholder Related Information</b> .....	61
<b>Chapter 7: Reference</b> .....	62
<b>Part2: SURETY COMPANY'S INFORMATION</b> .....	63

## Cover

Document submitted	Securities report
Legal basis	Section 1, Article 24 of the Securities and Exchange Law
Recipient of document	Director of the Kanto Local Finance Bureau
Date of submission	March 30, 2004
Fiscal Year	41st term (from January 1, 2003 to December 31, 2003)
Company name	CTI Engineering Co., Ltd.
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Contact	Konomu Uchimura, Managing Director
Place Available for Public Inspection	Osaka Office of CTI Engineering Co., Ltd.  (2-15, Otemae 1-chome, Chuo-ku, Osaka)  Tokyo Stock Exchange, Inc.  (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.

# Part1: CORPORATE INFORMATION

## CHAPTER 1: General

### 1. Changes in Major Management Indices

(1) Consolidated Management Indices of the Company

Fiscal year		37th term	38th term	39th term	40th term	41st term
Fiscal year-end		December 1999	December 2000	December 2001	December 2002	December 2003
Sales amount	(million yen)	–	31,066	31,071	28,957	27,749
Ordinary profit	(million yen)	–	1,895	1,998	2,001	1,756
Net income	(million yen)	–	158	521	940	885
Net assets	(million yen)	–	14,384	14,688	15,514	16,270
Total assets	(million yen)	–	31,184	32,257	32,958	30,898
Net assets per share	(yen)	–	1,015.95	1,037.40	1,095.96	1,148.25
Net income per share	(yen)	–	11.17	36.84	66.43	61.34
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	–	46.1	45.5	47.1	52.7
Profit ratio of net worth	(%)	–	1.1	3.6	6.2	5.6
Price earnings ratio	(times)	–	50.13	14.92	7.31	8.41
Cash flow from operating business activities	(million yen)	–	1,734	2,359	2,042	240
Cash flow from investment activities	(million yen)	–	△1,599	△525	△350	△100
Cash flow from financial activities	(million yen)	–	△219	△92	△626	△1,872
Closing balance of cash and cash equivalents	(million yen)	–	8,189	9,941	10,973	9,206
Number of employees (plus average number of temporary employees)	(persons)	– (–)	1,105 (345)	1,042 (364)	1,029 (372)	1,029 (371)

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		37th term	38th term	39th term	40th term	41st term
Fiscal year-end		December 1999	December 2000	December 2001	December 2002	December 2003
Sales amount	(million yen)	31,759	30,198	30,339	28,305	26,801
Ordinary profit	(million yen)	1,941	1,858	1,873	1,944	1,717
Net income	(million yen)	751	150	470	921	875
Capital stock	(million yen)	3,025	3,025	3,025	3,025	3,025
Number of outstanding shares	(shares)	14,159,086	14,159,086	14,159,086	14,159,086	14,159,086
Net assets	(million yen)	14,188	14,353	14,605	15,414	16,161
Total assets	(million yen)	29,360	30,767	31,870	32,349	30,363
Net assets per share	(yen)	1,002.05	1,013.69	1,031.54	1,088.95	1,140.58
Cash Dividend per share (Interim dividend per share)	(yen)	13.00 (-)	12.00 (-)	11.00 (-)	12.00 (-)	12.00 (-)
Net income per share	(yen)	53.05	10.65	33.23	65.11	60.68
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	-	46.6	45.8	47.7	53.2
Profit ratio of net worth	(%)	-	1.1	3.3	6.1	5.5
Price earnings ratio	(times)	-	52.58	16.55	7.46	8.50
Divided Payout ratio	(%)	24.50	112.6	33.1	18.4	19.7
Number of employees (plus average number of temporary employees)	(persons)	1,077 (330)	1,056 (339)	989 (360)	979 (372)	978 (371)

## 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 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 for the 37th term includes a dividend of 2 yen paid in commemoration of the Company obtaining a listing on the First Section of the Tokyo Stock Exchange. Those for the 38th and 40th terms each include a special dividend of 1 yen. That for the 41st term includes a dividend of 1 yen paid in commemoration of the 40th anniversary of the Company's foundation.
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, Chuo-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
March 1998	Promoted Sendai Branch and Nagoya Branch to Sendai Office and Nagoya Office respectively
April 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.
April 2003	CTI Academy Co., Ltd. was established to specialize in training, the conducting of seminars, and other businesses.

### 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:

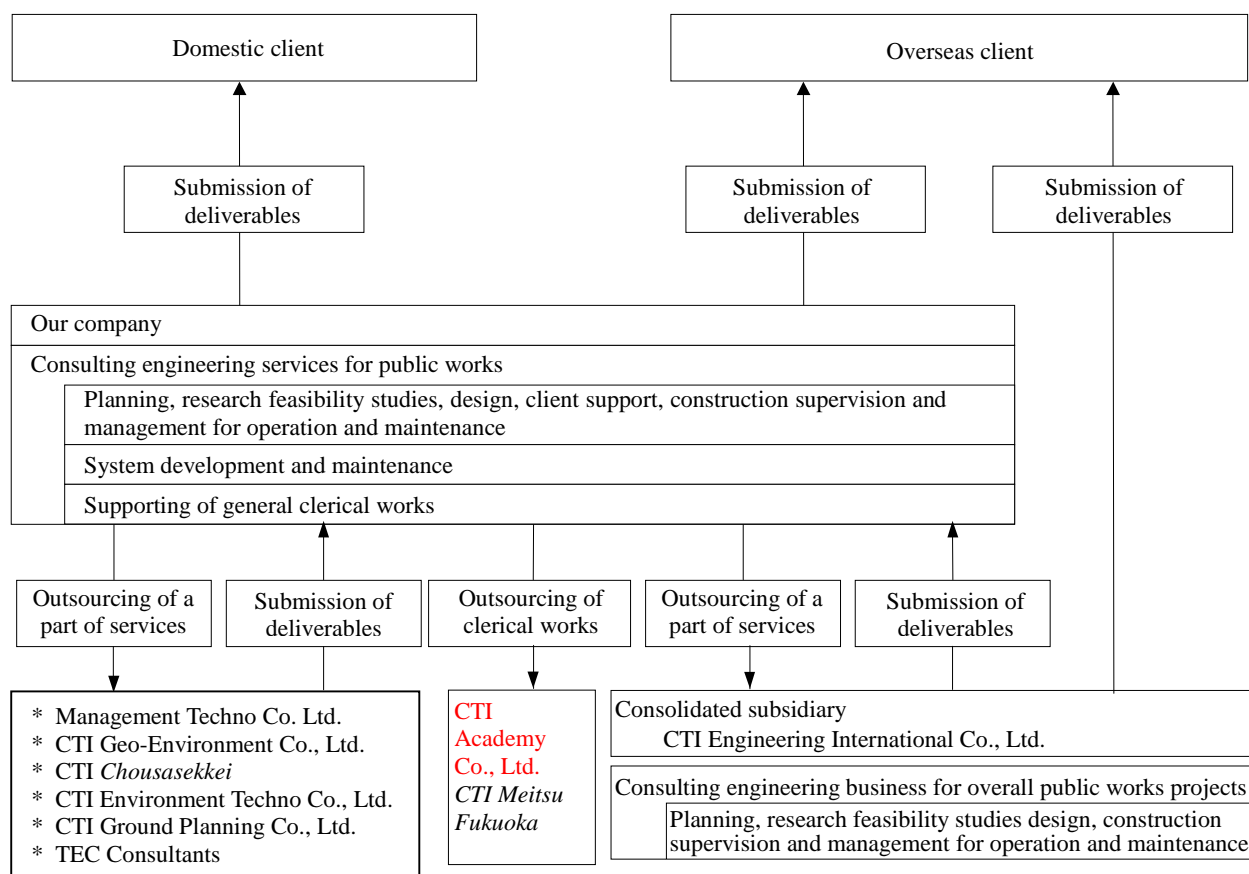
(i) Domestic operations

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.

(ii) 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 (thousand yen)	Major business contents	Voting right ratio (%)	Relation contents
Consolidated subsidiary  CTI Engineering International Co., Ltd.	Chuo-ku, Tokyo	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 (persons)	1,029(371)
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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 (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
978(371)	40.0	13.1	8,294,046

Note:

1. "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. The average yearly wage contains bonus and extra wages.

##### (3) Situation of labor union

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

- (i) Name: *Kensetsugiken Roudou Kumiai*
- (ii) Umbrella organization: National Federation of Construction Engineering Worker's Unions for Japan
- (iii) Number of union members: 622 (as of December 31, 2003)
- (iv) Other: There is no matter in particular to be mentioned, and labor-management relations are maintained in a stable manner based on mutual trust.

## CHAPTER 2: BUSINESS SITUATION

### 1. Outline of Results

#### (1) Results

During the current consolidated fiscal year, the Japanese economy saw the employment situation continue to be harsh, but corporate earnings and capital investments started to show signs of recovery.

In the construction consulting industry, investments in public utilities generally remained sluggish reflecting the difficulties facing the national and local governments in terms of budgets, and the industry continued to experience difficulties such as falling unit order prices. On the other hand, an increasing number of clients adopted the proposal method (contracts based on technological proposals), prompting the selection of contractors through technological competition.

Given these circumstances, because the proposal method will lead to the stable acceptance of orders in the future, the CTI Engineering Group further stepped up efforts related to this method, thus increasing the ratio of orders secured using it. A look at the details of orders accepted indicates that the environment and information sectors grew, while the Group's business showed new developments, such as the increase in construction management and other project implementation management services. Orders accepted in these new areas include the Isawa Dam Construction Management Services and Comprehensive Consulting Services for Municipal Mergers (Nagaoka Area Voluntary Merger Council). In addition, the CTI Engineering Group used the proposal method to receive an order from the Cabinet Office for undertaking on contract the operation of PFI seminars held at various locations nationwide, and this exemplifies the positive response to the Group's active PFI-related efforts.

All of the social infrastructures developed during the period of rapid economic growth will soon be requiring renovation. In order to take steps for this, asset management is being introduced in various sectors, and in response to this move, the CTI Engineering Group actively developed sales activities based on technological proposals to ensure rational operation and maintenance, while also extending the life of social infrastructures, thereby increasing the number of orders received. Furthermore, the challenge was taken up of entering new technological areas and receiving orders for various projects, including an investigation regarding the restoration of Japan's oldest existing suspension bridge and the first studies in Japan concerning methods for removing dams. Due to the fall of unit order prices caused by intensifying competition and other factors, however, the number of orders received remained sluggish.

As a result, the value of orders received, including that for CTI Engineering International Co., Ltd., a consolidated subsidiary of CTI Engineering, fell by 6.9% YOY, to 26,607 million yen, with income from completed services down by 4.2% YOY, to 27,749 million yen. Ordinary profits decreased by 12.3%, to 1,756 million yen, and the current net income dropped by 5.9% YOY to 885 million yen. Initial profit plans were largely fulfilled, however.

#### (2) Cash Flow

At the end of the current consolidated fiscal year, cash and cash equivalent (hereinafter referred to as "capital") decreased by 1,767 million yen YOY, to 9,206 million yen.

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

(Cash flow from sales activities)

Capital obtained from sales activities totaled 240 million yen, a 88.2% decline YOY. Net income before income taxes and other adjustments of 1,677 million yen is used as a basis, and this decline is mainly attributed

to a decrease of 335 million yen in the retirement benefit reserve, an increase of 184 million yen in trade receivables, and the payment of corporation income taxes, etc. amount to 1,069 million yen.

(Cash flow from investment activities)

Capital used as a result of investment activities totaled 100 million yen, a 71.2% decrease YOY. This is largely attributed to an expenditure of 106 million yen for the acquisition of software and other intangible fixed assets.

(Cash flow from financial activities)

Capital used as a result of financial activities totaled 1,872 million yen, a 198.8% increase YOY. This is largely attributed to a repayment of 1,477 million yen for long-term borrowings.

## 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

Category	Current consolidated fiscal year (From January 1, 2003 to December 31, 2003) (million yen)	Change from the same term in previous year (%)
Engineering consulting	27,749	△4.2
Total	27,749	△4.2

Note: The amounts are calculated according to the sales prices.

### (2) Order receiving situation

Category	Current consolidated fiscal year (From January 1, 2003 to December 31, 2003)			
	Orders received (million yen)	Change from the same term in previous year (%)	Orders in hand (million yen)	Change from the same term in previous year (%)
Engineering consulting	26,607	△6.9	26,439	△4.2
Total	26,607	△6.9	26,439	△4.2

Note: The amounts are calculated according to the sales prices.

### (3) Sales results

#### 1) Sales results

Category	Current consolidated fiscal year (From January 1, 2003 to December 31, 2003) (million yen)	Change from the same term in previous year (%)
Engineering consulting	27,749	△4.2
Total	27,749	△4.2

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:

Client	Previous consolidated fiscal year (From January 1, 2002 to December 31, 2002)		Current consolidated fiscal year (From January 1, 2003 to December 31, 2003)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government	9,938	34.3	10,035	36.2

### **3. Our tasks ahead**

In the draft government budget for fiscal 2004, public works expenditures decreased by 3.3% compared to the initial budget for fiscal 2003, and local autonomous bodies are also faced with financial difficulties. Therefore, it is projected that price competition will further intensify in the construction consulting industry. Meanwhile, an increasing number of local autonomous bodies are adopting the proposal method, and it is certain that technological competition will also expand steadily. In addition, a shift in the focus of services from “hardware” to “software” is under way, and it is expected that needs for project implementation management services, which typifies this shift, will grow further in the future.

Given this situation, the CTI Engineering Group will aggressively advance the following policies:

(1) Clarification and strengthening of business development strategies

Clarification and strengthening of strategies for key and new areas, as well as those for further development with particular emphasis on making an all-out effort to maintain the Group’s market share in the key areas

(2) Organizational reinforcement for winning the competition over price and technology

Organizational restructuring, personnel reallocation and hiring of additional engineers for improved technological capabilities and service quality

(3) Realization of lower-cost structure

Further reductions in personnel, outsourcing, and other expenses

By implementing these policies, the CTI Engineering Group will increase the number of its engineers and realize a low-cost structure, while also ending the decline in the number of orders received, thereby achieving a “U-shaped recovery” in business performance and establishing a firm foundation for future sustainable growth.

### **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 focusing primarily on consulting services related to the construction industry. In this respect, the group endeavor research and development activities without placing the foundry between Japan and overseas.

Specifically, research regarding management projects and national land and culture were conducted as part of strategic research, and priority investments were made regarding issues that fit into this approach.

During the current consolidated fiscal year, the CTI Engineering Group invested a total of 555 million yen, chiefly in the research and development topics listed below, to energetically promote research and development.

(1) Strategic research

- Research and development of management business

- Research in national land and culture (new public management, asset management for social infrastructures, urban renewal, comprehensive disaster prevention, technology to protect cultural assets from disasters, utilization of IT for society, and international business models)

(2) Research in commercialization (environmental rehabilitation and cleanup, municipal mergers, consolidation of dam projects, and commercialization of disaster prevention)

(3) Research and studies (support of recovery from disasters, water quality protection measures, rationalization of water management, predictions concerning ecosystems, etc.)

## **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 93 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, 2003

Establishment (location)	Business line	Book value (million yen)					Number of employees (persons)
		Buildings and structures	Machinery and delivery equipment	Land (area: m <sup>2</sup> )	Others	Total	
Head Office (Chuo-ku, Tokyo)	General administration facilities	12	9	–	76	97	67 (3)
Tokyo Head Office (Chuo-ku, Tokyo)	Office	89	–	–	26	116	252 (132)
Kanto Office (Urawa-ku, Saitama)	Office	1,092	0	772 (1,978)	46	1,911	148 (47)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Office and laboratory facilities	523	53	1,937 (50,605)	6	2,521	35 (26)
Yono Dormitory (Chuo-ku, Saitama)	Welfare facilities	409	–	820 (1,565)	2	1,232	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Office	612	9	1,025 (1,136)	13	1,660	129 (–)

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

2. The 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, etc.

(i) Total Number of Shares

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

(ii) Number of Shares Issued

Type	Issued shares as of the end of the fiscal year (shares) (December 31, 2003)	Issued shares as of the date for submission (shares) (March 30, 2004)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	14,159,086	14,159,086	Tokyo Stock Exchange First Section	–
Total	14,159,086	14,159,086	–	–

(2) Stock options, etc.

Not applicable.

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

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

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



## (4) Shareholders

As of December 31, 2003

Category	Distribution of shares (Number of shares per unit: 100 shares)								Shares below a unit (shares)
	Government and local public entities	Financial institutions	Securities companies	Other corporations	Foreign corporations etc.	Individuals included in foreign corporations, etc.	Individuals etc.	Total	
Number of shareholders (persons)	–	41	18	112	30	2	2,891	3,092	–
Number of shares held (units)	–	40,905	1,426	10,974	2,858	236	84,777	140,940	65,086
Shareholding ratio (%)	–	29.0	1.0	7.8	2.0	0.2	60.2	100.0	–

Note:

1. Among treasury stocks (4,516 stocks), 45 units are counted as “Individuals etc.” and 16 stocks are counted as “Shares below a unit” in the table above. Note that, however, 4,516 is the number indicated on the shareholders’ list. The number of stocks actually held is 4,416 stocks as of December 31, 2003.
2. “Other corporations” and “Shares below a unit” in the table above include 231 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

## (5) Major shareholders

As of December 31, 2003

Name	Address	Number of shares held (thousand)	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	2,065	14.6
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	717	5.1
Sumitomo Life Insurance Company	8-11, Harumi 1-chome, Chuo-ku, Tokyo	390	2.8
UFJ Trust Bank Limited	4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	354	2.5
Mizuho Corporate Bank, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	310	2.2
UFJ Bank Limited	21-24, Nishiki 3-chome, Naka-ku, Nagoya	303	2.1
Shiteitan 2332007 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
Japan Trustee Services Bank, Ltd. (trust account)	18-11, Harumi 1-chome, Chuo-ku, Tokyo	235	1.7
Total	—	5,204	36.8

Note: 676,000 of the shares held by The Mater Trus Bank of Japan, Ltd. (trust account), all of the shares held by State Street Trust and Banking Corp. (Shiteitan 2332007) and 234,000 of the shares held by The Japan Trustee Services Bank, Ltd. (trust account) are related to trust operations.

(6) Voting rights

(i) Issued Shares

As of December 31, 2003

Category	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.)	(Treasury stocks) Ordinary stocks 4,400	–	–
Shares with complete voting rights (Others)	Ordinary stocks 14,089,600	140,896	–
Shares below a unit	Ordinary stocks 65,086	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	140,896	–

Note:

1. Included in “Shares with complete voting rights (others)” are 23,100 shares (231 votes) registered in the name of the Japan Securities Depository Center, Inc.
2. Included in “Shares below a unit” are 16 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2003

Name of owners	Address of owners	Number of shares held in its own name (shares)	Number of shares held disguised ownership (shares)	Total number of shares held (shares)	Ratio of the shares held against the total number of shares issued (%)
CTI Engineering Co., Ltd.	9th Chuo Bldg., 9-11, Nihonbashi-honcho 4-chome, Chuo-ku, Tokyo	4,400	–	4,400	0.0
Total	–	4,400	–	4,400	0.0

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. Acquisition of Treasury Stocks

(1) Purchase of the Company's Own Shares through a Resolution by the Regular General Meeting of Shareholders or the Meeting of the Board of Directors

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

Not applicable.

(ii) 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

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

Not applicable.

(ii) 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.

In commemoration of its 40th anniversary, the Company will pay a dividend of 12 yen per share for the current fiscal year, and this consists of an ordinary dividend of 11 yen and a commemorative 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

(1) Highest and lowest stock prices for the past five fiscal years

Fiscal year	37th term	38th term	39th term	40th term	41st term
Fiscal year end	December 1999	December 2000	December 2001	December 2002	December 2003
Highest (yen)	1,400	769	650	639	598
Lowest (yen)	625	545	451	462	455

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

(2) Highest and lowest stock prices by month for the past six months

Month	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003
Highest (yen)	569	555	554	550	530	526
Lowest (yen)	530	506	510	503	500	500

Note: The highest and lowest stock prices are those marked on the First Section of the Tokyo Stock Exchange.

## 5. Executive Management

Board member position	Company position	Name	Date of birth	Career		Number of shares held (thousand)
Chairman & Representative Director		Yumio Ishii	December 4, 1935	April 1959 April 1963 June 1975 May 1982 June 1988 March 1991 March 1994 March 1995 March 2003	Joined Civil Engineering Research Laboratory Joined CTI Engineering General Manager, Water Resources Div. I Director & Member of the Board Managing Director Senior Managing Director and Tokyo Office Branch Administrator Vice President & Representative Director President & Representative Director Chairman & Representative Director (present post)	89
President & Representative Director		Kazuya Oshima	July 8, 1946	April 1969 April 1991 April 1994 March 1995 April 1997 March 1998 April 1999 March 2000 March 2001 March 2002 March 2003	Joined CTI Engineering General Manager, Water Resources Div. II, Tokyo Office Chief, Human Intelligence Dept., Tokyo Office Director & Member of the Board Deputy Branch Administrator, Tokyo Office Managing Director Tokyo Office (Tokyo Head Office at present) Branch Administrator Senior Managing Director Vice President Vice President & Representative Director President & Representative Director (present post)	45
Senior Managing Director	Administrator, Tokyo Head Office	Tetsuzo Okada	November 28, 1945	April 1970 July 1976 April 1991 April 1995 March 1997 April 1999 March 2000 March 2003	Joined "Shin-Nihon Gijutsu Consultant Corp." Joined CTI Engineering General Manager, Highway & Bridges Div. II Osaka Office Deputy Chief, Road & Traffic Dept. Osaka Office Director & Member of the Board and Chief, Road & Traffic Dept. Tokyo Office Deputy Branch Administrator, Tokyo Office Managing Director and Chief, Headquarters Business Development Dept. Senior Managing Director and Administrator of Tokyo Head Office (present post)	24
Managing Director		Hiroaki Nakaya	February 24, 1940	April 1963 July 1967 October 1972 June 1974 July 1979 April 1986 April 1988 April 1990 March 1993 April 1993 March 1994 April 1997 March 1999 April 2002	Joined the Ministry of Construction Transferred to Science and Technology Agency Transferred to Prime Minister's Office Transferred to National Land Agency Transferred to Okinawa Development Agency Joined Kagawa Prefectural Office Joined Hyogo Prefectural Office Joined CTI Engineering Director & Member of the Board Deputy Chief, Headquarters Research & Development Dept. Chief, Headquarters Quality Management Dept. Chief, Construction Management Headquarters Managing Director and Branch Administrator of Fukuoka Office President & Representative Director of Management Techno Co., Ltd. (present post)	19

Board member position	Company position	Name	Date of birth	Career		Number of shares held (thousand)
Managing Director	Branch Administrator, Osaka Office	Hiroshi Ide	November 12, 1943	April 1968 April 1990 April 1993 April 1997 March 1998 March 1999 March 2000 April 2001 March 2003	Joined CTI Engineering General Manager, Urban & Regional Planning Div. Human Intelligence Dept. General Affairs Div. General Manager, Tokyo Office General Manager, General Affairs Div., Headquarters Management Dept. Director & Member of the Board Chief, Headquarters Management Dept. Managing Director (present post) Branch Administrator of Tohoku Office Branch Administrator of Osaka Office (present post)	31
Managing Director	Branch Administrator, Kyushu Office	Mizuho Imamura	June 7, 1940	April 1964 April 1982 April 1987 July 1989 April 1991 May 1993 May 1995 January 2002 March 2002 April 2002	Joined the Ministry of Construction Manager of Ryumon Dam Works, Kyushu Region Construction Bureau, Ministry of Construction Supervisor of the Waterways Development Planning Section, Kanto Region Construction Bureau, Ministry of Construction Planning Division Manager, Kyushu Region Construction Bureau, Ministry of Construction Joined Okayama Prefectural Office Joined Water Resources Development Public Corporation Joined Kyushu Kensetsu Kosaikai Joined CTI Engineering as Chief Engineer of Headquarters Research & Development Dept. Managing Director (present post) Branch Administrator of Kyushu Office (present post)	6
Managing Director	Chief, Headquarters Research & Development Dept.	Kazunori Yoshioka	January 4, 1946	April 1970 December 1983 July 1991 July 1994 June 1995 April 1997 July 1998 July 2002 March 2003	Joined the Ministry of Construction Manager of Ryumon Dam Works, Kyushu Region Construction Bureau, Ministry of Construction Policy Planner, Minister's Secretariat, Ministry of Construction Manager of the 2nd National Road Division, Road Bureau, Ministry of Construction Manager of River Planning Division, River Bureau, Ministry of Construction Director, Shikoku Construction Bureau, Ministry of Construction Joined the Japan Institute of Construction Engineering Joined CTI Engineering, Chief Engineer of Headquarters Research & Development Dept. Managing Director and Chief of Headquarters Research & Development Dept. (present post)	4
Managing Director	Chief, Headquarters Business Development Dept.	Reiichi Abe	November 4, 1949	April 1974 April 1994 April 1997 April 1999 March 2000 March 2003	Joined CTI Engineering General Manager, Water Resources Div. I, Water Resources Dept., Tokyo Office Chief, Water Resources Dept., Tokyo Office Deputy Branch Administrator, Osaka Office Director & Member of the Board Managing Director and Chief of Headquarters Business Development Dept. (present post)	19
Managing Director	General Manager, Headquarters Operation Development Dept.	Yoshihito Sabase	December 23, 1949	April 1974 April 1993 April 1997 March 1999 March 2000 April 2000 March 2003	Joined CTI Engineering General Manager, Information Technology Div., Human Intelligence Dept., Tokyo Office Chief, Information & Construction Management Headquarters Tokyo Office Chief, Construction Management Headquarters Director & Member of the Board Management Business Dept. Branch Administrator Managing Director and General Manager of Headquarters Operation Development Dept. (present post)	16

Board member position	Company position	Name	Date of birth	Career		Number of shares held (thousand)
Managing Director	Chief, Headquarters Management Dept.	Konomu Uchimura	March 11, 1950	April 1974 April 1994 April 1997 April 1999 March 2000 April 2001 March 2003	Joined CTI Engineering General Manager, Water Resources Div. II, Water Resources Dept., Tokyo Office Chief, Human Intelligence Dept., Tokyo Office Deputy Branch Administrator, Tokyo Office Director & Member of the Board Chief, Headquarters Management Dept. (present post) Managing Director (present post)	14
Director & Member of the Board	Branch Administrator, Chugoku Office	Keiichi Koya	October 1, 1949	April 1974 April 1994 April 1997 April 1999 March 2000 March 2004	Joined CTI Engineering General Manager, Environment & Systems Engineering Div., Water Resources Dept. Osaka Office Chief, Water Resources Dept. Osaka Office Deputy Branch Administrator, Fukuoka Office Director & Member of the Board (present post) Branch Administrator, Chugoku Office (present post)	12
Director & Member of the Board	Branch Administrator, Chubu Office	Ken Kamitakahara	February 2, 1944	April 1968 April 1991 April 1996 April 2000 March 2001 April 2001 November 2001 March 2003	Joined CTI Engineering General Manager, Water Resources Div. I, Tokyo Office Deputy Chief, Engineering and Development Dept. Deputy Branch Administrator, Tohoku Office Director & Member of the Board (present post) Deputy Branch Administrator, Tokyo Head Office President & Representative Director, CTI Environment Techno Co., Ltd. Branch Administrator of Chubu Office of CTI Engineering (present post)	23
Director & Member of the Board	Branch Administrator, Tohoku Office	Koji Nukazawa	December 9, 1947	April 1972 April 1988 April 1992 April 1996 April 1997 May 1999 May 2001 March 2002 April 2002 March 2003	Joined Ministry of Construction Manager, Yamagata Works Office, Tohoku Region Construction Bureau, Ministry of Construction Manager, Second Research Dept., ACTEC Manager, Waterways Division, Kyushu Region Construction Bureau, Ministry of Construction Joined Water Resources Development Public Corporation Joined Civil Engineering Research Laboratory Joined CTI Engineering as Chief Engineer, Headquarters Research & Development Dept. Director & Member of the Board (present post) Chief of Headquarters Quality Management Dept. Branch Administrator of Tohoku Office (present post)	5
Director & Member of the Board	Chief, Headquarters Quality Management Dept.	Kazuo Murata	September 26, 1951	April 1978 April 1997 April 1999 April 2001 March 2003	Joined CTI Engineering General Manager, Water Resources Div. V, Water Resources Dept. Tokyo Office Chief, Water Resources Dept., Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director & Member of the Board and Chief of Headquarters Quality Management Dept. (present post)	12
Director & Member of the Board	Deputy Administrator, Tokyo Head Office	Yasuki Komatsu	October 15, 1951	April 1976 April 1998 April 1999 April 2001 March 2003 April 2003	Joined CTI Engineering General Manager, Road Planning Div., Road and Traffic Dept., Tokyo Office Chief, Road and Traffic Dept., Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director & Member of the Board (present post) Deputy Administrator, Tokyo Head Office (present post)	13

Name of office	Name of position	Name	Date of birth	Career		Number of shares held (thousand)
Statutory Auditor		Nobuo Imanishi	November 19, 1943	April 1967 April 1991  April 1994 March 1996 April 1997  October 2000  April 2001  March 2003	Joined CTI Engineering General Manager, Water Resources Div., Osaka Office  Chief, Water Resources Dept., Osaka Office Director & Member of the Board General Manager, Hiroshima Branch, Osaka Office  Deputy Chief of Headquarters Research & Development Dept.  Chief of Dam & Geotechnical Promotion Headquarters  Statutory Auditor (present post)	51
Auditor		Yoshio Hata	September 12, 1937	April 1962  April 1963 April 1990  January 1995  April 1996  March 2000 March 2003	Joined Civil Engineering Research Laboratory Joined CTI Engineering General Manager, Information Technology Div. Human Intelligence Dept. General Manager, Accounting Div., Headquarters Management Dept.  Deputy Chief, Headquarters Management Dept.  Statutory Auditor Auditor (present post)	48
Auditor		Kunihiko Horiuchi	April 24, 1943	April 1968 April 1992  April 1996  June 1997  April 1999  March 2000	Appointed as Public Prosecutor Public Prosecutor of Tokyo High Public Prosecutor's Office  Public Prosecutor of the Supreme Public Prosecutor's Office  Opened Horiuchi General Law Office (present post)  Professor at the Law Department, Tokai University (present post)  Auditor, CTI Engineering (present post)	-
Auditor		Tomoo Araki	January 1, 1936	April 1965 April 1974  April 1981 April 1989 June 1993 March 1996  February 1998 January 2001  March 2001 April 2001	Appointed as Assistant Judge Prosecutor of Tokyo District Public Prosecutor's Office  Judge of Tokyo District Court Judge of Tokyo High Court Director of Tokyo Legal Affairs Bureau Director of Toyama District and Domestic Relations Courts  General Judge of Tokyo High Court Registered as attorney (Tokyo Daiichi Law Office) (present post)  Auditor, CTI Engineering (present post)  Professor at the Law Department, Ryutsu Keizai University (present post)	-
Total						436

Note: The two auditors -- Kunihiko 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

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

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

The Company's consolidated financial statements for the previous consolidated fiscal year (January 1 to December 31, 2002) were prepared in accordance with the old Regulations on Consolidated Financial Statements. The Company's consolidated financial statements for the current consolidated fiscal year (January 1 to December 31, 2003) were prepared in accordance with the revised Regulations on Consolidated Financial Statements.

(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").

The Company's non-consolidated financial statements for the previous business year (January 1 to December 31, 2002) were prepared in accordance with the old Regulations on Financial Statements. The Company's non-consolidated financial statements for the current business year (January 1 to December 31, 2003) were prepared in accordance with the revised Regulations on Financial Statements.

### 2. 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, 2002 to December 31, 2002), the previous fiscal year (from January 1, 2002 to December 1, 2002), the current consolidated fiscal year (from January 1, 2003 to December 31, 2003) and the current fiscal year (from January 1, 2003 to December 31, 2003) were audited by Chuo Aoyama Audit Corporation. The Company received their audit reports for each fiscal year.

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



# 1. Consolidated Financial Statements and Other Materials

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

Category	Note No.	Previous Consolidated Fiscal Year (as of December 31, 2002)		Current Consolidated Fiscal Year (as of December 31, 2003)		
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	
(Assets)						
I Current assets						
1. Cash and bank deposits			5,750		6,897	
2. Notes receivable and other receivables			698		883	
3. Marketable Securities			5,223		2,308	
4. Prepaid expenses			8,379		8,368	
5. Deferred tax assets			198		142	
6. Others			295		513	
7. Allowance for doubtful accounts			△0		△0	
Total current Assets			20,545	62.3	19,114	61.9
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings and structures		4,786		4,673		
Accumulated depreciation		1,805	2,981	1,901	2,772	
2. Machinery and transportation equipment		273		270		
Accumulated depreciation		185	88	193	76	
3. Land			4,581		4,581	
4. Others		673		733		
Accumulated depreciation		491	181	534	198	
Total tangible fixed assets			7,832	23.8	7,628	24.6
(2) Intangible fixed assets						
1. Others			325		330	
Total intangible fixed assets			325	1.0	330	1.1
(3) Investments and other assets						
1. Investment in securities	*1		474		549	
2. Long-term loans receivable			56		46	
3. Others			2,324		2,104	
4. Deferred tax assets			1,399		1,123	
5. Allowance for doubtful accounts			△0		△0	
Total investments and other assets			4,254	12.9	3,823	12.4
Total fixed assets			12,412	37.7	11,783	38.1
Total assets			32,958	100.0	30,898	100.0

Category	Note No.	Previous Consolidated Fiscal Year (as of December 31, 2002)		Current Consolidated Fiscal Year (as of December 31, 2003)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Liabilities)					
I Current liabilities					
1. Accounts payable		965		804	
2. Short-term borrowings		1,999		300	
3. Accrued income taxes		647		73	
4. Advances received		9,138		9,015	
5. Reserve for bonuses		423		355	
6. Others		991		1,163	
Total current liabilities		14,164	43.0	11,712	37.9
II Fixed liabilities					
1. Reserve for retirement benefit		2,788		2,452	
2. Reserve for directors retirement benefits		377		347	
3. Others		41		37	
Total fixed liabilities		3,206	9.7	2,838	9.2
Total liabilities		17,371	52.7	14,551	47.1
(Minority interest)					
Minority interest		72	0.2	76	0.2
(Capital)					
I Capital	*3	3,025	9.2	3,025	9.8
II Capital surplus		4,122	12.5	4,122	13.3
III Profit surplus		8,370	25.4	9,065	29.4
IV Unrealized gains or losses on other securities		△3	△0.0	58	0.2
V Treasury stocks	*4	△1	△0.0	△2	△0.0
Total Shareholders' equity		15,514	47.1	16,270	52.7
Total of liabilities, minority interest and shareholders equity		32,958	100.0	30,898	100.0

## (ii) Consolidated Profit and Loss Account

Category	Note No.	Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)		Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)			
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)		
I Sales							
Income from completed services			28,957	100.0	27,749	100.0	
II Cost of sales							
Cost of completed services			20,822	71.9	20,054	72.3	
Gross profit			8,134	28.1	7,695	27.7	
III Selling, general and administrative expenses	*1		6,114	21.1	5,991	21.6	
Operating income			2,020	7.0	1,703	6.1	
IV Non-operating revenues							
1. Interest earned		22			14		
2. Dividend earned		6			8		
3. House rent earned		30			33		
4. Insurance dividends earned		16			17		
5. Commissions earned		–			29		
6. Others		50	126	0.4	37	140	0.5
V Non-operating expenses							
1. Interest expense		39			21		
2. Loss on sales of securities		23			–		
3. Loss from investment trust cancellation		37			–		
4. Exchange loss		30			32		
5. Commissions paid		–			15		
6. Others		14	144	0.5	19	88	0.3
Ordinary profit			2,001	6.9		1,756	6.3
VI Extraordinary gain							
1. Facility relocation compensation		–			49		
2. Profit from fixed assets selling		–			0		
3. Reversal of reserve for doubtful accounts	*2	0	0	0.0	0	49	0.2
VII Extraordinary loss							
1. Loss from fixed assets disposal	*3	5			21		
2. Unrealized loss of membership		12			–		
3. Business establishment relocation expenses		–			49		
4. Unrealized loss on marketable securities		143			–		
5. Loss from valuation of stock in affiliated companies		–			19		
6. Transferred reserve for directors' retirement benefits		30			17		
7. Others		2	193	0.7	20	128	0.5
Net income before income tax			1,808	6.2		1,677	6.0
Corporation tax, inhabitants taxes and enterprise tax		1,114			495		
Deferred income taxes etc.		△257	857	3.0	288	784	2.8
Minority interest in profit of consolidated Companies			10	0.0		7	0.0
Current net income			940	3.2		885	3.2

## (iii) Consolidated Surplus Account

		Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
Category	Note No.	Amount (million yen)	Amount (million yen)
(Capital surplus)			
I Opening balance of capital surplus		4,122	4,122
II Increase of capital surplus		-	-
III Decrease of capital surplus		-	-
IV Closing balance of capital surplus		4,122	4,122
(Profit surplus)			
I Opening balance of profit surplus		7,588	8,370
II Increase of profit surplus			
1. Current net income		940	885
III Decrease of profit surplus			
1. Dividend		155	169
2. Bonuses paid to directors		3	21
IV Closing balance of profit surplus		8,370	9,065

## (iv) Consolidated Cash Flow Statement

		Previous Consolidated Fiscal Year (From January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (From January 1, 2003 to December 31, 2003)
Category	Note No.	Amount (million yen)	Amount (million yen)
Cash flow from operating activities			
Current net income before income tax		1,808	1,677
Depreciation and amortization		418	412
Decrease in allowance for doubtful receivables		△ 0	△ 0
Decrease in reserve for retirement benefit		△ 105	△ 335
Decrease in reserve for directors' retirement benefits		△ 44	△ 29
Increase (decrease) in reserve for bonuses		130	△ 67
Interest and dividend earned		△ 28	△ 22
Interest payable		39	21
Other non-operating revenues		△ 6	-
Other non-operating expenses		32	47
Facility relocation compensation		-	△ 49
Loss from fixed assets disposal		4	21
Loss on sales of securities		23	-
Profit from sales of securities		-	△ 0
Loss from investment trust cancellation		37	0
Unrealized loss on investment securities		150	3
Unrealized loss of membership		12	0
Loss from valuation of affiliated companies		-	19
Increase (decrease) in sales account		375	△ 184
Increase (decrease) in prepaid expenses		△ 55	10
Increase (decrease) in other current assets		44	△ 82
Decrease in investments and other assets			21
Increase (decrease) in account payable		49	△ 161
Increase (decrease) in advances received		29	△ 122
Payment of directors' bonuses		△ 3	△ 21
Increase in other current liabilities		135	154
Increase (decrease) in other fixed liabilities		4	△ 3
Subtotal		3,052	1,309
Received interest and dividend		28	22
Interest payment		△ 39	△ 22
Payment of corporation income tax etc.		△ 998	△ 1,069
Cash flow provided by operating activities		2,042	240
Cash flow from investment activities			
Payments for acquisition of investment securities		△ 55	△ 10
Proceeds from sales of investment securities		117	16
Payments for acquisition of tangible fixed assets		△ 71	△ 106
Income from selling of tangible fixed assets		0	65
Payments for acquisition of intangible fixed assets		△ 50	△ 106
Payments for loans		△ 205	△ 161
Income from loan collection		136	136
Other payments for investment		△ 409	△ 92
Other income from investment		187	158
Cash flow provided by investment activities		△ 350	△ 100
Cash flow from financial activities			
Income from short-term borrowing		972	500
Payment of short-term borrowing		838	722
Payment of long-term borrowing		100	1,477
Payment of debenture redemption		500	-
Payment for acquisition of treasury stocks		1	0
Dividend payment		156	170
Dividend payment for minority shareholders		3	3
Cash flow provided by financial activity		626	1,872
Effect in fluctuation of exchange rate for cash and cash equivalents		32	33
Increase (decrease) in cash and cash equivalents		1,032	1,767
Opening balance of cash and cash equivalents		9,941	10,973
Closing balance of cash and cash equivalents		10,973	9,206

Basic Important Matters for Preparation of Consolidated Financial Statements

Item	Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
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 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: 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: 8 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 Academy Co., Ltd. CTI Ground Planning 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 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 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 profit 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 Academy 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 profit 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.

Item	Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
<p>4. Accounting standard</p> <p>(1) Valuation base and valuation method of important assets</p> <p>(2) Depreciation and amortization method of important depreciable assets</p> <p>(3) Entry standard of important reserves and allowances</p>	<p>1) Securities 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 by moving average method.</p> <p>2) Inventories Prepaid expenses for uncompleted services -- Cost method by job cost system</p> <p>1) Tangible fixed assets -- Declining balance method. However, the straight-line method is adopted for the buildings (excluding the facilities attached to the buildings) acquired on and after April 1, 1998. Further, the average life expectancy is as set forth below. Buildings: 15 – 50 years 2) Intangible fixed assets ... Straight-line method. For software, the straight-line method based on the usable period in the Company (5 years) is adopted.</p> <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. For the current consolidated fiscal year, there are no particular debts, including those feared to become bad debts, whose collection is expected to become impossible.</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. As regards the accounting disparity, expenses shall be disposed of from the next fiscal year by the fixed amount method that shall use a predetermined number of years (5 years) within the average remaining employment period for those employees that were employed at the time of its occurrence.</p>	<p>1) Securities As at present.</p> <p>2) Inventories As at present.</p> <p>1) Tangible fixed assets ... Declining balance method. As at present.</p> <p>2) Intangible fixed assets ... Straight-line method. As at present.</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 As at present.</p>

Item	Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
(4) Accounting treatment of important lease transactions	<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 30 million yen in total for this term is entered as extraordinary loss. 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>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 17 million yen in total for this term is entered as extraordinary loss. As at present.</p>
(5) Accounting treatment of important hedging activities	<p>1) Accounting for hedging activities The appropriate method is utilized for interest swap transactions because all the requirements for exceptional treatment are met. 2) Hedging instruments and hedging items - Hedging instruments: Interest swap transactions - Hedging items: Bank borrowings 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 for hedging activities 2) Hedging instruments and hedging 3) Hedging policy</p>
(6) Other important matters for preparation of the consolidated financial statements	<p>1) Accounting treatment of consumption tax Tax exclusion method is adopted.</p>	<p>1) Accounting treatment of consumption tax As at present.</p>
5. Valuation of assets and liabilities of the consolidated subsidiary	<p>For valuation of assets and liabilities of the consolidated subsidiary, the overall current value method is adopted.</p>	<p>As at present.</p>
6. Amortization of consolidated adjustment account	<p>Not applicable.</p>	<p>As at present.</p>
7. Treatment of appropriation items	<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>
8. Range of fund in the consolidated cash flow account	<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, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
<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 yen.</p>	<p>(Consolidated Profit and Loss Statement)</p> <ol style="list-style-type: none"> <li>1. In the previous consolidated fiscal year, commissions earned were included in “Others” for non-operating revenues. They are reported, however, under a new section starting in the current consolidated fiscal year because their amount exceeds 10/100 of non-operating revenues. Commissions earned during the previous fiscal year totaled two million yen.</li> <li>2. Losses from investment trust cancellations had been reported under a separate section among non-operating expenses until the previous consolidated fiscal year. They are included, however, in “Others” for non-operating expenses starting in the current consolidated fiscal year because their amount goes below 10/100 of non-operating expenses. Losses from investment trust cancellations for the current fiscal year are zero.</li> <li>3. In the previous consolidated fiscal year, business establishment relocation expenses were included in “Others” for extraordinary losses. They are reported, however, under a new section starting in the current consolidated fiscal year because their amount exceeds 10/100 of extraordinary losses. Business establishment relocation expenses for the previous fiscal year totaled two million yen.</li> <li>4. Unrealized loss of membership and unrealized loss on marketable securities had been reported under a separate section among extraordinary losses until the previous consolidated fiscal year. Both are included, however, in “Others” for extraordinary losses starting in the current consolidated fiscal year because their respective amounts go below 10/100 of extraordinary losses. Unrealized loss of membership and unrealized loss on marketable securities for the current fiscal year are zero and three million yen, respectively.</li> </ol>

### Additional information

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
<ol style="list-style-type: none"> <li>1. Terms used in “Consolidated Balance Sheet” 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.”</li> <li>2. Terms used in “Consolidated Surplus Account” 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.”</li> <li>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.</li> </ol>	

Remarks

(Notes on Consolidated Balance Sheet)

Previous consolidated fiscal year (as of December 31, 2002)	Current consolidated fiscal year (as of December 31, 2003)
*1 For non-consolidated companies Investment securities 160 million yen	*1 For non-consolidated companies Investment securities 150 million yen
2 Warranty for liabilities Warranty for the Company's employees' liabilities of 173 million yen borrowed from banks	2 Warranty for liabilities Warranty for the Company's employees' liabilities of 150 million yen borrowed from banks
*3	*3 Total number of issued shares (ordinary stocks) 14,159,086 shares
*4. Treasury stocks held by the Company are listed as follows: Ordinary stocks 3,449 shares	*4. Treasury stocks held by the Company are listed as follows: Ordinary stocks 4,416 shares

(Notes on Consolidated Profit and Loss Account)

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)																																																						
*1 Major items and amounts among selling, general and administrative expenses are as follows: Wages and allowances 1,976 million yen Bonuses 430 Transferred reserve for bonuses 160 Retirement allowances 68 Retirement benefit expenses 161 Transferred reserve for directors' retirement benefits 77 Research and investigation expenses 544	*1 Major items and amounts among selling, general and administrative expenses are as follows: Wages and allowances 1,978 million yen Bonuses 355 Transferred reserve for bonuses 133 Retirement allowances 28 Retirement benefit expenses 163 Transferred reserve for directors' retirement benefits 65 Research and investigation expenses 555																																																						
*2	*2 Profit from fixed assets selling can be broken down as follows: Vehicle and delivery equipment 0million yen <u>Investment and other assets, etc.</u> 0 Total 0																																																						
*3 Loss from fixed assets disposal can be broken down as follows:	*3 Loss from fixed assets disposal can be broken down as follows:																																																						
<table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off (million yen)</th> <th>Loss from fixed assets selling (million yen)</th> <th>Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings and structures</td> <td>2</td> <td>-</td> <td>2</td> </tr> <tr> <td>Machine &amp; equipment, and delivery equipment</td> <td>-</td> <td>0</td> <td>0</td> </tr> <tr> <td>Tangible fixed assets etc.</td> <td>1</td> <td>-</td> <td>1</td> </tr> <tr> <td>Intangible fixed assets etc.</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 (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)	Buildings and structures	2	-	2	Machine & equipment, and delivery equipment	-	0	0	Tangible fixed assets etc.	1	-	1	Intangible fixed assets etc.	0	-	0	Total	5	0	5	<table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off (million yen)</th> <th>Loss from fixed assets cancellation (million yen)</th> <th>Loss from fixed assets selling (million yen)</th> <th>Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings and structures</td> <td>12</td> <td>-</td> <td>-</td> <td>12</td> </tr> <tr> <td>Machine &amp; equipment, and delivery equipment</td> <td>0</td> <td>-</td> <td>-</td> <td>0</td> </tr> <tr> <td>Tangible fixed assets etc.</td> <td>3</td> <td>-</td> <td>-</td> <td>3</td> </tr> <tr> <td>Investment and other assets</td> <td>-</td> <td>0</td> <td>5</td> <td>5</td> </tr> <tr> <td>Total</td> <td>15</td> <td>0</td> <td>5</td> <td>21</td> </tr> </tbody> </table>		Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)	Buildings and structures	12	-	-	12	Machine & equipment, and delivery equipment	0	-	-	0	Tangible fixed assets etc.	3	-	-	3	Investment and other assets	-	0	5	5	Total	15	0	5	21
	Loss from fixed assets write-off (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)																																																				
Buildings and structures	2	-	2																																																				
Machine & equipment, and delivery equipment	-	0	0																																																				
Tangible fixed assets etc.	1	-	1																																																				
Intangible fixed assets etc.	0	-	0																																																				
Total	5	0	5																																																				
	Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)																																																			
Buildings and structures	12	-	-	12																																																			
Machine & equipment, and delivery equipment	0	-	-	0																																																			
Tangible fixed assets etc.	3	-	-	3																																																			
Investment and other assets	-	0	5	5																																																			
Total	15	0	5	21																																																			

## (Notes on Consolidated Cash Flow Account)

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)			Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)		
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)			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	5,750	million yen	Cash and bank deposit account	6,897	million yen
Marketable securities account	5,223		Marketable securities account	2,308	
Total	10,973		Total	9,206	

## (Notes on Lease Arrangements)

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)				Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)			
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				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			
	Acquisition cost(million yen)	Accumulated depreciation (million yen)	Closing balance(million yen)		Acquisition cost(million yen)	Accumulated depreciation (million yen)	Closing balance(million yen)
Tangible fixed assets etc.	220	103	117	Tangible fixed assets etc.	193	106	86
Intangible fixed assets etc.	18	12	5	Intangible fixed assets etc.	7	4	3
Total	239	115	123	Total	200	110	89
2. Unexpired lease payment at the end of term Within one year 55 million yen Over one year 76 Total 131				2. Unexpired lease payment at the end of term Within one year 48 million yen Over one year 45 Total 94			
3. Lease payments, assumed depreciation, and assumed interest payments Lease payments 74 million yen Assumed depreciation 66 Assumed interest payment 1 5				3. Lease payments, assumed depreciation, and assumed interest payments Lease payments 65 million yen Assumed depreciation 60 Assumed interest payment 1 4			
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.			

## (Notes on Marketable Securities)

## 1. Other securities with fair value

Classification	Type	Previous Consolidated Fiscal Year (as of December 31, 2002)			Current Consolidated Fiscal Year (as of December 31, 2003)		
		Acquisition Cost (million yen)	Consolidated Balance Sheet Recorded Amount (million yen)	Amount Difference (million yen)	Acquisition Cost (million yen)	Consolidated Balance Sheet Recorded Amount (million yen)	Amount Difference (million yen)
Those whose acquisition cost exceeded the amount recorded on the consolidated balance sheet	(1) Shares	43	46	3	202	308	106
	(2) Bonds and Notes						
	(i) National, local bonds	—	—	—	—	—	—
	(ii) Corporate bonds	—	—	—	—	—	—
	(iii) Others	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Subtotal	43	46	3	202	308	106
Those whose acquisition cost did not exceed the amount recorded on the consolidated balance sheet	(1) Shares	105	96	△8	50	43	△6
	(2) Bonds and Notes						
	(i) National, local bonds	—	—	—	—	—	—
	(ii) Corporate bonds	5	4	△0	—	—	—
	(iii) Others	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Subtotal	110	101	△8	50	43	△6
Total		154	148	△5	252	351	99

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

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)			Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)		
Proceeds Amount (million yen)	Total Gains on Sales (million yen)	Total Loss on Sales (million yen)	Proceeds Amount (million yen)	Total Gains on Sales (million yen)	Total Loss on Sales (million yen)
2,679	1	67	4,216	0	0

## 3. Details of major securities with no fair value

Types	Previous Consolidated Fiscal Year (as of December 31, 2002)	Current Consolidated Fiscal Year (as of December 31, 2003)
	Consolidated Balance Sheet Recorded Amount (million yen)	Consolidated Balance Sheet Recorded Amount (million yen)
(1) Other securities		
(i) Non-listed Shares (excluding over-the-counter shares)	38	40
(ii) Money Management Fund	2,616	702
(iii) Medium-term government securities fund	1,405	906
(iv) Free Financial Fund	900	200
(v) Others	300	500

(Notes on Derivatives Transactions)

1. Matters concerning status of transactions

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
<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>	

2. Matters concerning market value of transactions

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
<p>1. Matters related to currency Not applicable.</p> <p>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.</p>	

(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

(i) 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.		

(ii) 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

	Previous Consolidated Fiscal Year (as of December 31, 2002) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2003) (million yen)
(1) Retirement Benefit Obligations	△6,169	△6,921
(2) Pension Assets	2,886	3,512
(3) Outstanding Accumulated Retirement Benefit Obligations: (1) + (2)	△3,310	△3,409
(4) Undisposed amount due to disparities arising at time of accounting standards alterations	—	—
(5) Previously unrecognized accounting disparities.	522	956
(6) Previously unrecognized pre-existing employment obligations (Obligation reduction amount)	—	—
(7) Consolidated Balance Sheet Recorded Net Amount: (3) + (4) + (5) + (6)	△2,788	△2,452
(8) Previously Paid Pension Assets	—	—
(9) Retirement Benefit Reserves: (7) – (8)	△2,788	△2,452

Note: Besides the above pension funds, the pension assets computed as a percentage of installment contributions in the comprehensive-type pension fund scheme totaled 3,559 million yen in the previous term's consolidated report and 4,411 million yen in the current term's consolidated report.

### 3. Retirement Benefit Costs and Related Accounting Items

	Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002) (million yen)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003) (million yen)
Retirement Benefit Costs	691	659
(1) Labor costs	424	400
(2) Interest costs	178	177
(3) Expected operating profit (Subtracted)	78	72
(4) Cost disposal amount arising from disparities at the time of alteration to accounting treatment standards.	-	-
(5) Cost disposal Amount arising from accounting disparity	140	132
(6) Temporarily paid retirement amount	25	20

Note: Besides the above listed expenses for retirement allowances, the payments into the comprehensive-type pension fund (borne by corporation) were 184 million yen for the previous fiscal year's consolidated report and 231 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, 2002) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2003) (million yen)
(1) Discount percentage	2.8%	2.0%
(2) Expected operating profit percentage	2.5%	2.0%
(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.		

## (Tax effect accounting)

Item	Previous Consolidated Fiscal Year (as of December 31, 2002)	Current Consolidated Fiscal Year (as of December 31, 2003)
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 52 million yen	Social insurance premiums for bonuses 15 million yen
	Reserve for bonuses 133	Reserve for bonuses 119
	Others 12	Others 14
	<hr/> Total 198	<hr/> Subtotal 149
		Deferred tax liabilities (current liabilities)
	Deferred tax assets (fixed assets)	Unpaid enterprise tax 6
	Reserve for retirement allowances 1,017 million yen	<hr/> million yen
	Reserve for directors' retirement benefits 158	Subtotal 6
	Unrealized loss of marketable securities 93	<hr/> Net deferred tax assets 142
	Unrealized loss of membership 122	<hr/> million yen
	Unrealized gains or losses on other securities 2	Deferred tax assets (fixed assets)
	Others 4	Reserve for retirement allowances 885
	<hr/> Total 1,399	Reserve for directors' retirement benefits 141
		Unrealized loss of marketable securities 88
		Unrealized loss of membership 29
		Others 18
		Subtotal 1,164
		Deferred tax liabilities (fixed liabilities)
		Unrealized gains or losses on other securities 40
	<hr/> million yen	
	Subtotal 40	
	<hr/> Net deferred tax assets 1,123	
	<hr/> million yen	



Item	Previous Consolidated Fiscal Year (as of December 31, 2002)		Current Consolidated Fiscal Year (as of December 31, 2003)	
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.	1.14	No entry of loss from entertainment expense etc.	1.05
	Per capita inhabitant tax	3.54	Per capita inhabitant tax	3.74
	Non-inclusion of gains, including dividends received	△0.29	Non-inclusion of gains, including dividends received	△0.32
	Special exclusions arising on income from overseas trading including Technology	△0.21	Reductoin of deferred tax assets at the end of the year due to tax rate revision	2.32
	Others	1.16	Special deductions, including expropriation	△1.24
	Bearing rate of corporation tax or the like after application of tax effect accounting	47.39	Others	△0.81
			Bearing rate of corporation tax or the like after application of tax effect accounting	46.79
			( Tax effect accounting )	
			<p>With the promulgation of the Law Revising Part of the Local Tax Law, Etc. (Law No. 9 of 2003) on March 31, 2003, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities for the current consolidated fiscal year (limited, however, to those expected to be cleared up in the consolidated fiscal year that commences on or after January 1, 2005) has been changed from the 42.05% used for the previous consolidated fiscal year to 40.69%. Due to this change, net deferred tax assets (which were obtained by deducting deferred tax liabilities) and differences in revaluation of securities at the end of the current consolidated fiscal year decreased by 38 million yen and one million yen, respectively. Adjustments of corporation and other taxes reported for the current fiscal year declined by 37 million yen.</p>	

(Segment Information)

The previous consolidated fiscal year (from January 1, 2002 to December 31, 2002) and the current consolidated fiscal year (from January 1, 2003 to December 31, 2003).

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.

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.

Sales in Overseas Market

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

Transactions with related parties

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)

## (Information per Share)

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
Net assets per share 1,095.96 yen	Net assets per share 1,148.25 yen
Current net income per share 66.43 yen	Current net income per share 61.34 yen
Current net income per share after adjustment of potential shares is not stated because the Company has not issued any bonds with stock options or convertible bonds.	As at present.
	( Current net income per share ) Starting in the current consolidated fiscal year, Accounting Standards for Current Term Net Income per Share (Corporate Accounting Standard No. 2) and Guidelines for Application of Accounting Standards for Current Term Net Income per Share (Corporate Accounting Standard Application Guideline No. 4) are applied to current term net income per share. The effects of this on current term net income per share are insignificant.

Note: Basis of calculation of current term net income per share and current term net income per share after adjustment of potential shares

Item	Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
Current term net income in the consolidated income statement (million yen)	–	885
Current term net income related to common shares (million yen)	–	868
Breakdown of major amounts not belonging to ordinary shareholders (million yen)	–	17
Bonuses for directors based on appropriation of profits		
Amounts not belonging to ordinary shareholders (million yen)	–	17
Average number of common shares for the entire fiscal year (shares)	–	14,155,046
Breakdown of major current term net income adjustments used to calculate current term net income per share after adjustment of potential shares (million yen)	–	–
Current term net income adjustments (million yen)	–	–
Breakdown of major increases in the number of common shares used to calculate current term net income per share after adjustment of potential shares (million yen)	–	–
Increase in the number of common shares (shares)	–	–
Outline of potential shares that were not included in the calculation of current term net income per share after adjustment of potential shares because they did not have dilution effects	–	–

## (Important Matters Generated Later)

Previous Consolidated Fiscal Year (from January 1, 2002 to December 31, 2002)	Current Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)
-----	-----

(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

Category	Previous term closing balance (million yen)	Current term closing balance (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	522	300	1.10	–
Long-term borrowings to be repaid within 1 year	1,477	–	–	–
Long-term borrowings except those to be repaid within 1 year	–	–	–	–
Other Interest-bearing Liabilities	–	–	–	–
Total	1,999	300	–	–

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

#### (i) Non-Consolidated Balance Sheet

Category	Note No.	Previous fiscal year (as of December 31, 2002)		Current fiscal year (as of December 31, 2003)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Assets)					
I Current assets					
1. Cash and bank deposits		5,601		6,788	
2. Notes receivable		5		-	
3. Other receivables		645		759	
4. Marketable securities		5,223		2,308	
5. Prepaid expenses		7,993		8,103	
6. Advance payment		105		102	
7. Deferred tax assets		194		134	
8. Short-term loans		110		145	
9. Others		69		260	
10. Allowance for doubtful accounts		△ 0		△ 0	
Total current Assets		19,948	61.7	18,601	61.3
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings		4,063		3,945	
Accumulated depreciation		1,472	2,591	1,535	2,409
2. Structures		714		714	
Accumulated depreciation		328	385	360	354
3. Machinery and equipment		235		235	
Accumulated depreciation		161	73	172	62
4. Vehicle and transportation equipment		24		20	
Accumulated depreciation		15	8	10	9
5. Furniture and fixtures		663		723	
Accumulated depreciation		485	178	527	196
6. Land		4,581		4,581	
Total tangible fixed assets		7,819	24.2	7,615	25.1
(2) Intangible fixed assets					
1. Leasehold		16		16	
2. Software		279		285	
3. Telephone rights		22		22	
4. Right of using special facilities		3		2	
5. Others		1		0	
Total intangible fixed assets		323	1.0	328	1.1
(3) Investments and other assets					
1. Investment in securities		312		398	
2. Shares of affiliated companies		230		220	
3. Investments		64		44	
4. Long-term deposit		800		800	
5. Long-term loan to employees		56		46	
6. Long-term prepaid cost		21		31	
7. Deferred tax assets		1,372		1,086	
8. Lease and guarantee deposit		1,080		919	
9. Membership		66		61	
10. Insurance reserve fond		243		209	
11. Others		10		0	
12. Allowance for doubtful accounts		△ 0		△ 0	
Total investments and other assets		4,257	13.1	3,817	12.5
Total fixed assets		12,400	38.3	11,761	38.7
Total assets		32,349	100.0	30,363	100.0

Category	Note No.	Previous fiscal year (as of December 31, 2002)		Current fiscal year (as of December 31, 2003)	
		Amount (million yen)	(%)	Amount (million yen)	Ratio (%)
(Liabilities)					
I Current liabilities					
1. Accounts payable for services	* 1	1,174		1,104	
2. Short-term Borrowings		322		200	
3. Long-term borrowings to be repaid within a year		1,477		–	
4. Accounts payable		177		258	
5. Accrued income taxes		645		48	
6. Accrued consumption taxes		245		138	
7. Accrued expenses		305		441	
8. Advances received		8,851		8,671	
9. Deposits received		190		252	
10. Revenue received in advance		2		2	
11. Reserve for bonuses		401		337	
Total current liabilities		13,795	42.6	11,456	37.7
II Fixed liabilities					
1. Reserve for retirement benefits		2,768		2,422	
2. Reserve for directors' retirement benefits		330		285	
3. Others		41		37	
Total fixed liabilities		3,139	9.7	2,745	9.1
Total liabilities		16,934	52.3	14,202	46.8
(Capital)					
I Capital	* 2	3,025	9.4	3,025	9.9
II Capital surplus					
(1) Capital reserve		4,122		4,122	
Total capital surplus		4,122	12.7	4,122	13.6
III Profit surplus					
(1) Profit reserve		176		176	
(2) Voluntary reserve					
Separate reserve		6,265		7,000	
(3) Current unappropriated profit		1,829		1,779	
Total profit surplus		8,271	25.6	8,956	29.5
IV Unrealized gains or losses on other securities		△3	△0.0	58	0.2
V Treasury stocks	* 3	△1	△0.0	△2	△0.0
Total shareholders' equity		15,414	47.7	16,161	53.2
Total of liabilities and shareholders equity		32,349	100.0	30,363	100.0

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

Category	Note No.	Previous fiscal year (from January 1, 2002 to December 31, 2002)		Current fiscal year (from January 1, 2003 to December 31, 2003)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
I Sales					
Income from completed services		28,305	100.0	26,801	100.0
II Cost of sales					
Cost of completed services		20,419	72.1	19,350	72.2
Gross profit		7,885	27.9	7,451	27.8
III Selling, general and administrative expenses					
1. Directors' remuneration		318		295	
2. Salaries and allowances		1,934		1,937	
3. Bonuses		423		349	
4. Provision of reserve for bonuses		158		132	
5. Retirement allowances		64		28	
6. Retirement benefit expenses		160		161	
7. Provision of reserve for directors' retirement benefits		64		49	
8. Legal welfare expenses		335		383	
9. Traveling expenses		322		309	
10. Tax and public imposts		72		72	
11. Depreciation		94		113	
12. Rent expenses		526		496	
13. Research and investigation expenses		544		555	
14. Others		902	20.9	908	21.6
Operating income		1,961	7.0	1,655	6.2
IV Non-operating revenues					
1. Interest earned		9		7	
2. Dividend earned	* 1	13		15	
3. Interest from securities		3		0	
4. Rent earned	* 1	30		33	
5. Insurance dividends earned		15		16	
6. Commissions earned		—		29	
7. Others		50	0.4	36	0.5
V Non-operating expenses					
1. Interest expense		32		20	
2. Interest of corporate bonds		4		—	
3. Loss from selling securities		23		—	
4. Loss from investment trust cancellation		37		—	
5. Loss from foreign exchange		27		22	
6. Commissions paid		—		15	
7. Others		14	0.5	19	0.3
Ordinary profit		1,944	6.9	1,717	6.4
VI Extraordinary gain					
1. Facility relocation compensation		—	0.0	49	
2. Profit from fixed assets selling	* 2	—		0	
3. Reversal of allowance for doubtful accounts		0	0	0	0.2
VII Extraordinary loss					
1. Loss from fixed assets disposal	* 3	5		21	
2. Office moving cost		2		49	
3. Unrealized loss of securities		143		3	
4. Unrealized loss of membership		12		—	
5. Loss from valuation of shares in affiliated companies		—		19	
6. Transferred reserve for directors' retirement benefits		30		17	
7. Others		—	0.7	17	0.5
Net income before income tax		1,751	6.2	1,638	6.1
Corporation tax, inhabitants tax and enterprise tax		1,088		459	
Deferred income taxes etc.		△258	2.9	303	2.8
Current net income		921	3.3	875	3.3
Profit brought forward to the next year		907		903	
Current unappropriated profit		1,829		1,779	

Cost Specifications for Completed Services

Category	Note No.	Previous fiscal year (from January 1, 2002 to December 31, 2002)			Current fiscal year (from January 1, 2003 to December 31, 2003)		
		Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		5,242			5,412		
2. Bonuses		1,051			936		
3. Provision of reserve for bonuses		243			205		
4. Retirement benefit expense		466			449		
5. Others		892	7,895	38.9	1,021	8,024	41.2
II Amount paid to subcontractors			8,536	42.0		7,735	39.8
III Expenses							
1. Traveling expenses		878			880		
2. Printing and copying expenses		968			874		
3. Expendables cost		205			200		
4. Rents		1,016			942		
5. Depreciation		169			147		
6. Others		647	3,885	19.1	654	3,699	19.0
Current general business expenses			20,317	100.0		19,459	100.0
Opening expenses prepaid for uncompleted services			8,096			7,993	
Total			28,413			27,453	
Closing expenses prepaid for uncompleted services			7,993			8,103	
Current cost of completed services			20,419			19,350	

(Footnote)

Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
Cost accounting is according to the job order costing method.	Same as the previous year.



## (iii) Statement of Appropriation of Profit

		Previous fiscal year (March 27, 2003)		Current fiscal year (March 26, 2004)	
Category	Note No.	Amount (million yen)		Amount (million yen)	
I Current unappropriated profit			1,829		1,779
II Appropriation of profit					
1. Dividends		169		169	
2. Directors' bonuses		21		15	
3. Auditors' bonuses		–		1	
4. Voluntary reserve					
Separate reserve		735	925	700	886
III Retained earnings carried forward			903		893

Note: Dates indicate the one when approval was obtained at the general meeting of shareholders.

## Important Accounting Policy

Item	Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
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	Expenses prepaid for uncompleted services	Expenses prepaid for uncompleted services
3. Depreciation of fixed assets	<p>Cost method by job cost system</p> <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>As at present.</p> <p>(1) Tangible fixed assets As at present.</p> <p>(2) Intangible fixed assets 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. For the current consolidated fiscal year, there are no particular debts, including those feared to become bad debts, whose collection is expected to become impossible.</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 benefits To prepare retirement benefits for employees, these were recorded based upon the obligations to pay retirement benefits and the forecast amount of pension assets as at the end of this consolidated accounting year. 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>(1) Allowance for doubtful accounts As at present.</p> <p>(2) Reserve for bonuses As at present.</p> <p>(3) Reserve for retirement benefits As at present.</p>

Item	Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
5. Accounting for leases	<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 fiscal year of 1999, the Company will transfer the amount for the past years equally for next five years. The amount of 30 million yen in total for this term is entered as extraordinary loss. 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>(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 fiscal year of 1999, the Company will transfer the amount for the past years equally for next five years. The amount of 17 million yen in total for this term is entered as extraordinary loss. As at present.</p>
6. Accounting treatment of hedging activities	<p>(1) Accounting for hedging activities The appropriate method is utilized for interest rate swaps because all the requirements for exceptional treatment are met. (2) Hedging instruments and hedging items - Hedging instruments: interest rate swaps - Hedging items: Bank borrowings (3) Hedging policy In respect of interest-related derivative trading, in order to hedge the interest rate fluctuation risk on monies borrowed, interest rate swaps takes place. There is no other speculative trading other than this item.</p>	<p>(1) Accounting for hedging activities  (2) Hedging instruments and hedging items  (3) Hedging policy</p>
7. Accounting for consumption taxes	Tax exclusion method is adopted.	As at present.

Change in presentation of accounts

Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
-----	<p>1. In the previous fiscal year, commissions earned were included in "Other" for non-operating revenues. They are reported, however, under a new section starting in the current fiscal year because their amount exceeds 10/100 of non-operating revenues. Commissions earned during the previous fiscal year totaled two million yen.</p> <p>2. Losses from investment trust cancellations had been reported under a separate section among non-operating expenses until the previous fiscal year. They are included, however, in "Other" for non-operating expenses starting in the current fiscal year because their amount is below 10/100 of non-operating expenses. Losses from investment trust cancellations for the current fiscal year are zero.</p> <p>3. Unrealized loss of membership had been reported under a separate section among extraordinary losses until the previous fiscal year. It is included, however, in "Others" for extraordinary losses starting in the current fiscal year because its amount is below 10/100 of extraordinary losses. Unrealized loss of membership for the current fiscal year are zero.</p>

Additional information

Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
<p>1. Terms used in "Non-Consolidated Balance Sheet"</p> <p>The revised regulations concerning financial statements have been applied from the current fiscal year. Accordingly, the term "Capital reserve" was replaced by the term "Capital surplus" and the term "Other surplus" was replaced by the term "Profit surplus."</p> <p>2. Treasury stocks and reduction of legal reserve account</p> <p>The "Standards for treasury stocks and reduction of legal reserve accounts (Accounting Standards No. 1)" have been applied from this fiscal year. The effect on the profit and loss in this report was negligible.</p>	

## Notes

## (Note on Balance Sheet)

Previous fiscal year (as of December 31, 2002)	Current fiscal year (as of December 31, 2003)
<p>* 1 Amount for related companies is included as follows: Account payable-trade 332 million yen</p> <p>* 2 Number of authorized shares 40,000,000 shares Total number of issued shares 14,159,086 shares (ordinary stocks)</p> <p>* 3 Treasury stocks (ordinary stocks) 3,449 shares</p> <p>4 Guarantee of debts 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>	<p>* 1 Amount for related companies is included as follows: Account payable-trade 401 million yen</p> <p>* 2 Number of authorized shares 40,000,000 shares Total number of issued shares (ordinary stocks) 14,159,086 shares</p> <p>* 3 Treasury stocks (ordinary stocks) 4,416 shares</p> <p>4 Guarantee of debts The Company guarantees its employees' borrowing from banks (150 million yen) and, the borrowing from banks and advancement of Kensetsu Giken International from banks (194 million yen).</p> <p>5. Dividend restrictions Due to the valuation of securities at market price, net assets increased by 58 million yen. The provision of Article 124 (Paragraph 1) Item 3 of the Enforcement Rules for the Commercial Code places restrictions on allocating an equivalent to this amount for payment of dividends.</p>

## (Note on Profit and Loss Statement)

Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)																																																						
<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. Received dividends 7 million yen Received rent income 15</p> <p>* 2 -----</p> <p>* 3 Loss from fixed assets disposal can be broken down as follows:</p>	<p>* 1 Within non-operating profits, the total amount of profit from affiliated companies was 32 million yen, mainly comprised of the following major items. Received dividends 9 million yen Received rent income 20</p> <p>* 2 Profit from fixed assets selling can be broken down as follows: Vehicle and delivery equipment 0 million yen <u>Membership 0</u> Total 0</p> <p>* 3 Loss from fixed assets disposal can be broken down as follows:</p>																																																						
<table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off (million yen)</th> <th>Loss from fixed assets selling (million yen)</th> <th>Total (million yen)</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>0</td> <td>0</td> </tr> <tr> <td>Furniture and fixtures</td> <td>1</td> <td>–</td> <td>1</td> </tr> <tr> <td>Software</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 (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)	Buildings	2	–	2	Vehicle and delivery equipment	–	0	0	Furniture and fixtures	1	–	1	Software	0	–	0	Total	5	0	5	<table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off (million yen)</th> <th>Loss from fixed assets cancellation (million yen)</th> <th>Loss from fixed assets selling (million yen)</th> <th>Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td>12</td> <td>–</td> <td>–</td> <td>12</td> </tr> <tr> <td>Vehicle and delivery equipment</td> <td>0</td> <td>–</td> <td>–</td> <td>0</td> </tr> <tr> <td>Furniture and fixtures</td> <td>3</td> <td>–</td> <td>–</td> <td>3</td> </tr> <tr> <td>Membership</td> <td>–</td> <td>0</td> <td>5</td> <td>5</td> </tr> <tr> <td>Total</td> <td>15</td> <td>0</td> <td>5</td> <td>21</td> </tr> </tbody> </table>		Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)	Buildings	12	–	–	12	Vehicle and delivery equipment	0	–	–	0	Furniture and fixtures	3	–	–	3	Membership	–	0	5	5	Total	15	0	5	21
	Loss from fixed assets write-off (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)																																																				
Buildings	2	–	2																																																				
Vehicle and delivery equipment	–	0	0																																																				
Furniture and fixtures	1	–	1																																																				
Software	0	–	0																																																				
Total	5	0	5																																																				
	Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Loss from fixed assets selling (million yen)	Total (million yen)																																																			
Buildings	12	–	–	12																																																			
Vehicle and delivery equipment	0	–	–	0																																																			
Furniture and fixtures	3	–	–	3																																																			
Membership	–	0	5	5																																																			
Total	15	0	5	21																																																			

## (Notes on lease arrangements)

Previous fiscal year (from January 1, 2002 to December 31, 2002)				Current fiscal year (from January 1, 2003 to December 31, 2003)			
Finance lease transactions other than those by which the ownership of the leased assets is to be transferred to leasees				Finance lease transactions other than those by which the ownership of the leased assets is to be transferred to leasees			
1. Assumed data as to acquisition cost, accumulated depreciation and closing balance				1. Assumed data as to acquisition cost, accumulated depreciation and closing balance			
	Acquisition cost (million yen)	Accumulated depreciation (million yen)	Closing balance (million yen)		Acquisition cost (million yen)	Accumulated depreciation (million yen)	Closing balance (million yen)
Furniture and fixtures	220	103	117	Furniture and fixtures	193	106	86
Software	18	12	5	Software	7	4	3
Total	239	115	123	Total	200	110	89
2. Unexpired lease payment at the end of term				2. Unexpired lease payment at the end of term			
Within one year 55 million yen				Within one year 48 million yen			
Over one year 76				Over one year 45			
Total 131				Total 94			
3. Lease payments, assumed depreciation, and assumed interest payments				3. Lease payments, assumed depreciation, and assumed interest payments			
Lease payments 74 million yen				Lease payments 65 million yen			
Assumed depreciation 66				Assumed depreciation 60			
Assumed interest payments 5				Assumed interest payments 4			
4. Calculation method of assumed depreciation				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.				As at present.			
5. Calculation method of assumed interest payments				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.				As at present.			

## (Notes on securities)

Previous fiscal year (as of December 31, 2002)	Current fiscal year (as of December 31, 2003)
Current market value was not used for any of the subsidiaries.	As at present.

## (Notes on tax effect accounting)

Item	Previous fiscal year (as of December 31, 2002)	Current fiscal year (as of December 31, 2003)
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	Deferred tax assets (current assets) Enterprise tax payable 53 million yen Reserve for bonuses 128 Others 12	Deferred tax assets (current assets) Social insurance 15 million yen premiums for bonuses Reserve for bonuses 113 Others 11
	<hr/>	<hr/>
	Total 194	Subtotal 140
		Deferred tax liabilities (current liabilities) Unpaid enterprise tax 6 million yen Subtotal 6
	<hr/>	<hr/>
		Net deferred tax assets 134 million yen
		<hr/>
	Deferred tax assets (fixed assets)	Deferred tax assets (fixed assets)
	Reserve for retirement allowances 1,010 million yen	Reserve for retirement allowances 874 million yen
	Reserve for directors' retirement benefits 138	Reserve for directors' retirement benefits 115
	Unrealized loss of securities 93	Unrealized loss of securities 88
	Unrealized loss of membership 122	Unrealized loss of membership 29
	Unrealized gains or losses on other securities 2	Others 18
	Others 4	Subtotal 1,127
<hr/>	<hr/>	
Total 1,372	Deferred tax liabilities (fixed liabilities)	
	Unrealized gains or losses on other securities 40 million yen	
	Subtotal 40	
	<hr/>	
	Net deferred tax assets 1,086 million yen	
	<hr/>	

Item	Previous fiscal year (as of December 31, 2002)		Current fiscal year (as of December 31, 2003)	
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 (Adjustment)	42.05%	Legal effective tax rate (Adjustment)	42.05%
	No entry of loss from entertainment expense etc.	0.96	No entry of loss from entertainment expense etc.	0.83
	Per capita inhabitant tax	3.54	Per capita inhabitant tax	3.81
	No entry of profit from dividend earned etc.	△0.30	No entry of profit from dividend earned etc.	△0.32
	Others	1.11	Reduction of deferred tax assets at the end of the year due to tax rate revision	2.30
	Bearing rate of corporation tax or the like after application of tax effect accounting	47.36	Special deductions, including expropriation	△1.26
			Others	△0.88
			Bearing rate of corporation tax or the like after application of tax effect accounting	46.53
			( Tax effect accounting )	
			<p>With the promulgation of the Law Revising Part of the Local Tax Law, Etc. (Law No. 9 of 2003) on March 31, 2003, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities for the current fiscal year (limited, however, to those expected to be cleared up in the fiscal year that commences on or after January 1, 2005) has been changed from the 42.05% used for the previous fiscal year to 40.69%. Due to this change, net deferred tax assets (which were obtained by deducting deferred tax liabilities) and differences in revaluation of securities at the end of the current fiscal year decreased by 36 million yen and one million yen, respectively. Adjustments of corporation and other taxes reported for the current fiscal year declined by 37 million yen.</p>	



## (Information per share)

Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
Net assets per share 1,088.95 yen	Net assets per share 1,140.58 yen
Current net income per share 65.11 yen	Current net income per share 60.68 yen
Current net income per share after adjustment of potential shares is not stated because there no potential shares.	As at present.  ( Current net income per share ) Starting in the current fiscal year, Accounting Standards for Current Term Net Income per Share (Corporate Accounting Standard No. 2) and Guidelines for Application of Accounting Standards for Current Term Net Income per Share (Corporate Accounting Standard Application Guideline No. 4) are applied to current term net income per share. The effects of this on current term net income per share are insignificant.

( Note ) Basis of calculation of current term net income per share and current term net income per share after adjustment of potential shares

Item	Previous fiscal year (January 1, 2002 to December 31, 2002)	Current fiscal year (January 1, 2003 to December 31, 2003)
Current term net income in the income statement (million yen)	–	875
Current term net income related to common shares (million yen)	–	858
Breakdown of major amounts not belonging to ordinary shareholders (million yen)	–	17
Bonuses for directors based on appropriation of profits		
Amounts not belonging to ordinary shareholders (million yen)	–	17
Average number of common shares for the entire fiscal year (shares)	–	14,155,046
Breakdown of major current term net income adjustments used to calculate current term net income per share after adjustment of potential shares (million yen)	–	–
Current term net income adjustments (million yen)	–	–
Breakdown of major increases in the number of common shares used to calculate current term net income per share after adjustment of potential shares (million yen)	–	–
Increase in the number of common shares (shares)	–	–
Outline of potential shares that were not included in the calculation of current term net income per share after adjustment of potential shares because they did not have dilution effects	–	–

## (Important matters generated later)

Previous fiscal year (from January 1, 2002 to December 31, 2002)	Current fiscal year (from January 1, 2003 to December 31, 2003)
_____	_____

## (iv) Supplemental specifications

## Specifications of securities

## Shares

		Issuer name	Number of shares	Book value on balance sheet (million yen)
Investment securities	Other investment securities	UFJ Holdings, Inc.	123.78	63
		Daido Life Insurance Company	192	61
		Mitsubishi Tokyo Financial Group, Inc.	69	57
		Maezawa Kasei Industries Co., Ltd.	36,000	48
		Mizuho Financial Group, Inc.	81	26
		Chuo Securities Co., Ltd.	60,000	24
		Asia Air Survey Co., Ltd.	102,000	23
		Kuwayama Corporation	26,400	15
		West Japan System Construction Corp.	74,000	13
		Oyo Corp.	17,666	12
		Others (17 issuers)	105,243	52
Total			421,774.78	398

## Other

		Issuer name	Investment amount etc. (shares)	Book value on balance sheet (million yen)
Marketable securities	Other marketable securities	Nomura Asset Management Co., Ltd. (Money Management Fund)	501,147,484	501
		UFJ Partners Asset Management Co., Ltd. (Medium-term government securities fund)	705,690,913	705
		Daiwa Securities Investment Trust Consignment Co., Ltd. (Money Management Fund)	201,028,760	201
		(Free Financial Fund)	200,210,646	200
		Nikko Asset Management Investment and Trust Co., Ltd. (Medium-term government securities fund)	200,313,985	200
		DWS Investment S.A. (Deutsch Monay-Plus)	50,000	500
		Total	–	2,308

Specifications of tangible fixed assets and others

Type of assets	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Closing balance (million yen)	Accumulated depreciation or amortization (million yen)	Amortization in the current term (million yen)	Closing balance after deduction (million yen)
Tangible fixed assets							
Buildings	4,063	2	119	3,945	1,535	156	2,409
Structures	714	–	–	714	360	31	354
Machinery and equipment	235	–	–	235	172	11	62
Vehicle and delivery equipment	24	6	9	20	10	4	9
Furniture and fixtures	663	80	20	723	527	58	196
Land	4,581	–	–	4,581	–	–	4,581
Total tangible fixed assets	10,282	88	149	10,222	2,606	261	7,615
Intangible fixed assets							
Leasehold	16	–	–	16	–	–	16
Software	654	142	–	796	510	135	285
Telephone right	22	–	–	22	–	–	22
Right of using special facilities	6	–	–	6	4	0	2
Leasehold	1	–	–	1	0	0	0
Total intangible fixed assets	702	142	–	844	515	136	328
Long-term prepaid expenses	50	20	2	69	37	9	31
Deferred assets							
–	–	–	–	–	–	–	–
Total deferred assets	–	–	–	–	–	–	–

### Specifications of capital

Category		Opening balance	Increase during the year	Decrease during the year	Closing account
Capital (million yen)		3,025	–	–	3,025
Already issued shares included	Ordinary stocks*1 (shares)	(14,159,086)	( – )	( – )	(14,159,086)
	Ordinary stocks (million yen)	3,025	–	–	3,025
	Total (shares)	(14,159,086)	( – )	( – )	(14,159,086)
	Total (million yen)	3,025	–	–	3,025
Capital reserve and other capital surplus	(Capital reserve)				
	Premium on shares (million yen)	4,122	–	–	4,122
	Total (million yen)	4,122	–	–	4,122
Profit reserve and voluntary reserve	(Profit reserve) (million yen)	176	–	–	176
	(Voluntary reserve)				
	Separate reserve*2 (million yen)	6,265	735	–	7,000
	Total (million yen)	6,441	735	–	7,176

Note:

1. The number of treasury stocks as at the final day of the fiscal year was 4,416.
2. Increase during the year mainly caused by reserve from profit disposal in closing of the previous fiscal year.

### Specifications of allowances and reserves

Category	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (Use with purpose) (million yen)	Decrease during the year (Others) (million yen)	Closing balance (million yen)
Allowance for doubtful accounts *	0	0	–	0	0
Reserve for bonuses	401	337	401	–	337
Reserve for directors' retirement benefits	330	66	112	–	285

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

Category	Amount (million yen)
Cash on hand	5
Type of bank deposits	
Checking deposit	688
Ordinary deposit	6,092
Special deposit	2
Subtotal	6,783
Total	6,788

(ii) Accounts receivable from completed services

(a) Breakdown by client

Client	Amount (million yen)
Japanese Government	206
The Republic of the Philippines	164
Iwate Prefecture	58
Japan Highway Public Corporation	38
Hyogo Prefecture	30
The Republic of Indonesia	29
Kyoto City	22
The Institute of Behavioral Sciences	21
Miyazaki Prefecture	18
Fukui Prefecture	16
Others	153
Total	759

(b) Generation, collection and remaining of accounts receivable

Balance brought forward (million yen) (A)	Generation in current term (million yen) (B)	Collected amount in current term (million yen) (C)	Balance carried forward (million yen) (D)	Collection ratio (%)	Days of remaining (days) (A)+(D)
				$\frac{(C)}{(A)+(B)} \times 100$	$\frac{2}{(B)}$ 365
645	2,055	1,940	759	71.9	124.7

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.

(iii) Prepaid expenses for uncompleted services

Category	Amount (million yen)
Labor cost	3,479
Subcontractor cost	2,977
Expense	1,646
Total	8,103

2) Liabilities

(i) Accounts payable—Trade

Service provider	Amount (million yen)
CTI Engineering International Co., Ltd.	314
CTI Geo Environment Co., Ltd.	22
CTI Investigation and Design Co., Ltd.	18
Otsuka Corporation	18
Shin-Doboku Kaihatsu K.K.	17
Okawachi Kensetsu K.K.	14
CTI Ground Planning Co., Ltd.	13
Technical Consultants Co., Ltd.	12
Fuji Xerox Co., Ltd.	11
Mates Printing System Co., Ltd.	11
Others	649
Total	1,104

(ii) Advances received

Client	Amount (million yen)
Japanese Government	3,106
Nagasaki Prefecture	349
Shizuoka Prefecture	250
Tochigi Prefecture	236
Fukui Prefecture	205
Aomori Prefecture	202
Fukushima Prefecture	193
Yamanashi Prefecture	191
Miyazaki Prefecture	182
Fukuoka Prefecture	180
Others	3,573
Total	8,671

(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	Not closed
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 Limited4-3, 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	Free of charge
Purchase of shares below one unit of shares	
Place of purchase	Stock Transfer Agency DivisionUFJ Trust Bank Limited4
Agent	UFJ Trust Bank Limited4
Service office	Stock Transfer Agency DivisionUFJ Trust Bank Limited4
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 | Fiscal year (40 <sup>th</sup> year) from January 1, 2002 fiscal to December 31, 2002      | Submitted to the director of the Kanto Local Finance Bureau on March 28, 2003.     |
| (2) Semiannual Report                            | Securities (during the 41 <sup>st</sup> fiscal year) from January 1, 2003 to June 30 2003 | Submitted to the director of the Kanto Local Finance Bureau on September 25, 2003. |

## Part2: SURETY COMPANY'S INFORMATION

Not applicable.