

# SECURITIES REPORT

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

**Fiscal Year (42nd Term)**

(from January 1, 2004 to December 31, 2004)

**CTI Engineering Co., Ltd.**

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

(941-172)

42nd Term ( from January 1, 2004 to December 31, 2004 )

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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, 2005 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.

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## 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, 2005
Fiscal Year	42nd term (from January 1, 2004 to December 31, 2004)
Company name	CTI Engineering Co., Ltd.
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Address of Head Office	9th Chuo Bldg., 9-11, Nihombashi-honcho 4-chome, Chuo-ku, Tokyo
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Contact	Konomu Uchimura, Managing Director
Place Available for Public Inspection	Osaka Office of CTI Engineering Co., Ltd. (Renamed as Osaka Head Office on April 1, 2005) (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		38th term	39th term	40th term	41st term	42nd term
Fiscal year-end		December 2000	December 2001	December 2002	December 2003	December 2004
Sales amount	(million yen)	31,066	31,071	28,957	27,749	25,771
Ordinary profit	(million yen)	1,895	1,998	2,001	1,756	1,536
Net income	(million yen)	158	521	940	885	813
Net assets	(million yen)	14,384	14,688	15,514	16,270	16,971
Total assets	(million yen)	31,184	32,257	32,958	30,898	32,620
Net assets per share	(yen)	1,015.95	1,037.40	1,095.96	1,148.25	1,197.86
Net income per share	(yen)	11.17	36.84	66.43	61.34	56.23
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	46.1	45.5	47.1	52.7	52.0
Profit ratio of net worth	(%)	1.1	3.6	6.2	5.6	4.9
Price earnings ratio	(times)	50.13	14.92	7.31	8.41	12.66
Cash flow from operating business activities	(million yen)	1,734	2,359	2,042	240	1,918
Cash flow from investment activities	(million yen)	△1,599	△525	△350	△100	△753
Cash flow from financial activities	(million yen)	△219	△92	△626	△1,872	△223
Closing balance of cash and cash equivalents	(million yen)	8,189	9,941	10,973	9,206	10,142
Number of employees (plus average number of temporary employees)	(persons)	1,105 (345)	1,042 (364)	1,029 (372)	1,029 (371)	1,037 (378)

Note:

1. Sales amount does not include consumption tax
2. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.

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

Fiscal year		38th term	39th term	40th term	41st term	42nd term
Fiscal year-end		December 2000	December 2001	December 2002	December 2003	December 2004
Sales amount	(million yen)	30,198	30,339	28,305	26,801	25,050
Ordinary profit	(million yen)	1,858	1,873	1,944	1,717	1,538
Net income	(million yen)	150	470	921	875	818
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)	14,353	14,605	15,414	16,161	16,867
Total assets	(million yen)	30,767	31,870	32,349	30,363	32,042
Net assets per share	(yen)	1,013.69	1,031.54	1,088.95	1,140.58	1,190.51
Cash Dividend per share (Interim dividend per share)	(yen)	12.00 (-)	11.00 (-)	12.00 (-)	12.00 (-)	12.00 (-)
Net income per share	(yen)	10.65	33.23	65.11	60.68	56.56
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	—
Net worth ratio	(%)	46.6	45.8	47.7	53.2	52.6
Profit ratio of net worth	(%)	1.1	3.3	6.1	5.5	5.0
Price earnings ratio	(times)	52.58	16.55	7.46	8.50	12.58
Divided Payout ratio	(%)	112.6	33.1	18.4	19.7	21.2
Number of employees (plus average number of temporary employees)	(persons)	1,056 (339)	989 (360)	979 (372)	978 (371)	985 (378)

Note:

1. Sales amount does not include consumption tax.
2. Cash dividend per share 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.
3. Net income per share after adjustment of potential shares is not entered after the 38th term because no potential shares have been issued.
4. Number of working employees is entered as "the number of employees."

## 2. Chronology

Date	Outline
April 1963	Established “Kensetsu Giken KK” in Ginza-nishi (Ginza 3-chome at present), Chuo-ku, Tokyo to conduct engineering consulting business
April 1963	Started business at the Head Office and Osaka Office in Minami-ku (Chuo-ku at present), Osaka at the same time as company establishment
February 1964	Changed trading name to “KK Kensetsu Gijutsu Kenkyujo (= CTI Engineering Co., Ltd.)”
December 1964	Registered at the Ministry of Construction as a construction consultant (No. 39-133)
June 1967	Opened Fukuoka Liaison Office (Fukuoka Office at present) in Fukuoka-shi, Fukuoka
April 1969	Moved the Head Office to Nihonbashi-koamicho, Chuuo-ku, Tokyo
September 1973	Moved the Head Office to Nihonbashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (Overseas Department at present) in the Head Office to increase the number of oversea project orders
April 1976	Opened Sendai Liaison Office (Sendai Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Nagoya Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Hiroshima Branch Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Branch Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Niigata Branch Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Takamatsu Branch Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” to be exclusively engaged in construction management projects
April 1985	Opened Nagasaki Liaison Office (Nagasaki Branch Office at present) in Nagasaki-shi, Nagasaki
June 1988	Opened Sapporo Liaison Office (Sapporo Branch Office at present) in Chuo-ku, Sapporo and Yokohama Liaison Office (Yokohama Branch Office at present) in Naka-ku, Yokohama
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
September 1990	Opened Fukui Liaison Office (Fukui Branch Office at present) in Fukui-shi, Fukui
April 1991	Opened Tokyo Office in Nihonbashi-honcho, Chuo-ku, Tokyo in preparation for larger-scale business
April 1994	Opened CM Headquarters in the Head Office to participate in “Construction Management (CM) “ business acting as an agent in construction projects ranging from planning and design through to selection of constructor and construction control
April 1994	Opened Shizuoka Liaison Office (Shizuoka Branch Office at present) in Shizuoka-shi, Shizuoka
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
April 1995	Opened Kagoshima Branch Office in Kagoshima-shi, Kagoshima
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaragi
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
May 1997	Opened Kobe Branch Office in Chuo-ku, Kobe-shi
September 1997	Opened Kanazawa Branch Office in Kanazawa-shi, Ishikawa
September 1997	Constructed the Company’s own building, which focuses on environment-consciousness, in Chuo-ku, Fukuoka as the first base-isolated building in Kyushu
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.
April 2004	Opened Saga Branch Office in Saga City, Saga Prefecture.

Date	Outline
April 2004	The operations of CTI Environmental Techno Co., Ltd. were transferred to CTI Chousaseksei, and the latter was renamed as AURA Engineering Co., Ltd.



### 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:

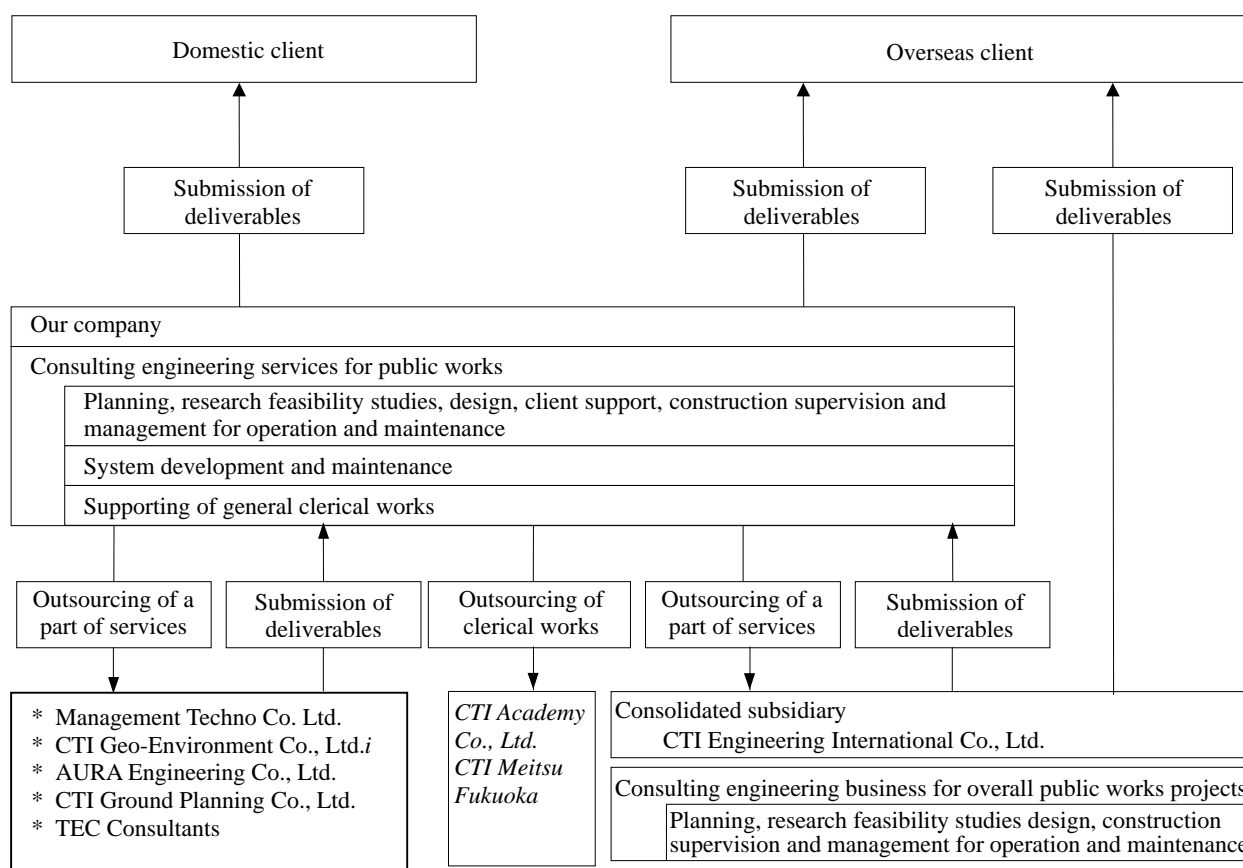
(i) Domestic operations

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:

- 1) Subsidiaries marked with asterisks are excluded from consolidation range due to a lower degree of importance concerning scale.
- 2) CTI Chousasekkei was renamed as AURA Engineering Co., Ltd. on April 1, 2004.
- 3) CTI Environmental Techno Co., Ltd. was dissolved on May 31, 2004 after its operations were transferred to AURA Engineering Co., Ltd.

#### 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) Consolidation basis

Number of employees (persons)	1,037 (378)
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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) Non-consolidation basis

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
985 (378)	40.3	12.6	8,037,790

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: Labor Union of CTI Engineering
- (ii) Umbrella organization: National Federation of Construction Engineering Worker's Unions for Japan
- (iii) Number of union members: 631 (as of December 31, 2004)
- (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

In the current consolidated fiscal year, the Japanese economy continued to recover chiefly in private-sector demand with signs of improvement in the employment environment as the corporate sector continuously showed steady growth as exemplified by the significant improvement in their profitability.

The construction consulting industry, in which our group operates, however, saw unavoidable reductions in public works expenditures---a reflection of national and local government budgetary restraints---and order prices fell. For these and other reasons, price competition intensified. Meanwhile, the number of contracts based on technology proposals gradually increased, prompting technological competition to grow steadily in the industry.

Under these circumstances, in order to achieve a U-shaped recovery in performance, the Group took the following measures:

(1) Clarification and strengthening of business development strategies

Maintenance of the Group's share of the mainstay river and road markets, and clarification and strengthening of strategies in existing and new business areas

(2) Bolstering of corporate structure to win in price and technological competition

Organizational restructuring, reallocation of managerial resources, and active recruitment of additional engineers for higher technological capabilities and service quality

(3) Realization of an even lower cost structure

Establishment of a business model that enables provision of quality services at reasonable cost

As a result, the Group's market share grew although the total value of orders received by the market from the 50 major construction consulting firms fell by around 8% over a year earlier. Meanwhile, the value of orders received by the Group in the current consolidated fiscal year dropped by 2.2% to ¥26.032 billion. Revenues from completed services were ¥25.771 billion, down by 7.1%, ordinary profits were ¥1.536 billion, down by 12.5%, and net income was ¥813 million, down by 8.1%. Ordinary profits were almost as initially projected, and net income exceeded the initial projections. These results indicate that the Group put an end to the decline in the number of orders received and took a step toward achievement of a U-shaped recovery.

#### (2) Cash Flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by ¥936 million compared to the end of the previous year, totaling ¥10.142 billion.

The conditions surrounding cash flow during the current consolidated fiscal year and the factors for increases and decreases in cash flow are as follows:

(Cash flow from operating activities)

Funds gained from operating activities totaled ¥1.918 billion, up by 698.9% over a year earlier. This is mainly due to an increase of ¥822 million in receipts of payments for uncompleted services resulting from income from the undertaking of projects on contract, based on pretax net income of ¥1.494 billion

(Cash flow from investment activities)

Funds used from investment activities totaled ¥753 million, a 646.6% increase over a year earlier.

This is mainly due to expenditures of ¥752 million, including the purchase of long-term deposits and other investments.

(Cash flows from financial activities)

Funds used as a result of financial activities totaled ¥223 million, down by 88.0% over a year earlier.

This is mainly due to expenditures of ¥169 million on dividend payments.

## 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, 2004 to December 31, 2004) (million yen)	Change from the same term in previous year (%)
Engineering consulting	25,771	-7.1
Total	25,771	-7.1

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

### (2) Order receiving situation

Category	Current consolidated fiscal year (From January 1, 2004 to December 31, 2004)			
	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	26,032	-2.2	26,700	1.0
Total	26,032	-2.2	26,700	1.0

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

### (3) Sales results

#### 1) Sales results

Category	Current consolidated fiscal year (From January 1, 2004 to December 31, 2004) (million yen)	Change from the same term in previous year (%)
Engineering consulting	25,771	-7.1
Total	25,771	-7.1

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, 2003 to December 31, 2003)		Current consolidated fiscal year (From January 1, 2004 to December 31, 2004)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government	10,035	36.2	9,726	37.7

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

In fiscal 2005, public works expenditures in the government's draft budget continue to fall below those for the previous year. It is inevitable that the traditional type of construction consulting business will decline in volume, making further intensification of competition unavoidable. Meanwhile, technology competition is steadily spreading in the industry, and it is expected that the method of concluding contracts based on technology proposals will be widely adopted by local government bodies in the future. Although the Group is still faced with a harsh business environment, it is finding a way of carving out a new horizon using technology as a means of winning orders. The previous year was one in which orders showed signs of recovery and the Group was able to take a firm step toward the future. This year, in order to make such a step more solid and achieve a U-shaped recovery, the Group will continue to take three priority measures: (1) clearly define and bolster its business development strategies, (2) strengthen its management systems to win in price and technology competition, and (3) realize an even lower cost structure.

In the new age, new organizations and new engineers need to drive the operations of the Group. In order to transform itself into the type of organization and develop engineers that such a new age of competition requires, the Group will continue to recruit more engineers, improve its organizational capabilities, and optimize the allocation of its human resources.

Last year, many floods occurred throughout Japan, as well as the Niigata Prefecture Chuetsu Earthquake and the massive earthquake off Sumatra, causing great loss of life and property. The Group recognizes anew that its mission as a construction consulting firm is to protect the lives and property of people through development of societal infrastructure. The Group will develop business in the years to come based on this recognition.

### **4. Business risks**

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

### **5. Important agreement related to the management**

Not applicable.

### **6. Research and development**

The Group develops business and carries out research and development both in Japan and abroad.

Specifically, investment areas are divided into new business areas and new client needs (strategic research and research into commercialization), and research and development.

During the current consolidated fiscal year, the Group invested a total of ¥554 million to carry out research and development on the following major subjects:

#### 1) Strategic research

- Research and development of management business
- Research in national land and culture (local government body infrastructure accounting modeling, communications technology, heat islands, ubiquitous computing, micro bubble, soft structure, landscape, public relations, and public policy)

#### 2) Commercialization research (asset management, international business, regional management, comprehensive management of dam projects, commercialization of disaster prevention, environmental systems, and water systems)

- 3) Surveys (environmental business, CSG method, image distribution service, wide-area environmental assessment, planning assessment, tsunami / storm surge / flood hazard mapping, and data transmission service using satellites)

## 7. Analysis of financial conditions and business performance

### (1) Financial conditions

#### (Assets)

At the end of the current consolidated fiscal year, the Group's total assets totaled ¥32.62 billion, up by 5.6% compared to the previous year.

This is mainly due to increases in cash and bank deposits caused by growth in receipts of payments for uncompleted services that accompanied a higher volume of business brought forward, and to increases in investments and other assets that resulted from the purchase of long-term deposits and other factors.

#### (Liabilities)

At the end of the current consolidated fiscal year, liabilities totaled ¥15.573 billion, up by 7.0% over a year earlier. This is chiefly due to increases in receipts of payments for uncompleted services that accompanied a higher volume of business brought forward.

#### (Shareholders' equity)

At the end of the current consolidated fiscal year, shareholders' equity totaled ¥16.971 billion, up by 4.3% over a year earlier. This is mainly because net income for the current term was reported.

### (2) Business performance

The value of orders received during the current consolidated fiscal year fell by 2.2% compared to the previous year to ¥26.032 billion.

Income from completed services was ¥25.771 billion, down by 7.1%, ordinary income was ¥1.536 billion, down by 12.5%, and net income for the current term was ¥813 million, down by 8.1%. But ordinary profit was almost as initially planned, and net income exceeded the initial projections.

This is because a lower volume of business was brought forward at the beginning of the year and income from completed services fell due to a smaller value of orders received during the current year while costs of completed services, and selling, general and administrative expenses declined due to cost reduction measures.

### (3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by ¥936 million compared to the end of the previous year, totaling ¥10.142 billion.

Funds gained from operating activities totaled ¥1.918 billion, up by 698.9% over a year earlier. This is mainly due to an increase of ¥822 million in receipts of payments for uncompleted services resulting from income from the undertaking of projects on contract, based on net income before income tax of ¥1.494 billion

Funds used as a result of investment activities totaled ¥753 million, a 646.6% increase over a year earlier.

This is mainly due to expenditures of ¥752 million for other investments including the purchase of long-term deposits.

Funds used as a result of financial activities totaled ¥223 million, down by 88.0% over a year earlier.

This is mainly due to expenditures of ¥169 million, including dividend payments.

## **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 22 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	9	5	–	50	66	55 (3)
Tokyo Head Office (Chuo-ku, Tokyo)	Office	76	–	–	22	98	242 (119)
Tokyo Head Office Saitama Office (Urawa-ku, Saitama)	Office	1,041	0	772 (1,978)	38	1,853	135 (62)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Office and laboratory facilities	489	45	1,937 (50,605)	10	2,482	37 (23)
Yono Dormitory (Chuo-ku, Saitama)	Welfare facilities	386	–	820 (1,565)	2	1,208	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Office	573	7	1,025 (1,136)	11	1,618	111 (–)

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

Plans call for the corporate head office and the Tokyo head office to be relocated in May 2005.

This relocation will incur an expenditure of ¥200 million for installation of new facilities and that of ¥100 million for relocation and restoring the current offices to their original condition. The Group's own funds will be used to cover these expenses. It is estimated that ¥100 million's worth of assets will be disposed of.

This relocation will have no effect of the Group's production capacity.

## 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, 2004)	Issued shares as of the date for submission (shares) (March 30, 2005)	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, 2004

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)	–	44	18	113	36	3	2,616	2,827	–
Number of shares held (units)	–	40,908	1,367	10,711	6,848	228	81,162	140,996	59,486
Shareholding ratio (%)	–	29.0	1.0	7.6	4.8	0.2	57.6	100.0	–

Note:

1. Among treasury stocks (5,854 stocks), 58 units are counted as “Individuals etc.” and 54 stocks are counted as “Shares below a unit” in the table above. Note that, however, 5,854 is the number indicated on the shareholders’ list. The number of stocks actually held is 5,754 stocks as of December 31, 2004.
2. “Other corporations” and “Shares below a unit” in the table above include 245 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

## (5) Major shareholders

As of December 31, 2004

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	1,983	14.0
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	859	6.1
UFJ Trust Bank Limited	4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	354	2.5
UFJ Bank Limited	21-24, Nishiki 3-chome, Naka-ku, Nagoya	303	2.1
Sumitomo Life Insurance Company	8-11, Harumi 1-chome, Chuo-ku, Tokyo	300	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	269	1.9
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	249	1.8
Mizuho Capital Co., Ltd.	4-3, Nihonbashi-kabutocho, Chuo-ku, Tokyo	211	1.5
Total	—	5,081	35.9

Note: 852,000 of the shares held by The Mater Trust Bank of Japan, Ltd. (trust account), all of the shares held by State Street Trust and Banking Corp. (Shiteitan 2332007) and The Japan Trustee Services Bank, Ltd. (trust account) are related to trust operations.

(6) Voting rights

(i) Issued Shares

As of December 31, 2004

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 5,700	–	–
Shares with complete voting rights (Others)	Ordinary stocks 14,093,900	140,939	–
Shares below a unit	Ordinary stocks 59,486	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	140,939	–

Note:

1. Included in “Shares with complete voting rights (others)” are 24,500 shares (245 votes) registered in the name of the Japan Securities Depository Center, Inc.
2. Included in “Shares below a unit” are 54 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2004

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	5,700	–	5,700	0.0
Total	–	5,700	–	5,700	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.

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.

The Company will pay a dividend of 12 yen per share for the current fiscal year based on the stable dividend policy.

## 4. Change in Stock Price

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

Fiscal year	38th term	39th term	40th term	41st term	42nd term
Fiscal year end	December 2000	December 2001	December 2002	December 2003	December 2004
Highest (yen)	769	650	639	598	757
Lowest (yen)	545	451	462	455	502

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

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

Month	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004
Highest (yen)	666	640	620	632	677	757
Lowest (yen)	608	565	562	581	610	656

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)	91
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)	49
Vice President	Principal, Tokyo Head Office	Tetsuzo Okada	November 28, 1945	April 1970 July 1976 April 1991 April 1995 March 1997 April 1999 March 2000 March 2003 March 2005	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) Vice President (present post)	25
Senior Managing Director	Principal, 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 March 2005	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) Senior Managing Director (present post)	33

Board member position	Company position	Name	Date of birth	Career	Number of shares held (thousand)
Senior Managing Director	Chief, Headquarters Engineering Dept.	Kazunori Yoshioka	January 4, 1946	<p>April 1970 December 1983 July 1991 July 1994 June 1995 April 1997 July 1998 July 2002 March 2003 March 2005</p> <p>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 &amp; Development Dept. Managing Director and Chief of Headquarters Research &amp; Development Dept. (present post) Senior Managing Director (present post)</p>	5
Managing Director	Principal, Kyushu Office	Mizuho Imamura	June 7, 1940	<p>April 1964 April 1982 April 1987 July 1989 April 1991 May 1993 May 1995 January 2002 March 2002 April 2002</p> <p>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 &amp; Development Dept. Managing Director (present post) Branch Administrator of Kyushu Office (present post)</p>	7
Managing Director	Chief, Headquarters Business Development Dept.	Reiichi Abe	November 4, 1949	<p>April 1974 April 1994 April 1997 April 1999 March 2000 March 2003</p> <p>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 &amp; Member of the Board Managing Director and Chief of Headquarters Business Development Dept. (present post)</p>	21
Managing Director	Chief, Headquarters Operation Development Dept.	Yoshihito Sabase	December 23, 1949	<p>April 1974 April 1993 April 1997 March 1999 March 2000 April 2000 March 2003</p> <p>Joined CTI Engineering General Manager, Information Technology Div., Human Intelligence Dept., Tokyo Office Chief, Information &amp; Construction Management Headquarters Tokyo Office Chief, Construction Management Headquarters Director &amp; Member of the Board Management Business Dept. Branch Administrator Managing Director and General Manager of Headquarters Operation Development Dept. (present post)</p>	17

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)	15
Director	Principal, 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)	13
Director	Principal, 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)	24
Director	Principal, 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)	7
Director	General Manager of Strategic Planning Division and Deputy Chief of Management Dept.	Kazuo Murata	September 26, 1951	April 1978 April 1997 April 1999 April 2001 March 2003 March 2004	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 (present post), Member of the Board and Chief of Headquarters Quality Management Dept. General Manager of Management Planning Dept. and Deputy Chief of Management Div. (present post)	14



Board member position	Company position	Name	Date of birth	Career		Number of shares held (thousand)
Director	Deputy Principal, 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)	14
Director	Deputy Principal, Tokyo Head Office	Asao Yu	January 17, 1955	April 1979 April 1997 April 2003 March 2005	Joined CTI Engineering General Manager of Technical Dept. of Nagoya Branch, Tokyo Office Deputy Branch Administrator, Tokyo Head Office (present post) Director (present post)	—
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)	52
Auditor		Kunihiro 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						393

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

## 6. Corporate governance

Consulting Engineers play a role in developing societal infrastructure, an indispensable element to the development of humankind. The basic management policy of the Company is to carry out its operations while maintaining its neutrality and independence as a member of the Consulting Engineering industry and protect the interest of people who are users of such infrastructure. Therefore, the Company believes that it is necessary to increase the transparency of its management and the effectiveness of its internal control.

### (1) Organization of the company

The Board of Directors decides matters as stipulated under laws and regulations and other important matters related to management and also supervises the conduct of business.

The Company adopts an auditor system, and under the system, auditors check the conduct of business from an independent standpoint by, for example, attending meetings of the Board of Directors and other important internal meetings.

### (2) Improvement of the internal control system

Two outside lawyers are appointed as outside auditors to the Company. The aim is to utilize their high-level professional knowledge and expertise. They actively provide advices at an early stage of decision-making, rendering the auditor system more effectiveness.

The compliance office and the audit office have been set up to bolster internal control with the aim of establishing a solid system for complying with laws and regulations. In addition, the Company receives advices from outside audit companies when necessary to prevent the occurrence of problems.

### (3) Improvement of the risk management system

Risk management of our service's quality is undertaken by Headquarter Engineering Dept. and that of other general matters by the Headquarter Management Dept.

### (4) Executives' compensation

Details	Amount (¥1 million)
Directors' compensation	297
Auditors' compensation	28

(Notes) 1. The above directors' compensation includes retirement gratuities paid to retiring directors.

2. In addition to the above directors' compensation, salaries (including bonuses) for the portion of services that directors, also an employee, rendered as an employee totaled ¥64 million.

### (5) Auditors' compensation

Details	Amount (¥1 million)
Compensation for the preparation of audit certificates based on audit contracts	24
Compensation for other services	0

## 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, 2003) 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, 2004) were prepared in accordance with the revised Regulations on Consolidated Financial Statements.

In accordance with the provision of Paragraph 2 of the Additional Rules for the Cabinet Office Ordinance Revising Part of the Regulations on the Terminology, Forms and Method of Preparation of Consolidated Financial Statements (Cabinet Office Ordinance No. 5 of January 30, 2004), the old Regulations on Consolidated Financial Statements apply to the Company's financial statements for the current consolidated fiscal year (January 1 to December 31, 2004).

(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, 2003) 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, 2004) were prepared in accordance with the revised Regulations on Financial Statements.

In accordance with the provision of Paragraph 2 of the Additional Rules for the Cabinet Office Ordinance Revising Part of the Regulations on the Terminology, Forms and Method of Preparation of Consolidated Financial Statements (Cabinet Office Ordinance No. 5 of January 30, 2004), the old Regulations on Consolidated Financial Statements apply to the Company's financial statements for the current consolidated fiscal year (January 1 to December 31, 2004).

### 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, 2003 to December 31, 2003), the previous fiscal year (from January 1, 2003 to December 1, 2003), the current consolidated fiscal year (from January 1, 2004 to December 31, 2004) and the current fiscal year (from January 1, 2004 to December 31, 2004) 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, 2003)		Current Consolidated Fiscal Year (as of December 31, 2004)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Assets)					
I Current assets					
1. Cash and bank deposits			6,897		8,034
2. Notes receivable and other receivables			883		725
3. Marketable Securities			2,308		2,108
4. Prepaid expenses			8,368		8,997
5. Deferred tax assets			142		224
6. Others			513		328
7. Allowance for doubtful accounts			0		—
Total current Assets			19,114	61.9	20,419
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings and structures		4,673		4,670	
Accumulated depreciation		1,901	2,772	2,064	2,605
2. Machinery and transportation equipment		270		270	
Accumulated depreciation		193	76	208	61
3. Land			4,581		4,581
4. Others		733		687	
Accumulated depreciation		534	198	532	154
Total tangible fixed assets			7,628	24.6	7,403
(2) Intangible fixed assets					
1. Others			330		332
Total intangible fixed assets			330	1.1	332
(3) Investments and other assets					
1. Investment in securities	*1		549		677
2. Long-term loans receivable			46		31
3. Others			2,104		2,744
4. Deferred tax assets			1,123		1,010
5. Allowance for doubtful accounts			0		—
Total investments and other assets			3,823	12.4	4,464
Total fixed assets			11,783	38.1	12,200
Total assets			30,898	100.0	32,620

Category	Note No.	Previous Consolidated Fiscal Year (as of December 31, 2003)		Current Consolidated Fiscal Year (as of December 31, 2004)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Liabilities)					
I Current liabilities					
1. Accounts payable		804		1,021	
2. Short-term borrowings		300		250	
3. Accrued income taxes		73		488	
4. Advances received		9,015		9,837	
5. Reserve for bonuses		355		315	
6. Others		1,163		1,069	
Total current liabilities		11,712	37.9	12,983	39.8
II Fixed liabilities					
1. Reserve for retirement benefit		2,452		2,207	
2. Reserve for directors retirement benefits		347		346	
3. Others		37		36	
Total fixed liabilities		2,838	9.2	2,590	8.0
Total liabilities		14,551	47.1	15,573	47.8
(Minority interest)					
Minority interest		76	0.2	74	0.2
(Capital)					
I Capital	*3	3,025	9.8	3,025	9.3
II Capital surplus		4,122	13.3	4,122	12.6
III Profit surplus		9,065	29.4	9,692	29.7
IV Unrealized gains or losses on other securities		58	0.2	134	0.4
V Treasury stocks	*4	-2	0.0	-3	0.0
Total Shareholders' equity		16,270	52.7	16,971	52.0
Total of liabilities, minority interest and shareholders equity		30,898	100.0	32,620	100.0

## (ii) Consolidated Profit and Loss Account

Category	Note No.	Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003))		Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
I Sales					
Income from completed services		27,749	100.0	25,771	100.0
II Cost of sales					
Cost of completed services		20,054	72.3	18,851	73.1
Gross profit		7,695	27.7	6,920	26.9
III Selling, general and administrative expenses	*1	5,991	21.6	5,476	21.3
Operating income		1,703	6.1	1,444	5.6
IV Non-operating revenues					
1. Interest earned		14		10	
2. Dividend earned		8		8	
3. House rent earned		33		32	
4. Insurance dividends earned		17		16	
5. Commissions earned		29		20	
6. Others		37	0.5	43	0.5
		140		133	
V Non-operating expenses					
1. Interest expense		21		2	
2. Loss from revaluation of investment		–		11	
3. Exchange loss		32		13	
4. Commissions paid		15		10	
5. Others		19	0.3	3	0.1
		88		40	
Ordinary profit		1,756	6.3	1,536	6.0
VI Extraordinary gain					
1. Facility relocation compensation		49		–	
2. Profit from fixed assets selling	*2	0		–	
3. Reversal of reserve for doubtful accounts		0	0.2	0	0.0
		49		0	
VII Extraordinary loss					
1. Loss from fixed assets disposal	*3	21		8	
2. Business establishment relocation expenses		49		7	
3. Loss from valuation of stock in affiliated companies		19		–	
4. Loss from dissolution of an affiliated company		–		4	
5. Premium for early retirement		–		18	
6. Transferred reserve for directors' retirement benefits		17		–	
7. Others		20	0.5	3	0.2
		128		42	
Net income before income tax		1,677	6.0	1,494	5.8
Corporation tax, inhabitants taxes and enterprise tax		495		700	
Deferred income taxes etc.		288	2.8	-20	2.6
Minority interest in profit of consolidated Companies		7	0.0	1	0.0
Current net income		885	3.2	813	3.2

## (iii) Consolidated Surplus Account

		Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
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		8,370	9,065
II Increase of profit surplus			
1. Current net income		885	813
III Decrease of profit surplus			
1. Dividend		169	169
2. Bonuses paid to directors		21	17
IV Closing balance of profit surplus		9,065	9,692

## (iv) Consolidated Cash Flow Statement

		Previous Consolidated Fiscal Year (From January 1, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (From January 1, 2004 to December 31, 2004)
Category	Note No.	Amount (million yen)	Amount (million yen)
Cash flow from operating activities			
Current net income before income tax		1,677	1,494
Depreciation and amortization		412	388
Decrease in allowance for doubtful receivables		0	0
Decrease in reserve for retirement benefit		-335	-241
Decrease in reserve for directors' retirement benefits		-29	-1
Decrease in reserve for bonuses		-67	-40
Interest and dividend earned		-22	-19
Interest payable		21	2
Other non-operating expenses		47	17
Facility relocation compensation		-49	-
Loss from fixed assets disposal		21	8
Profit from sales of securities		0	-8
Loss from investment trust cancellation		0	-
Unrealized loss on investment securities		3	-
Unrealized loss of membership		0	3
Loss from valuation of affiliated companies		19	-
Increase (decrease) in sales account		-184	157
Increase (decrease) in prepaid expenses		10	-628
Increase (decrease) in other current assets		-82	95
Decrease in investments and other assets		21	-
Increase (decrease) in account payable		-161	217
Increase (decrease) in advances received		-122	822
Payment of directors' bonuses		-21	-17
Increase (decrease) in other current liabilities		154	-60
Decrease in other fixed liabilities		-3	-1
Subtotal		1,309	2,188
Received interest and dividend		22	18
Interest payment		-22	-2
Payment of corporation income tax etc.		-1,069	-285
Cash flow provided by operating activities		240	1,918
Cash flow from investment activities			
Payments for acquisition of investment securities		-10	0
Proceeds from sales of investment securities		16	0
Payments for acquisition of tangible fixed assets		-106	-29
Income from selling of tangible fixed assets		65	-
Payments for acquisition of intangible fixed assets		-106	-166
Payments for loans		-161	-219
Income from loan collection		136	220
Other payments for investment		-92	-752
Other income from investment		158	195
Cash flow provided by investment activities		-100	-753
Cash flow from financial activities			
Income from short-term borrowing		500	300
Payment of short-term borrowing		-722	-350
Payment of long-term borrowing		-1,477	-
Payment for acquisition of treasury stocks		0	0
Dividend payment		-170	-169
Dividend payment for minority shareholders		-3	-3
Cash flow provided by financial activity		-1,872	-223
Effect in fluctuation of exchange rate for cash and cash equivalents		-33	-5
Increase (decrease) in cash and cash equivalents		1,032	936
Opening balance of cash and cash equivalents		9,941	9,206
Closing balance of cash and cash equivalents		10,973	10,142



Basic Important Matters for Preparation of Consolidated Financial Statements

Item	Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
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: 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: 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 AURA Engineering Co., Ltd. (CTI Investigation Design Co., Ltd. changed the title to AURA Engineering Co., Ltd. as of April 1, 2004 ) CTI Academy Co., Ltd CTI Ground Planning Co., Ltd. Tech Consultants Co., Ltd. CTI Mates Fukuoka Co., Ltd CTI Environment Techno Co., Ltd. was dissolved as of May 31, 2004.</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 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>	<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., AURA Engineering 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, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
<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 To prepare for any loss by bad debts, in respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded.</p> <p>2) Reserve for bonuses As at present.</p> <p>3) Reserve for retirement benefits As at present.</p>

Item	Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
<p>(4) Accounting treatment of important lease transactions</p> <p>(5) Other important matters for preparation of the consolidated financial statements</p> <p>5. Valuation of assets and liabilities of the consolidated subsidiary</p> <p>6. Amortization of consolidated adjustment account</p> <p>7. Treatment of appropriation items</p> <p>8. Range of fund in the consolidated cash flow account</p>	<p>4) Reserve for directors' retirement benefits</p> <p>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.</p> <p>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.</p> <p>Except for the cases where the ownership of the leased assets is transferred to leases, financial lease transactions are treated according to the method for ordinary lease transactions.</p> <p>1) Accounting treatment of consumption tax</p> <p>Tax exclusion method is adopted.</p> <p>For valuation of assets and liabilities of the consolidated subsidiary, the overall current value method is adopted.</p> <p>Not applicable.</p> <p>The consolidation surplus account is prepared according to the appropriation fixed in the consolidated fiscal year for appropriation of profit at the consolidated company.</p> <p>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>4) Reserve for directors' retirement benefits</p> <p>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.</p> <p>As at present.</p> <p>1) Accounting treatment of consumption tax</p> <p>As at present.</p> <p>As at present.</p> <p>As at present.</p> <p>As at present.</p> <p>As at present.</p>



## (Notes on Consolidated Profit and Loss Account)

Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)					Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)				
*1 Major items and amounts among selling, general and administrative expenses are as follows:					*1 Major items and amounts among selling, general and administrative expenses are as follows:				
Wages and allowances 1,978 million yen					Wages and allowances 1,870 million yen				
Bonuses 355					Bonuses 320				
Transferred reserve for bonuses 133					Transferred reserve for bonuses 95				
Retirement allowances 28					Retirement allowances 10				
Retirement benefit expenses 163					Retirement benefit expenses 178				
Transferred reserve for directors' retirement benefits 65					Transferred reserve for directors' retirement benefits 36				
Research and investigation expenses 555					Research and investigation expenses 554				
*2 Profit from fixed assets selling can be broken down as follows:					*2				
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:				
	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)		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	Buildings and structures	1	-	-	1
Machine & equipment, and delivery equipment	0	-	-	0	Machine & equipment, and delivery equipment	4	-	-	4
Tangible fixed assets etc.	3	-	-	3	Tangible fixed assets etc.	2	-	-	2
Investment and other assets	-	0	5	5	Investment and other assets	-	0	0	0
Total	15	0	5	21	Total	8	0	0	8

## (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, 2004 to December 31, 2004)		
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, 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, 2004)		
Cash and bank deposit account	6,897	million yen	Cash and bank deposit account	8,034	million yen
Marketable securities account	2,308		Marketable securities account	2,108	
Total	9,206		Total	10,142	

## (Notes on Lease Arrangements)

Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)				Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)			
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.	193	106	86	Tangible fixed assets etc.	180	121	59
Intangible fixed assets etc.	7	4	3	Intangible fixed assets etc.	4	2	1
Total	200	110	89	Total	185	124	60
2. Unexpired lease payment at the end of term Within one year 48 million yen Over one year 45 Total 94				2. Unexpired lease payment at the end of term Within one year 42 million yen Over one year 20 Total 63			
3. Lease payments, assumed depreciation, and assumed interest payments Lease payments 65 million yen Assumed depreciation 60 Assumed interest payment 1 4				3. Lease payments, assumed depreciation, and assumed interest payments Lease payments 55 million yen Assumed depreciation 50 Assumed interest payment 1 3			
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, 2003)			Current Consolidated Fiscal Year (as of December 31, 2004)		
		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	202	308	106	248	475	226
	(2) Bonds and Notes						
	(i) National, local bonds	-	-	-	-	-	-
	(ii) Corporate bonds	-	-	-	-	-	-
	(iii) Others	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	202	308	106	248	475	226
Those whose acquisition cost did not exceed the amount recorded on the consolidated balance sheet	(1) Shares	50	43	-6	10	9	0
	(2) Bonds and Notes						
	(i) National, local bonds	-	-	-	-	-	-
	(ii) Corporate bonds	-	-	-	-	-	-
	(iii) Others	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	50	43	-6	10	9	0
Total		252	351	99	259	485	226

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

Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)			Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)		
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)
4,216	0	0	1,225	0	-

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

Types	Previous Consolidated Fiscal Year (as of December 31, 2003)	Current Consolidated Fiscal Year (as of December 31, 2004)
	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)	40	41
(ii) Money Management Fund	702	702
(iii) Medium-term government securities fund	906	706
(iv) Free Financial Fund	200	200
(v) Others	500	500

(Notes on Derivatives Transactions)

In the previous (January 1 to December 31, 2003) and current (January 1 to December 31, 2004) consolidated fiscal years, the Group did not use any derivative transactions, and therefore, there is no applicable information.



(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, 2003) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2004) (million yen)
(1) Retirement Benefit Obligations	-6,921	-7,076
(2) Pension Assets	3,512	4,080
(3) Outstanding Accumulated Retirement Benefit Obligations: (1) + (2)	-3,409	-2,996
(4) Previously unrecognized accounting disparities.	956	788
(5) Previously unrecognized pre-existing employment obligations (Obligation reduction amount)	-	-
(6) Consolidated Balance Sheet Recorded Net Amount: (3) + (4) + (5)	-2,452	-2,207
(7) Previously Paid Pension Assets	-	-
(8) Retirement Benefit Reserves: (6) - (7)	-2,452	-2,207

Note: Besides the above pension funds, the pension assets computed as a percentage of installment contributions in the comprehensive-type pension fund scheme totaled 4,411 million yen in the previous term's consolidated report and 5,180 million yen in the current term's consolidated report.

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

	Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003) (million yen)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004) (million yen)
Retirement Benefit Costs	659	770
(1) Labor costs	400	446
(2) Interest costs	177	141
(3) Expected operating profit (Subtracted)	72	70
(5) Cost disposal Amount arising from accounting disparity	132	245
(6) Temporarily paid retirement amount	20	6

Note: Besides the above listed expenses for retirement allowances, the payments into the comprehensive-type pension fund (borne by corporation) were 231 million yen for the previous fiscal year's consolidated report and 245 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, 2003) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2004) (million yen)
(1) Discount percentage	2.0%	2.0%
(2) Expected operating profit percentage	2.0%	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.	—————	—————

## (Tax effect accounting)

Item	Previous Consolidated Fiscal Year (as of December 31, 2003)	Current Consolidated Fiscal Year (as of December 31, 2004)
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	Deferred tax assets (current assets)	Deferred tax assets (current assets)
	Social insurance premiums for bonuses 15 million yen	Accrued enterprise tax 39 million yen
	Reserve for bonuses 119	Social insurance premiums for bonuses 14
	Others 14	Reserve for bonuses 128
	Subtotal 149	Others 43
	Deferred tax liabilities (current liabilities)	Subtotal 225
	Unpaid enterprise tax 6	Deferred tax liabilities (current liabilities)
	million yen	Unpaid enterprise tax 0
	Subtotal 6	million yen
	Net deferred tax assets 142	Subtotal 0
	million yen	Net deferred tax assets 224
		million yen
	Deferred tax assets (fixed assets)	Deferred tax assets (fixed assets)
	Reserve for retirement allowances 885 million yen	Reserve for retirement allowances 834 million yen
	Reserve for directors' retirement benefits 141	Reserve for directors' retirement benefits 142
	Unrealized loss of marketable securities 88	Unrealized loss of marketable securities 88
	Unrealized loss of membership 29	Unrealized loss of membership 26
	Others 18	Others 11
	Subtotal 1,164	Subtotal 1,103
	Deferred tax liabilities (fixed liabilities)	Deferred tax liabilities (fixed liabilities)
	Unrealized gains or losses on other securities 40 million yen	Unrealized gains or losses on other securities 92 million yen
Subtotal 40	Subtotal 92	
Net deferred tax assets 1,123	Net deferred tax assets 1,010	
million yen	million yen	

Item	Previous Consolidated Fiscal Year (as of December 31, 2003)	Current Consolidated Fiscal Year (as of December 31, 2004)
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 42.05% (Adjustment)	Legal effective tax rate 42.05% (Adjustment)
	No entry of loss from entertainment expense etc. 1.05	No entry of loss from entertainment expense etc. 1.09
	Per capita inhabitant tax 3.74	Per capita inhabitant tax 4.20
	Non-inclusion of gains, including dividends received -0.32	Non-inclusion of gains, including dividends received -0.36
	Reductoin of deferred tax assets at the end of the year due to tax rate revision 2.32	IT related investment promotion tax system -0.86
	Special deductions, including expropriation -1.24	Others -0.66
	Others -0.81	Bearing rate of corporation tax or the like after application of tax effect accounting 45.46
	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, 2003 to December 31, 2003) and the current consolidated fiscal year (from January 1, 2004 to December 31, 2004).

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, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
-----	-----

## (Information per Share)

Previous Consolidated Fiscal Year (from January 1, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
Net assets per share 1,148.25 yen	Net assets per share 1,197.86 yen
Current net income per share 61.34 yen	Current net income per share 56.23 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. ( 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.	As at present.

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, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
Current term net income in the consolidated income statement (million yen)	885	813
Current term net income related to common shares (million yen)	868	795
Breakdown of major amounts not belonging to ordinary shareholders (million yen)		
Bonuses for directors based on appropriation of profits	17	18
Amounts not belonging to ordinary shareholders (million yen)	17	18
Average number of common shares for the entire fiscal year (shares)	14,155,046	14,154,055
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, 2003 to December 31, 2003)	Current Consolidated Fiscal Year (from January 1, 2004 to December 31, 2004)
-----	-----

(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	300	250	0.995	–
Long-term borrowings to be repaid within 1 year	–	–	–	–
Long-term borrowings except those to be repaid within 1 year	–	–	–	–
Other Interest-bearing Liabilities	–	–	–	–
Total	300	250	–	–

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, 2003)		Current fiscal year (as of December 31, 2004)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Assets)					
I Current assets					
1. Cash and bank deposits		6,788		7,969	
2. Completed work receivables		759		607	
3. Marketable securities		2,308		2,108	
4. Prepaid expenses		8,103		8,655	
5. Advance payment		102		102	
6. Deferred tax assets		134		216	
7. Short-term loans		145		157	
8. Others		260		52	
9. Allowance for doubtful accounts		0		—	
Total current Assets		18,601	61.3	19,870	62.0
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings		3,945		3,941	
Accumulated depreciation		1,535	2,409	1,669	2,271
2. Structures		714		714	
Accumulated depreciation		360	354	388	326
3. Machinery and equipment		235		235	
Accumulated depreciation		172	62	181	53
4. Vehicle and transportation equipment		20		20	
Accumulated depreciation		10	9	14	6
5. Furniture and fixtures		723		677	
Accumulated depreciation		527	196	524	152
6. Land		4,581		4,581	
Total tangible fixed assets		7,615	25.1	7,392	23.1
(2) Intangible fixed assets					
1. Leasehold		16		16	
2. Software		285		289	
3. Telephone rights		22		22	
4. Right of using special facilities		2		2	
5. Others		0		0	
Total intangible fixed assets		328	1.1	331	1.0
(3) Investments and other assets					
1. Investment in securities		398		525	
2. Shares of affiliated companies		220		220	
3. Investments		44		10	
4. Long-term deposit		800		1,400	
5. Long-term loan to employees		46		31	
6. Long-term prepaid cost		31		22	
7. Deferred tax assets		1,086		964	
8. Lease and guarantee deposit		919		985	
9. Membership		61		57	
10. Insurance reserve fond		209		229	
11. Others		0		0	
12. Allowance for doubtful accounts		0		—	
Total investments and other assets		3,817	12.5	4,448	13.8
Total fixed assets		11,761	38.7	12,172	38.0
Total assets		30,363	100.0	32,042	100.0



Category	Note No.	Previous fiscal year (as of December 31, 2003)		Current fiscal year (as of December 31, 2004)	
		Amount (million yen)	(%)	Amount (million yen)	Ratio (%)
(Liabilities)					
I Current liabilities					
1. Accounts payable for services	* 1	1,104		1,242	
2. Short-term borrowings		200		200	
3. Accounts payable		258		184	
4. Accrued income taxes		48		487	
5. Accrued consumption taxes		138		126	
6. Accrued expenses		441		429	
7. Advances received		8,671		9,480	
8. Deposits received		252		244	
9. Revenue received in advance		2		2	
10. Reserve for bonuses		337		297	
Total current liabilities		11,456	37.7	12,696	39.6
II Fixed liabilities					
1. Reserve for retirement benefits		2,422		2,162	
2. Reserve for directors' retirement benefits		285		279	
3. Others		37		36	
Total fixed liabilities		2,745	9.1	2,478	7.8
Total liabilities		14,202	46.8	15,174	47.4
(Capital)					
I Capital	* 2	3,025	9.9	3,025	9.4
II Capital surplus					
(1) Capital reserve		4,122		4,122	
Total capital surplus		4,122	13.6	4,122	12.9
III Profit surplus					
(1) Profit reserve		176		176	
(2) Voluntary reserve					
Separate reserve		7,000		7,700	
(3) Current unappropriated profit		1,779		1,711	
Total profit surplus		8,956	29.5	9,588	29.9
IV Unrealized gains or losses on other securities		58	0.2	134	0.4
V Treasury stocks	* 3	-2	0.0	-3	0.0
Total shareholders' equity		16,161	53.2	16,867	52.6
Total of liabilities and shareholders equity		30,363	100.0	32,042	100.0

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

Category	Note No.	Previous fiscal year (from January 1, 2003 to December 31, 2003)		Current fiscal year (from January 1, 2004 to December 31, 2004)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
I Sales					
Income from completed services		26,801	100.0	25,050	100.0
II Cost of sales					
Cost of completed services		19,350	72.2	18,333	73.2
Gross profit		7,451	27.8	6,716	26.8
III Selling, general and administrative expenses					
1. Directors' remuneration		295		271	
2. Salaries and allowances		1,937		1,829	
3. Bonuses		349		315	
4. Provision of reserve for bonuses		132		94	
5. Retirement allowances		28		8	
6. Retirement benefit expenses		161		172	
7. Provision of reserve for directors' retirement benefits		49		23	
8. Legal welfare expenses		383		350	
9. Traveling expenses		309		281	
10. Tax and public imposts		72		26	
11. Depreciation		113		103	
12. Rent expenses		496		389	
13. Research and investigation expenses		555		554	
14. Others		908	21.6	864	21.1
Operating income		1,655	6.2	1,431	5.7
IV Non-operating revenues					
1. Interest earned		7		9	
2. Dividend earned	* 1	15		15	
3. Interest from securities		0		0	
4. Rent earned	* 1	33		32	
5. Insurance dividends earned		16		16	
6. Commissions earned		29		20	
7. Others		36	0.5	42	0.5
V Non-operating expenses					
1. Interest expense		20		1	
2. Loss from revaluation of investment		-		11	
3. Loss from foreign exchange		22		3	
4. Commissions paid		15		10	
5. Others		19	0.3	3	0.1
Ordinary profit		1,717	6.4	1,538	6.1
VI Extraordinary gain					
1. Facility relocation compensation		49			
2. Profit from fixed assets selling	* 2	0			
3. Reversal of allowance for doubtful accounts		0	0.2	0	0.0
VII Extraordinary loss					
1. Loss from fixed assets disposal	* 3	21		8	
2. Office moving cost		49		7	
3. Unrealized loss of securities		3			
4. Loss from valuation of shares in affiliated companies		19			
5. Loss from liquidation of affiliated company				4	
6. Premium for early retirement				18	
7. Transferred reserve for directors' retirement benefits		17			
8. Others		17	0.5	3	0.2
Net income before income tax		1,638	6.1	1,496	5.9
Corporation tax, inhabitants tax and enterprise tax		459		689	
Deferred income taxes etc.		303	2.8	-11	2.7
Current net income		875	3.3	818	3.2
Profit brought forward to the next year		903		893	
Current unappropriated profit		1,779		1,711	

Cost Specifications for Completed Services

Category	Note No.	Previous fiscal year (from January 1, 2003 to December 31, 2003)			Current fiscal year (from January 1, 2004 to December 31, 2004)		
		Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		5,412			5,498		
2. Bonuses		936			805		
3. Provision of reserve for bonuses		205			202		
4. Retirement benefit expense		449			550		
5. Others		1,021	8,024	41.2	1,010	8,067	42.7
II Amount paid to subcontractors			7,735	39.8		7,284	38.6
III Expenses							
1. Traveling expenses		880			871		
2. Printing and copying expenses		874			774		
3. Expendables cost		200			202		
4. Rents		942			855		
5. Depreciation		147			134		
6. Others		654	3,699	19.0	695	3,533	18.7
Current general business expenses			19,459	100.0		18,885	100.0
Opening expenses prepaid for uncompleted services			7,993			8,103	
Total			27,453			26,989	
Closing expenses prepaid for uncompleted services			8,103			8,655	
Current cost of completed services			19,350			18,333	

(Footnote)

Previous fiscal year (from January 1, 2003 to December 31, 2003)	Current fiscal year (from January 1, 2004 to December 31, 2004)
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 26, 2004)		Current fiscal year (March 29, 2005)	
Category	Note No.	Amount (million yen)		Amount (million yen)	
I Current unappropriated profit			1,779		1,711
II Appropriation of profit					
1. Dividends		169		169	
2. Directors' bonuses		15		16	
3. Auditors' bonuses		1		1	
4. Voluntary reserve					
Separate reserve		700	886	600	787
III Retained earnings carried forward			893		923

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, 2003 to December 31, 2003)	Current fiscal year (from January 1, 2004 to December 31, 2004)
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 In respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded to prepare for possible loss caused by bad debts.</p> <p>(2) Reserve for bonuses As at present.</p> <p>(3) Reserve for retirement benefits As at present.</p>

Item	Previous fiscal year (from January 1, 2003 to December 31, 2003)	Current fiscal year (from January 1, 2004 to December 31, 2004)
<p>5. Accounting for leases</p> <p>6. Accounting for consumption taxes</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 30 million yen in total for this term is entered as extraordinary loss.</p> <p>Finance lease transactions other than those by which the ownership of the leased assets is to be transferred to lessees are treated by the accounting method conform to that for ordinary rental transaction. Tax exclusion method is adopted.</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.</p> <p>As at present.</p> <p>As at present.</p>

Change in presentation of accounts

<p>Previous fiscal year (from January 1, 2003 to December 31, 2003)</p>	<p>Current fiscal year (from January 1, 2004 to December 31, 2004)</p>
<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>	<p>1. In the previous fiscal year, loss from revaluation of investments was 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. Loss from revaluation of investments during the previous fiscal year totaled 6 million yen.</p>

## Notes

## (Note on Balance Sheet)

Previous fiscal year (as of December 31, 2003)	Current fiscal year (as of December 31, 2004)
<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>	<p>* 1 Amount for related companies is included as follows:  Account payable-trade 339 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) 5,754 shares</p> <p>4 Guarantee of debts  The Company guarantees its employees' borrowing from banks (161 million yen) and, the borrowing from banks and advancement of Kensetsu Giken International from banks (275 million yen).</p> <p>5. Dividend restrictions  Due to the valuation of securities at market price, net assets increased by 134 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, 2003 to December 31, 2003)	Current fiscal year (from January 1, 2004 to December 31, 2004)																																																																						
<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  Membership 0  Total 0</p> <p>* 3 Loss from fixed assets disposal can be broken down as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Loss from fixed assets write-off (million yen)</th> <th style="text-align: center;">Loss from fixed assets cancellation (million yen)</th> <th style="text-align: center;">Loss from fixed assets selling (million yen)</th> <th style="text-align: center;">Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td style="text-align: center;">12</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">12</td> </tr> <tr> <td>Vehicle and delivery equipment</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Furniture and fixtures</td> <td style="text-align: center;">3</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Membership</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">15</td> <td style="text-align: center;">0</td> <td style="text-align: center;">5</td> <td style="text-align: center;">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	<p>* 1 Within non-operating profits, the total amount of profit from affiliated companies was 30 million yen, mainly comprised of the following major items.  Received dividends 10 million yen  Received rent income 18</p> <p>* 2 _____</p> <p>* 3 Loss from fixed assets disposal can be broken down as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Loss from fixed assets write-off (million yen)</th> <th style="text-align: center;">Loss from fixed assets cancellation (million yen)</th> <th style="text-align: center;">Loss from fixed assets selling (million yen)</th> <th style="text-align: center;">Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td style="text-align: center;">1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Furniture and fixtures</td> <td style="text-align: center;">4</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">4</td> </tr> <tr> <td>Softwares</td> <td style="text-align: center;">2</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Patent right</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Membership</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Long-term prepaid expenses</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">8</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">8</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	1	-	-	1	Furniture and fixtures	4	-	-	4	Softwares	2	-	-	2	Patent right	0	-	-	0	Membership	-	-	0	0	Long-term prepaid expenses	-	0	-	0	Total	8	0	0	8
	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)																																																																			
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Furniture and fixtures	3	-	-	3																																																																			
Membership	-	0	5	5																																																																			
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Patent right	0	-	-	0																																																																			
Membership	-	-	0	0																																																																			
Long-term prepaid expenses	-	0	-	0																																																																			
Total	8	0	0	8																																																																			



## (Notes on lease arrangements)

Previous fiscal year (from January 1, 2003 to December 31, 2003)				Current fiscal year (from January 1, 2004 to December 31, 2004)			
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	193	106	86	Furniture and fixtures	180	121	59
Software	7	4	3	Software	4	2	1
Total	200	110	89	Total	185	124	60
2. Unexpired lease payment at the end of term				2. Unexpired lease payment at the end of term			
Within one year 48 million yen				Within one year 42 million yen			
Over one year 45				Over one year 20			
Total 94				Total 63			
3. Lease payments, assumed depreciation, and assumed interest payments				3. Lease payments, assumed depreciation, and assumed interest payments			
Lease payments 65 million yen				Lease payments 55 million yen			
Assumed depreciation 60				Assumed depreciation 50			
Assumed interest payments 4				Assumed interest payments 3			
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, 2003)	Current fiscal year (as of December 31, 2004)
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, 2003)	Current fiscal year (as of December 31, 2004)
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	Deferred tax assets (current assets)	
	Social insurance premiums for bonuses	15 million yen
	Reserve for bonuses	113
	Others	11
	Subtotal	140
	Deferred tax liabilities (current liabilities)	
	Unpaid enterprise tax	6 million yen
	Subtotal	6
	Net deferred tax assets	134 million yen
	Deferred tax assets (fixed assets)	
	Reserve for retirement allowances	874 million yen
	Reserve for directors' retirement benefits	115
	Unrealized loss of securities	88
	Unrealized loss of membership	29
	Others	18
	Subtotal	1,127
	Deferred tax liabilities (fixed liabilities)	
	Unrealized gains or losses on other securities	40 million yen
	Subtotal	40
	Net deferred tax assets	1,086 million yen
Deferred tax assets (current assets)		
Accrued enterprise tax	39 million yen	
Social insurance premiums for bonuses	13	
Reserve for bonuses	121	
Others	42	
Subtotal	216	
Deferred tax assets (fixed assets)		
Reserve for retirement allowances	816 million yen	
Reserve for directors' retirement benefits	113	
Unrealized loss of securities	88	
Unrealized loss of membership	26	
Others	10	
Subtotal	1,056	
Deferred tax liabilities (fixed liabilities)		
Unrealized gains or losses on other securities	92 million yen	
Subtotal	92	
Net deferred tax assets	964 million yen	

Item	Previous fiscal year (as of December 31, 2003)	Current fiscal year (as of December 31, 2004)																														
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	<table border="0"> <tr> <td>Legal effective tax rate (Adjustment)</td> <td>42.05%</td> </tr> <tr> <td>No entry of loss from entertainment expense etc.</td> <td>0.83</td> </tr> <tr> <td>Per capita inhabitant tax</td> <td>3.81</td> </tr> <tr> <td>No entry of profit from dividend earned etc.</td> <td>-0.32</td> </tr> <tr> <td>Reduction of deferred tax assets at the end of the year due to tax rate revision</td> <td>2.30</td> </tr> <tr> <td>Special deductions, including expropriation</td> <td>-1.26</td> </tr> <tr> <td>Others</td> <td>-0.88</td> </tr> <tr> <td>Bearing rate of corporation tax or the like after application of tax effect accounting</td> <td>46.53</td> </tr> </table>	Legal effective tax rate (Adjustment)	42.05%	No entry of loss from entertainment expense etc.	0.83	Per capita inhabitant tax	3.81	No entry of profit from dividend earned etc.	-0.32	Reduction of deferred tax assets at the end of the year due to tax rate revision	2.30	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	<table border="0"> <tr> <td>Legal effective tax rate (Adjustment)</td> <td>42.05%</td> </tr> <tr> <td>No entry of loss from entertainment expense etc.</td> <td>0.98</td> </tr> <tr> <td>Per capita inhabitant tax</td> <td>4.18</td> </tr> <tr> <td>No entry of profit from dividend earned etc.</td> <td>-0.36</td> </tr> <tr> <td>IT related investment promotion tax system</td> <td>-0.86</td> </tr> <tr> <td>Others</td> <td>-0.71</td> </tr> <tr> <td>Bearing rate of corporation tax or the like after application of tax effect accounting</td> <td>45.28</td> </tr> </table>	Legal effective tax rate (Adjustment)	42.05%	No entry of loss from entertainment expense etc.	0.98	Per capita inhabitant tax	4.18	No entry of profit from dividend earned etc.	-0.36	IT related investment promotion tax system	-0.86	Others	-0.71	Bearing rate of corporation tax or the like after application of tax effect accounting	45.28
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Others	-0.71																															
Bearing rate of corporation tax or the like after application of tax effect accounting	45.28																															
	<p>( Tax effect accounting )</p> <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, 2003 to December 31, 2003)	Current fiscal year (from January 1, 2004 to December 31, 2004)
Net assets per share 1,140.58 yen	Net assets per share 1,190.51 yen
Current net income per share 60.68 yen	Current net income per share 56.56 yen
Current net income per share after adjustment of potential shares is not stated because there no potential shares. ( Current net income per share )	As at present.
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, 2003 to December 31, 2003)	Current fiscal year (January 1, 2004 to December 31, 2004)
Current term net income in the income statement (million yen)	875	818
Current term net income related to common shares (million yen)	858	800
Breakdown of major amounts not belonging to ordinary shareholders (million yen)		
Bonuses for directors based on appropriation of profits	17	18
Amounts not belonging to ordinary shareholders (million yen)	17	18
Average number of common shares for the entire fiscal year (shares)	14,155,046	14,154,055
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, 2003 to December 31, 2003)	Current fiscal year (from January 1, 2004 to December 31, 2004)
_____	_____

## (iv) Supplemental specifications

## Specifications of securities

## Shares

		Issuer name	Number of shares	Book value on balance sheet (million yen)
Investment securities	Other investment securities	T&D Holdings, Inc.	19,200	94
		UFJ Holdings, Inc.	123.78	76
		Maezawa Kasei Industries Co., Ltd.	36,000	71
		Mitsubishi Tokyo Financial Group, Inc.	69	71
		Mizuho Financial Group, Inc.	81	41
		Asia Air Survey Co., Ltd.	102,000	25
		Chuo Securities Co., Ltd.	60,000	24
		West Japan System Construction Corp.	74,000	21
		Kuwayama Corporation	26,400	18
		Oyo Corp.	17,666	17
		METOCEAN ENVIRONMENT INC.	17,000	11
		SHO-BOND Corporation	12,800	10
		Others (15 issuers)	76,549	40
		Total	441,888.78	525

## 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)	501,208,439	501
		UFJ Partners Asset Management Co., Ltd. (Medium-term government securities fund)	705,755,926	705
		Daiwa Securities Investment Trust Consignment Co., Ltd. (Money Management Fund)	201,072,109	201
		(Free Financial Fund)	200,217,554	200
		DWS Investment S.A. (Deutsch Monay-Plus)	50,000	500
				Total

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	3,945	3	7	3,941	1,669	140	2,271
Structures	714	–	–	714	388	27	326
Machinery and equipment	235	–	–	235	181	9	53
Vehicle and delivery equipment	20	–	–	20	14	3	6
Furniture and fixtures	723	17	64	677	524	56	152
Land	4,581	–	–	4,581	–	–	4,581
Total tangible fixed assets	10,222	21	72	10,171	2,778	238	7,392
Intangible fixed assets							
Leasehold	16	–	–	16	–	–	16
Software	700	137	7	831	541	131	289
Telephone right	22	–	–	22	–	–	22
Right of using special facilities	6	–	–	6	4	0	2
Leasehold	1	–	0	1	0	0	0
Total intangible fixed assets	748	137	8	878	546	131	331
Long-term prepaid expenses	45	2	0	47	24	10	22
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)	7,000	700	–	7,700
	Total (million yen)	7,176	700	–	7,876

Note:

1. The number of treasury stocks as at the final day of the fiscal year was 5,754.
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	337	297	337	–	297
Reserve for directors' retirement benefits	285	23	29	–	279

Note:

Decrease during the year (Others) to the allowance for doubtful accounts represents reversal of allowance to doubtful accounts due to revaluation.

(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	1,066
Ordinary deposit	6,895
Special deposit	1
Subtotal	7,964
Total	7,969

(ii) Accounts receivable from completed services

(a) Breakdown by client

Client	Amount (million yen)
Japanese Government	142
Republic of the Philippines	126
Republic of Indonesia	73
Miyagi Prefecture	30
Shizuoka Prefecture	28
Hyogo Prefecture	26
Japan Highway Public Corporation	21
Aichi Prefecture	21
Kyoto City	20
Kyoto Kankyou Hozen Kosha	18
Others	98
Total	607



(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
759	1,835	1,987	607	76.6	135.9

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	3,682
Subcontractor cost	3,306
Expense	1,666
Total	8,655

2) Liabilities

(i) Accounts payable—Trade

Service provider	Amount (million yen)
CTI Engineering International Co., Ltd.	240
Shin-Doboku Kaihatsu K.K.	42
AURA Engineering Co., Ltd.	31
Technical Consultants Co., Ltd.	24
OSAKA BROADCASTING CORPORATION	23
PR Design	23
Oyama Kenko	22
Mita Aojashin	18
TCI	17
Otsuka Corporation	17
Others	781
Total	1,242

(ii) Advances received

Client	Amount (million yen)
Japanese Government	3,441
Hyogo Prefecture	344
Nagasaki Prefecture	269
Chiba Prefecture	251
Fukuoka Prefecture	243
Water Resources Environment Technology Center	236
Fukushima Prefecture	231
Fukui Prefecture	219
NTT Data Corporation	185
SABO Technical Center	172
Others	3,885
Total	9,480

3) Allowance for retirement benefits

Items	Amount (¥1 million)
Retirement benefit liabilities	6,838
Pension assets	-3,945
Unrecognized differences in mathematical calculations	-730
Total	2,162

(3) Other

There is no applicable information.

## 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 (41 <sup>st</sup> fiscal year) | from January 1, 2003 to December 31, 2003 | Submitted to the director of the Kanto Local Finance Bureau on March 30, 2004.     |
| (2) Semiannual Securities Report                 | (during the 42nd fiscal year)              | from January 1, 2004 to June 30 2004      | Submitted to the director of the Kanto Local Finance Bureau on September 27, 2004. |

## Part2: SURETY COMPANY'S INFORMATION

Not applicable.