

# SECURITIES REPORT

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

**Fiscal Year (44th Term)**

(from January 1, 2006 to December 31, 2006)

**CTI Engineering Co., Ltd.**

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

(941-172)

44th Term (from January 1, 2006 to December 31, 2006)

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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 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 29, 2007
Fiscal Year	44th term (from January 1, 2006 to December 31, 2006)
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Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## Part 1: CORPORATE INFORMATION

### CHAPTER 1: General

#### 1. Changes in Major Management Indices

(1) Consolidated Management Indices of the Company

Fiscal year		40th term	41st term	42nd term	43rd term	44th term
Fiscal year-end		December 2002	December 2003	December 2004	December 2005	December 2006
Sales amount	(million yen)	28,957	27,749	25,771	28,166	28,977
Ordinary profit	(million yen)	2,001	1,756	1,536	1,662	1,366
Net income	(million yen)	940	885	813	755	698
Net assets	(million yen)	15,514	16,270	16,971	17,697	18,164
Total assets	(million yen)	32,958	30,898	32,620	30,377	30,015
Net assets per share	(yen)	1,095.96	1,148.25	1,197.86	1,248.99	1,277.83
Net income per share	(yen)	66.43	61.34	56.23	51.78	49.35
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	47.1	52.7	52.0	58.3	60.2
Profit ratio of net worth	(%)	6.2	5.6	4.9	4.4	3.9
Price earnings ratio	(times)	7.31	8.41	12.66	20.70	15.60
Cash flow from operating business activities	(million yen)	2,042	240	1,918	-1,854	-601
Cash flow from investment activities	(million yen)	-350	-100	-753	591	-398
Cash flow from financial activities	(million yen)	-626	-1,872	-223	-22	-328
Closing balance of cash and cash equivalents	(million yen)	10,973	9,206	10,142	8,875	7,576
Number of employees (plus average number of temporary employees)	(persons)	1,029 (372)	1,029 (371)	1,037 (378)	1,094 (430)	1,239 (409)

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		40th term	41st term	42nd term	43rd term	44th term
Fiscal year-end		December 2002	December 2003	December 2004	December 2005	December 2006
Sales amount	(million yen)	28,305	26,801	25,050	27,083	27,406
Ordinary profit	(million yen)	1,944	1,717	1,538	1,628	1,383
Net income	(million yen)	921	875	818	742	733
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)	15,414	16,161	16,867	17,580	18,018
Total assets	(million yen)	32,349	30,363	32,042	29,569	28,926
Net assets per share	(yen)	1,088.95	1,140.58	1,190.51	1,240.72	1,273.35
Cash Dividend per share (Interim dividend per share)	(yen)	12.00 (-)	12.00 (-)	12.00 (-)	16.00 (-)	16.00 (-)
Net income per share	(yen)	65.11	60.68	56.56	50.85	51.80
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	47.7	53.2	52.6	59.5	62.3
Profit ratio of net worth	(%)	6.1	5.5	5.0	4.3	4.1
Price earnings ratio	(times)	7.46	8.50	12.58	21.08	14.86
Divided Payout ratio	(%)	18.4	19.7	21.2	31.5	30.9
Number of employees (plus average number of temporary employees)	(persons)	979 (372)	978 (371)	985 (378)	1,036 (430)	1,083 (409)

Note:

1. Sales amount does not include consumption tax.
2. Cash dividend per share for the 40th term includes 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 because no potential shares have been issued.

## 2. Chronology

Date	Outline
April 1963	Established “Kensetsu Giken KK” in Ginza-nishi (Ginza 3-chome at present), Chuo-ku, Tokyo to conduct engineering consulting business
April 1963	Started business at the Head Office and Osaka Office in Minami-ku (Chuo-ku at present), Osaka at the same time as company establishment
February 1964	Changed trading name to “KK Kensetsu Gijutsu Kenkyujo (= CTI Engineering Co., Ltd.)”
December 1964	Registered at the Ministry of Construction as a construction consultant (No. 39-133)
June 1967	Opened Fukuoka Liaison Office (Fukuoka Office at present) in Fukuoka-shi, Fukuoka
April 1969	Moved the Head Office to Nihonbashi-koamicho, Chuo-ku, Tokyo
September 1973	Moved the Head Office to Nihonbashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (Overseas Department at present) in the Head Office to increase the number of oversea project orders
April 1976	Opened Sendai Liaison Office (Sendai Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” to be exclusively engaged in construction management projects
June 1988	Opened Sapporo Liaison Office (Hokkaido Office at present) in Chuo-ku, Sapporo
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
April 1991	Opened Tokyo Office (Tokyo Head Office at present) in 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
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaragi
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
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 1999	Established CTI Engineering International Co., Ltd. to isolate overseas operations making it independent of other operations
April 1999	Assigned the goodwill of the overseas division to the CTI Engineering International
June 1999	Stock listed on the First Section of the Tokyo Stock Exchange
December 1999	Established Management Techno Co., Ltd. to be exclusively engaged in management businesses
April 2000	Opened Management Business Department to be in charge of management business
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	The operations of CTI Environmental Techno Co., Ltd. were transferred to CTI Chousasekkei, and the latter was renamed as AURA Engineering Co., Ltd.

Date	Outline
May 2005	In the company' s 60th year of operations, the head office was relocated to Nihonbashi Hamacho, Chuo-ku, Tokyo.
June 2006	On June 1, 2006, the Fukuoka Association of Land Readjustment transferred its commercial operations to the Company' s wholly owned subsidiary, Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006)



### 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 two consolidated subsidiaries 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:

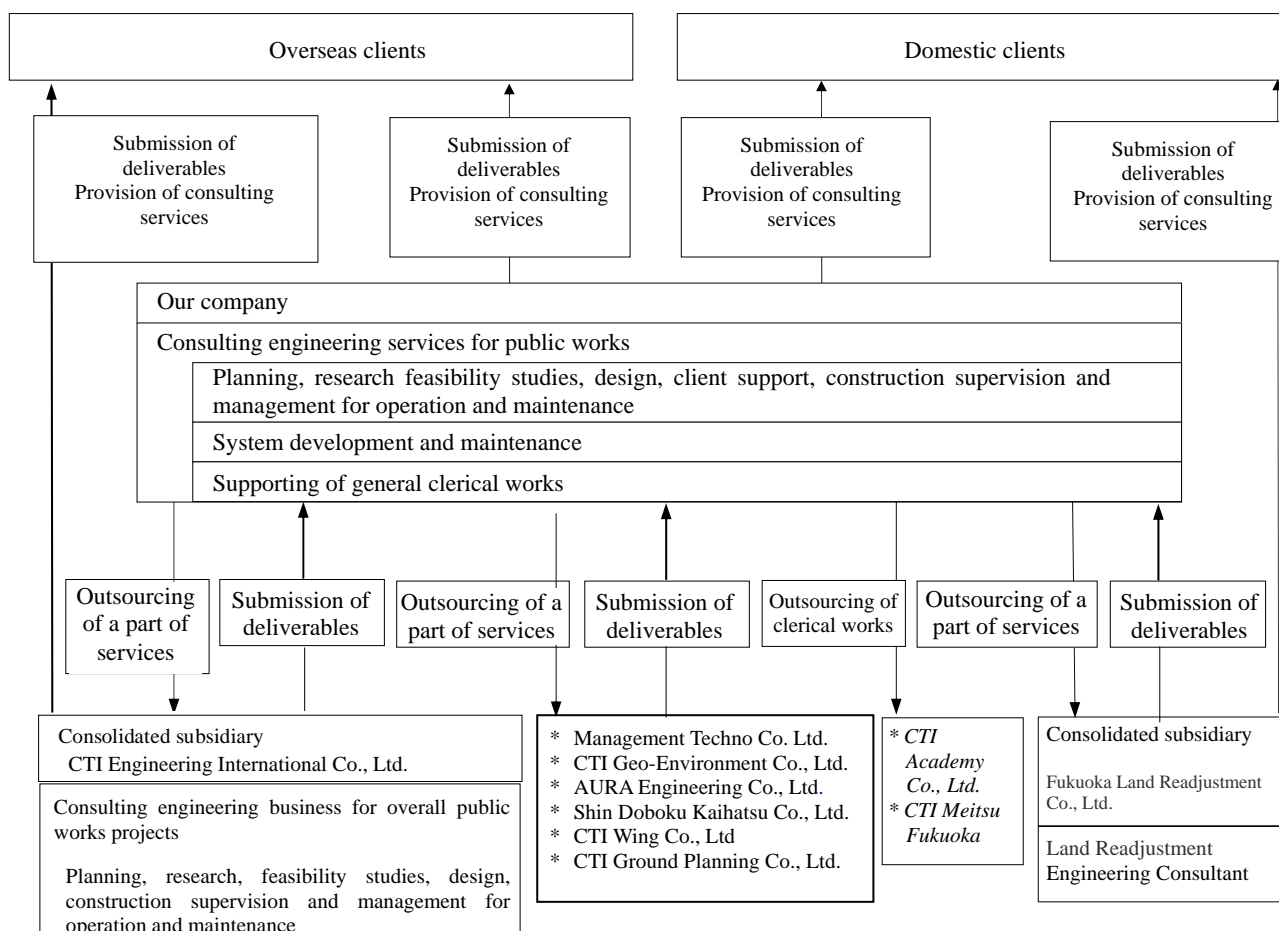
#### (i) Domestic operations

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, and land readjustment works. With the exception of land readjustment works, handled by the Company's subsidiary Fukuoka Land Readjustment Co., Ltd., the Company is in control of all other 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) On June 1, 2006 the Fukuoka Association of Land Readjustment transferred its commercial operations to Fukuoka Land Readjustment 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. Shared Auditors and debt guarantee. In addition to receiving orders from the Company for construction consulting, directly receives orders for land readjustment works.
Consolidated subsidiary  Fukuoka Land Readjustment Co., Ltd.	Chuo-ku, Tokyo	100,000	Land Readjustment Engineering Consulting	100.0	

#### 5. Situation of employees

##### (1) Consolidation basis

Number of employees (persons)	1,239(409)
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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. On June 1, 2006 the Fukuoka Association of Land Readjustment transferred a portion of its operations to the Company's wholly owned subsidiary Fukuoka Land Readjustment Co., Ltd. for works related to urban planning and land readjustment under a special account, resulting in the transfer of 93 employees.

##### (2) Non-consolidation basis

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
1,083 (409)	40.4	12.0	8,144,674

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: 688 (as of December 31, 2006)
- (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 this consolidated fiscal year there were signs of recovery in the Japanese economy, including improvements in corporate revenues and a gradual increase in both capital investment and consumer spending.

However in the construction consultancy industry, in which the Group is involved, because of the strict budget constraints on national and local governments overall public spending continued to decline, meaning it was a difficult environment in which to attract orders. In this circumstances, the number of orders placed using the “Proposal System” (a selection system based on engineering ability) expanded greatly, further intensifying price and quality competition.

Against this background, the Group put emphasis on improving engineering skills through human resources acquisition, technical development and its succession, increased its focus on certain engineering sectors and potential regional markets, and developed cost effective system. With the enactment of the “Public Works Quality Assurance Promotion Law” in April 2005, the selection process by the Ministry of Land, Infrastructure and Transport for construction consulting became more focused on the evaluation of engineering skills. Accordingly, the number of requests made to the Company to offer proposals greatly increased. To respond to these requests, an East/West Japan organizational structure was introduced to strengthen regional coordination functions, and as a result both the number of requests for proposal and the amount of orders greatly increased.

In the meantime, on June 1, 2006, with the aim of expanding our urban business sector, Fukuoka Land Readjustment Co., Ltd, a wholly owned subsidiary of the Company, commenced its business based on a transfer of commercial operations from the Fukuoka Association of Land Readjustment. To date, this business has shown steady growth.

As a result, in this consolidated fiscal year, orders received were 29,676 million yen, a YoY increase of 7.0%, and income from completed sales was 28,977 million yen, a YoY increase of 2.9%. However, with the aim of strategic expansion of the Company’s businesses, priority investment in new businesses resulted in an increase in costs, meaning that ordinary profit decreased YoY by 17.8% and net income by 7.5%, at 1,366 million yen and 698 million yen, respectively.

#### (2) Cash Flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) decreased YoY by 1,299 million yen compared to the end of the previous year, totaling 7,576 million yen.

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)

Net cash used for operating activities was 601 million yen (Consolidated YoY decrease 67.6%).

Major items were a reduction in advances received from incomplete services of 902 million yen, which was offset by an increase of 282 million yen as a result of a decrease allowance for losses in operations and accounts payable.

##### (Cash flow from investment activities)

Net cash obtained from investment activities was 398 million yen (Consolidated YoY increase —%).

Major items were expenses for acquisition of marketable securities of 247 million yen and net increases from repayments of loans of 119 million yen.

(Cash flows from financial activities)

Net cash used for financial activities was 328 million yen(Consolidated YoY increase 1390.0%).

Major items were dividend payments of 226 million yen and a net decrease in short-term borrowings of 100 million yen.

## 2. Production, orders received and sales

The Company's group is engaged in a single business as engineering consulting and incidental services. The Company does not have business categories other than this, and its statements below are shown with a single segment.

### (1) Production results

Category	Current consolidated fiscal year (From January 1, 2006 to December 31, 2006) (million yen)	Change from the same term in previous year (%)
Engineering consulting	28,977	2.9
Total	28,977	2.9

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

### (2) Order receiving situation

Category	Current consolidated fiscal year (From January 1, 2006 to December 31, 2006)			
	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	29,676	7.0	28,079	6.9
Total	29,676	7.0	28,079	2.6

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

### (3) Sales results

#### 1) Sales results

Category	Current consolidated fiscal year (From January 1, 2006 to December 31, 2006) (million yen)	Change from the same term in previous year (%)
Engineering consulting	28,977	2.9
Total	28,977	2.9

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, 2005 to December 31, 2005)		Current consolidated fiscal year (From January 1, 2006 to December 31, 2006)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government	10,234	36.3	11,269	38.9

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

The amount allocated by the national government in its proposed 2007 budget for public works spending has been decreased by 3% compared to the previous year ensuring a more intense competition. Furthermore, as the number of projects ordered by the Ministry of Land, Infrastructure and Transport proposal system expanded dramatically in the previous fiscal year, it is predicted that in FY2007 there will be a similar trend for local government works meaning that engineering competition will further intensify.

The Company, anticipating this trend, has already begun to actively implement a number of strategies to increase competitiveness in terms of both engineering ability and price. From the next fiscal year onwards, the Company will continue its heavy emphasis on the strategies listed below while at the same time maintaining a solid business base to ensure its competitive advantage in both engineering ability and price and ensure that its recovery trend in terms of orders received continues.

- 1) The Company will continue its strategy of increasing the number of engineering staff and strengthening engineering skills to improve its engineering competitiveness while at the same time increasing price competitiveness through cost reduction measures such as outsourcing management.
- 2) In the 45<sup>th</sup> fiscal period, the Company will continue its active expansion, with special emphasis on a urban related sector, as well as international and management sectors.
- 3) In addition to the Company's "Step Review," under which verifications and checks are performed at each stage of design, as an additional quality assurance system, the Company will reinforce a "Proof Engineer" system, which was introduced in the last fiscal year as an in-house dedicated checking system under which verifications are performed independent of the original design team.

The Company management also continues its effort to create a professional corporate environment in which all staff conduct themselves with a sense of professionalism in terms of both engineering skills and social morals.

### **4. Business risks**

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

### **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 560 million yen 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, new energy and energy saving measures, landscape, public relations related technology, and public policy)
- 2) Commercialization research (asset management, international business, regional management, comprehensive

- management of dam projects, environmental systems, and water systems)
- 3) Investigative Research (prediction of tsunamis and tidal surges, satellite data transmission services, tunnel related research, eco-road technologies, IT investment cost reduction methods, Ariake Sea environmental rehabilitation, next generation road transport systems and road related risks.)

## 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 30,015 million yen, down by 1.2% compared to the previous year.

The major item was a decrease in cash and deposits due to an increase in operating expenses.

#### (Liabilities)

Total liabilities at the end of this consolidated fiscal year were 11,851 million yen, a decrease of 5.9% compared to the end of the previous year.

The major item was a decrease in income from incomplete services resulting from an increase in completed services.

#### (Net Asset)

At the end of the current consolidated fiscal year, net asset totaled 18,082 million yen, up by 2.2% over a year earlier. This is mainly because net income for the current term was reported.

### (2) Business performance

As of the end of this consolidated fiscal year, orders received amounted to 29,676 million yen, a YoY increase of 7.0%.

While income from completed services was 28,977 million yen, a YoY increase of 2.9%, ordinary profit decreased YoY 17.8% to 1,366 million yen and net income for this fiscal year declined by 7.5% to 698 million yen.

The major item was an increase in costs resulting from active prior investment in new businesses.

### (3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) decreased by 1,299 million yen compared to the end of the previous year, totaling 7,576 million yen.

For this consolidated fiscal year, cash flow according to category and the major contributing factors were as follows.

Net cash used for operating activities was 601 million yen (a YoY decrease of 67.6% compared to the consolidated accounts for the previous fiscal year).

Major items were a reduction in advances received from incomplete services of 902 million yen, which was offset by an increase of 282 million yen as a result of an allowance for losses in operations and accounts payable.

Net cash used for investment activities was 398 million yen (Consolidated YoY increase —%).

Major items were expenses for acquisition of marketable securities of 247 million yen and net increase from repayment for loans of 119 million yen.

Net cash used for financial activities was 328 million yen (YoY increase of 1390.0%).

Major items were dividend payments of 226 million yen and a net decrease in short-term borrowings of 100 million yen.



## CHAPTER 3: FACILITIES & EQUIPMENT

### 1. Outline of Investment into Facilities and Equipment

The Group committed 51 million yen in capital investment to strengthen customer-oriented sales and improve its business operations environment. In this consolidated fiscal year, there was no investment in, sale or disposal of facilities that had a major influence on the Company's operational capabilities.

### 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, 2006

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> )	Other	Total	
Head Office (Chuo-ku, Tokyo)	General administrati on facilities	9	2	—	37	48	59 (10)
Tokyo Head Office (Chuo-ku, Tokyo)	Office	45	—	—	74	119	270 (113)
Tokyo Head Office Saitama Office (Urawa-ku, Saitama)	Office	957	0	772 (1,978)	24	1,800	130 (56)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Office and laboratory facilities	430	32	1,937 (50,605)	6	2,442	40 (20)
Yono Dormitory (Chuo-ku, Saitama)	Welfare facilities	339	—	820 (1,565)	1	1,184	— (—)
Kyushu Office (Chuo-ku, Fukuoka)	Office	511	5	1,025 (1,136)	10	1,582	111 (28)

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

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

#### (2) Subsidiaries in Japan

Not applicable.

#### (3) Subsidiaries out of Japan

Not applicable.

### 3. New Construction or Removal Plan for Equipment

There are no plans to either introduce to or remove any major equipment from the consolidated accounts for this fiscal year.

## CHAPTER 4: STATUS OF THE COMPANY

### 1. Status of Shares

(1) Total Number of Shares, etc.

(i) Total Number of Shares

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

(ii) Number of Shares Issued

Type	Issued shares as of the end of the fiscal year (shares) (December 31, 2006)	Issued shares as of the date for submission (shares) (March 29, 2007)	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) Rights Plan

Not applicable.

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

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

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

## (5) Shareholders

As of December 31, 2006

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 etc.	Total	
					Other than Individuals	Individuals			
Number of shareholders (persons)	–	40	26	117	37	2	2,853	3,075	–
Number of shares held (units)	–	39,385	2,593	12,259	12,071	190	74,592	141,090	50,086
Shareholding ratio (%)	–	27.9	1.8	8.7	8.6	0.1	52.9	100.0	–

Note:

1. Among treasury stocks (8,535 stocks), 85 units are counted as “Individuals etc.” and 35 stocks are counted as “Shares below a unit” in the table above. Note that, however, 8,535 is the number indicated on the shareholders’ list. The number of stocks actually held is 8,435 stocks as of December 31, 2006.
2. “Other corporations” and “Shares below a unit” in the table above include 63 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

## (6) Major shareholders

As of December 31, 2006

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	21-1, Nihonbashi-hamacho 3-chome, Chuo-ku, Tokyo	1,721	12.2
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	976	6.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	464	3.3
State Street Bank and Trust Company 505019 (Standing proxy: Mizuho Corporate Bank, Ltd.)	6-7 Nihonbashi-kabutocho, Chuo-ku, Tokyo	382	2.7
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	354	2.5
Japan Trusty Service Bank, Ltd. (trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	331	2.3
Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	300	2.1
UBSAG London Asia Equities (Standing proxy: UBS Securities)	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	284	2.0
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	269	1.9
Dai-ichi Mutual Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	269	1.9
Total	—	5,353	37.8

Note: All shares held in The Master Trust and Bank of Japan, Ltd. (trust account) and 329 thousand shares held in Japan Trusty Service Bank, Ltd. (trust account) are shares related to trust operations.

(7) Voting rights

(i) Issued Shares

As of December 31, 2006

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 (Other)	–	–	–
Shares with complete voting rights (Treasury stocks, etc)	(Treasury stocks) Ordinary stocks 8,400	–	–
Shares with complete voting rights (Other)	Ordinary stocks 14,100,600	141,006	–
Shares below a unit	Ordinary stocks 50,086	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	141,006	–

Note:

1. Included in “Shares with complete voting rights (other)” are 6,300 shares (63 votes) registered in the name of the Japan Securities Depository Center, Inc.
2. Included in “Shares below a unit” are 35 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2006

Name of owners	Address of owners	Number of shares held in its own name (shares)	Number of shares held disguised ownership (shares)	Total number of shares held (shares)	Ratio of the shares held against the total number of shares issued (%)
CTI Engineering Co., Ltd.	21-1, Nihonbashi-hamacho 3-chome, Chuo-ku, Tokyo	8,400	–	8,400	0.1
Total	–	8,400	–	8,400	0.1

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 “Other” under “Shares with complete voting rights” in the table of “Issued Shares” above.

(8) Contents of the stock option system

Not applicable.

## 2. Acquisition of Treasury Stocks

Types of Shares Acquisition of ordinary shares through purchase demanded for shares of less than one transaction unit pursuant to Article 221.6 of the previous Commercial Code and acquisition of ordinary shares in accordance with Article 155.7 of the Company Law.

(1) Acquisition of Shares by Resolution at a General Shareholders Meeting

None.

(2) Acquisition of Shares by Resolution at a Board of Directors Meeting

None.

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

Acquisition of ordinary shares through purchase demanded for shares of less than one transaction unit pursuant to Article 221.6 of the previous Commercial Code and acquisition of ordinary shares in accordance with Article 155.7 of the Company Law.

Category	No. of Shares	Total Price (Yen)
Treasury stock acquired in this fiscal year.	521	507,826
Treasury stock acquired in this period.	81	63,743

Note: Treasury stock acquired in this period do not include shares acquired that were less than one transaction unit from March 1, 2007 to the date of the submission of this Securities Report.

(4) Disposal and Holding of Acquired Treasury Stock

Category	This Fiscal Year		This Period	
	No. of Shares	Total Amount Received on Divestiture (Yen)	No. of Shares	Total Amount Received on Divestiture (Yen)
Treasury stock acquired by public subscription.	—	—	—	—
Treasury stock extinguished.	—	—	—	—
Treasury stock acquired due to transfers from mergers, share swaps and company split-offs	—	—	—	—
Other	—	—	—	—
Held Treasury Stock	8,435	—	8,516	—

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2007 to the date of the submission of this Securities Report.

### 3. Dividend Policy

The Company determines dividends by resolution at a General Shareholders Meeting. While the Company's Articles of Incorporation, pursuant to Article 454.5 of the Company Law, allow payment of interim dividends, as a general rule, dividends are paid once a year.

In determining dividends, while considering returns to investors, it is critical to maintain an appropriate level of retained earnings to ensure stable operations, as a construction consultancy engaged in operations of a highly public nature, Retained earnings are for future use to ensure the necessary funds for business expansion, to execute new operations systems for future public works which are predicted to expand, and for priority investment in new fields of technology related to the environment, urban planning, and new energy.

As in the past, based on a stable dividend policy, the Company will continue to provide returns on shareholder investment by taking into account the dividend payment ratio.

Note: In respect of the dividend for the record date, December 31, 2006, at the 44<sup>th</sup> Ordinary General Shareholders Meeting held on March 28, 2007, it was resolved to pay a dividend of 16 yen per share (Total dividend payment amount 226 million yen).

### 4. Change in Stock Price

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

Fiscal year	40th term	41st term	42nd term	43rd term	44th term
Fiscal year end	December 2002	December 2003	December 2004	December 2005	December 2006
Highest (yen)	639	598	757	1,199	1,196
Lowest (yen)	462	455	502	630	650

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 2006	August 2006	September 2006	October 2006	November 2006	December 2006
Highest (yen)	946	887	860	820	765	798
Lowest (yen)	820	800	780	750	650	701

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	Term of office (Note no.)	Number of shares held (thousand)
Chairman & Representative Director		Yumio Ishii	December 4, 1935	April 1959 Joined Civil Engineering Research Laboratory April 1963 Joined CTI Engineering June 1975 General Manager, Water Resources Div. I May 1982 Director & Member of the Board June 1988 Managing Director March 1991 Senior Managing Director and Tokyo Office Branch Administrator March 1994 Vice President & Representative Director March 1995 President & Representative Director March 2003 Chairman & Representative Director (present post)	1	94
President & Representative Director		Kazuya Oshima	July 8, 1946	April 1969 Joined CTI Engineering April 1991 General Manager, Water Resources Div. II, Tokyo Office April 1994 Chief, Human Intelligence Dept., Tokyo Office March 1995 Director & Member of the Board April 1997 Deputy Branch Administrator, Tokyo Office March 1998 Managing Director April 1999 Tokyo Office Branch Administrator March 2000 Senior Managing Director March 2001 Vice President March 2002 Vice President & Representative Director March 2003 President & Representative Director (present post)	1	55
Vice President	Principal, Osaka Head Office	Tetsuzo Okada	November 28, 1945	April 1970 Joined "Shin-Nihon Gijutsu Consultant Corp." July 1976 Joined CTI Engineering April 1991 General Manager, Highway & Bridges Div. II Osaka Office April 1995 Deputy Chief, Road & Traffic Dept. Osaka Office March 1997 Director & Member of the Board and Chief, Road & Traffic Dept. Tokyo Office April 1999 Deputy Branch Administrator, Tokyo Office March 2000 Managing Director and Chief, Headquarters Business Development Dept. March 2003 Senior Managing Director and Administrator of Tokyo Head Office March 2005 Vice President (present post) April 2005 Principal, Osaka Head Office (present post)	1	28

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Vice President	Principal, Tokyo Head Office	Kazunori Yoshioka	January 4, 1946	July 1998 July 2002 March 2003 March 2005 April 2005 March 2007	Joined the Japan Institute of Construction Engineering Joined CTI Engineering, Chief Engineer of Headquarters Research & Development Dept. Managing Director and Chief of Headquarters Research & Development Dept. Senior Managing Director Principal, Tokyo Head Office (present post) Vice President (present post)	1	7
Senior Managing Director	Chief, Headquarters Engineering Dept.	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 April 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 Branch Administrator of Tohoku Office Branch Administrator of Osaka Office Senior Managing Director (present post) Chief, Headquarters Engineering Dept. (present post)	1	35
Managing Director	Chief, Headquarters Business Development Dept.	Reiichi Abe	November 4, 1949	April 1974 April 1994 April 1997 April 1999 March 2000 March 2003	Joined CTI Engineering General Manager, Water Resources Div. I, Water Resources Dept., Tokyo Office Chief, Water Resources Dept., Tokyo Office Deputy Branch Administrator, Osaka Office Director & Member of the Board Managing Director and Chief of Headquarters Business Development Dept. (present post)	1	24
Managing Director	In charge of Management Business Dept.	Yoshihito Sabase	December 23, 1949	April 1974 April 1993 April 1997 March 1999 March 2000 April 2000 March 2003 March 2005 Feb. 2007	Joined CTI Engineering General Manager, Information Technology Div., Human Intelligence Dept., Tokyo Office Chief, Information & Construction Management Headquarters Tokyo Office Chief, Construction Management Headquarters Director & Member of the Board Management Business Dept. Branch Administrator Managing Director (present post) and General Manager of Headquarters Operation Development Dept. President & Representative Director of Management Techno Co., Ltd. In charge of Management Business Dept. (present post)	1	19



Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Managing Director	Principal, Kyushu Office and Okinawa Office	Konomu Uchimura	March 11, 1950	April 1974 April 1994 April 1997 April 1999 March 2000 April 2001 March 2003 March 2006	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. Managing Director (present post) Principal, Kyushu Office and Okinawa Office (present post)	1	18
Managing Director	Chief, Headquarters Management Dept.	Kazuo Murata	September 26, 1951	April 1978 April 1997 April 1999 April 2001 March 2003 April 2003 April 2004 March 2006	Joined CTI Engineering General Manager, Water Resources Div. V, Water Resources Dept. Tokyo Office Chief, Water Resources Dept., Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director, Member of the Board and Chief of Headquarters Quality Management Dept. President & Representative Director of CTI Academy (present post) General Manager of Management Planning Dept. and Deputy Chief of Management Div. Managing Director, General Manager of Management Dept. (present post)	1	17
Managing Director	Principal, Chubu Office	Yasuki Komatsu	October 15, 1951	April 1976 April 1998 April 1999 April 2001 March 2003 April 2003 March 2006	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 Deputy Administrator, Tokyo Head Office Managing Director, Principal of Chubu Office (present post)	1	16
Managing Director	Deputy Chief, Headquarters Engineering Dept.	Kunihiko Harada	December 7, 1947	Sept. 2002 June 2006 March 2007	Joined Teito Kosokudo Kotsu Eidan (Presently Tokyo Metro Co., Ltd.) Joined CTI Engineering, Chief Engineer of Headquarters Research & Development Dept Managing Director, Deputy Chief, Headquarters Engineering Dept. (present post)	2	3
Managing Director	Deputy Chief, Headquarters Engineering Dept.	Tsuneo Uesaka	January 1, 1948	April 2001 August 2006 March 2007	Joined Japan Dam Engineering Center. Joined CTI Engineering, Chief Engineer of Headquarters Research & Development Dept Managing Director, Deputy Chief, Headquarters Engineering Dept. (present post)	2	2

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director		Keiichi Koya	October 1, 1949	April 1974 April 1994 April 1997 April 1999 March 2000 March 2004 Feb. 2006	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 President and Representative Director, CTI Wing Co., Ltd. (present post)	1	15
Director	Principal, Tohoku Office	Koji Nukazawa	December 9, 1947	May 1999 May 2001 March 2002 April 2002 March 2003	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. Principal of Tohoku Office (present post)	1	10
Director	Deputy Principal, Tokyo Head Office	Asao Yu	January 17, 1955	April 1979 April 1997 April 2003 March 2005 April 2005	Joined CTI Engineering General Manager of Technical Dept. of Nagoya Branch, Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director (present post) Deputy Principal, Tokyo Head Office (present post)	1	7
Director	Deputy Chief, Headquarters Engineering Dept.	Hiroyori Toyooka	October 5, 1947	April 2001 April 2005 March 2006	Joined Economic Research Association Joined CTI Engineering, Deputy Chief, Headquarters Engineering Dept. (present post) Director (present post)	1	2
Director	Deputy Principal, Tokyo Head Office	Norio Tomonaga	September 15, 1953	April 1979 April 1998 April 2004 March 2006	Joined CTI Engineering General Manager, Road Div. Technical Dept. IV of Tokyo Office. Deputy Chief of Tokyo Head Office Director, Deputy Principal, Tokyo Head Office (present post)	1	15
Director	Deputy Principal, Osaka Head Office	Hideaki Kurita	January 1, 1954	April 1979 April 1998 April 2004 April 2005 March 2006	Joined CTI Engineering General Manager, Technical Dept. of Hiroshima Branch, Osaka Office. Deputy General Manager of Osaka Office Deputy Principal, Tokyo Head Office (present post) Director (present post)	1	8
Director	Deputy Chief, Headquarters Engineering Dept.	Masahumi Yamamoto	April 18, 1949	April 2003 April 2006 March 2007	Joined Foundation of River & Watershed Environment Management Joined CTI Engineering, Chief Engineer of Headquarters Research & Development Dept. Director, Deputy Chief, Headquarters Engineering Dept. (Present post)	2	2

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Statutory Auditor		Naomi Kanemaru	January 2, 1946	April 1964 April 1989 April 1998 April 2003 March 2006 March 2007	Joined CTI Engineering Manager Engineering Div. 6 Deputy Branch Administrator, Nagoya Office Deputy Chief, Headquarters Business Development Dept. Retired Internal Auditor (Present post)	3	22
Auditor		Ken Kamitakahara	February 2, 1944	April 1968 April 1991 April 1996 April 2000 March 2001 April 2001 November 2001 March 2003 March 2006	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 Deputy Branch Administrator, Tokyo Head Office President & Representative Director, CTI Environment Techno Co., Ltd. Branch Administrator of Chubu Office of CTI Engineering Auditor (present post)	4	26
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)	3	-
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)	3	-
Total							434

- Note: 1 From March 29, 2006 until the conclusion of the ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2007.
- 2 From March 28, 2007 until the conclusion of the ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2007.

- 3 From March 28 2007 until the conclusion of the ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2010.
- 4 From March 29, 2006 until the conclusion of the ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2009.
- 5 Auditors, Kunihiro Horiuchi and Tomoo Araki, are external auditors pursuant to Article 2.16 of the Company Law.
- 6 To ensure that the Company fully satisfies all conditions set forth under applicable laws a reserve auditor was appointed pursuant to Article 329.2 of the Company Law. The history of that auditor is as stated below.

Name	Date of Birth	History		Term of office (Note no.)	No. of shares held (Thousand)
Kyoko Kikuchi	April 20, 1951	April 1985 April 1988 April 1991 April 2000 September 2000	Tokai University Legal Research Assistant Tokai University Faculty of Law Full-time tutor Tokai University Faculty of Law Assistant Professor Tokai University Faculty of Law Professor (Present post) Licensed attorney (Present post)	1	—

- Note:
- 1 From March 28, 2007 until the conclusion of the ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2010.
  - 2 The reserve auditor, Kyoko Kikuchi, is an external auditor as stipulated under Article 2.16 of the Company Law.

## 6. Corporate governance

### (1) Basic policy of corporate governance

As stated in our corporate mission statement, the Company is a construction consultant that plays a role in providing the infrastructure vital for the improvement of the lifestyles of all people. As a member of the construction consultancy profession, it is the Company's basic management policy to conduct its operations in a neutral and independent manner, and to protect the lifestyle enjoyed by ordinary citizens who are the end users of this infrastructure. Therefore, the Company believes that it is necessary to increase the transparency of its management and the effectiveness of its internal control.

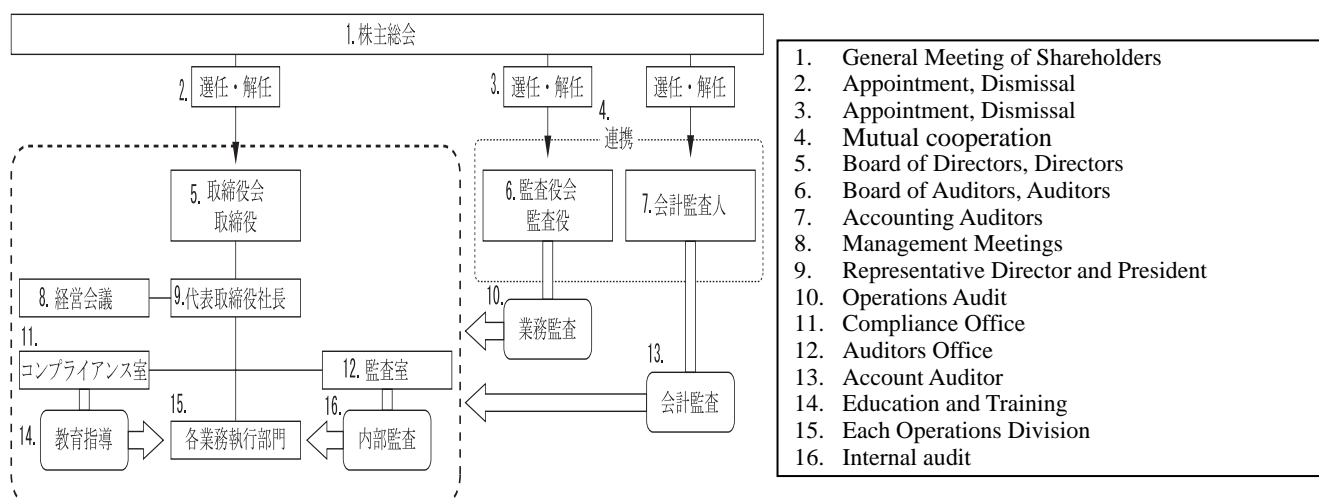
### (2) Implementation of corporate governance measures

#### 1) The role of our corporate bodies

Board of Directors meetings, as a general rule, are held once a month. The Board, in addition to passing resolutions on important business matters and other items also required under law, is also responsible for the overall supervision of the conduct of the Company's business. Further, the Board thoroughly discusses both internal and external issues. The designated number of directors is 22 and no external directors have been appointed.

The Company has appointed Auditors. The Auditors, in addition to attendance at Board of Directors meetings and other important meetings within the Company, audits corporate conduct as an independent body. At present 2 of the 4 Auditors are legal practitioners who have been appointed as external Auditors. The appointment of legal practitioners, with their high level of expertise and professional ethics, means that advice can be actively provided at an early stage of the decision-making process and ensures that the audit process is extremely thorough.

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



#### 2) Internal control system

A Compliance Office and Audit Office that are under the direct control of the President have been established, as has a corporate framework that ensures legal compliance by strengthening internal control systems. In addition, one of the legal practitioners appointed as an External Auditor has been requested to provide independent advice to any staff member with concerns as a means of further strengthening the company's in-house operations monitoring system. Furthermore, by entering into consulting agreements with a number of legal firms, the Company has established a system that ensures the timely provision of

appropriate advice.

As a further safeguard the Company regularly seeks the advice of its auditing firms to ensure the appropriate handling of all matters before any problems arise.

(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) Internal, external and accounts auditing

Internal audits are performed by the Audit Office that has the authority to request additional personnel as required. At present the Audit Office staff is comprised of 1 Audit officer and 4 assisting staff members. Planned internal comprehensive operational audits are performed annually on all divisions and departments within the Company.

Based on directives from the Board of Auditors, the Auditor performs the audit with his/her assisting staff. Both internal and external Auditors actively contribute to the decision-making process in its early stages to ensure thorough implementation of the Company's auditing system. The Board of Auditors also works in close cooperation with the Accounts Auditor, holding discussions as required, to ensure that both operations and accounting audit functions are mutually strengthened.

The Company has entered into an auditing agreement with Misuzu Audit Corporation as accounts the provisional audit firm. Since September of last year, the CPAs Setsuo Higuchi and Hideo Irie have been jointly responsible for audits in respect of the consolidated fiscal year. The auditors' support staff (13 persons) is mainly comprised of CPA's and assistant CPA's.

(5) Executives' compensation

Details	Amount (million)
Directors' compensation	299
Auditors' compensation	37

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 66 million yen.

(6) Auditing firm's compensation

Details	Amount (million)
Compensation for duties performed as stipulated under Article 2.1 of the Certified Public Accountants Law.	22
Compensation for other services	-

(3) Implementation of the Company's corporate governance systems in the last year

During the fiscal year ending December 2006, 14 Board of Directors and 14 Board of Auditors meetings were held.

To strengthen compliance systems, the Board of Directors in May 2006, resolved to implement the items set

forth in Article 362.4.6 (concerning internal control systems) of the Company Law and through their implementation is dedicated to further improving compliance.

In addition to performing the appropriate control of insider information and holding investor meetings, the Company continues to maintain its policy of transparency in business dealings by actively disclosing information in a timely and appropriate manner through avenues such as press releases and dissemination on its website.

## 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").

In accordance with the provisions 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 financial statements for the previous consolidated fiscal year (from January 1, 2005 to December 31, 2005).

Further, the financial statements for the previous consolidated fiscal year (from January 1, 2005 to December 31, 2005) were prepared pursuant to pre-amended regulations concerning consolidated fiscal statements, while the financial statements for this consolidated fiscal year (from January 1, 2006 to December 31, 2006) were prepared pursuant to the amended regulations.

(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").

In accordance with the provisions 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 financial statements for the previous consolidated fiscal year (from January 1, 2005 to December 31, 2005).

Further, the financial statements for the previous consolidated fiscal year (from January 1, 2005 to December 31, 2005) were prepared pursuant to pre-amended regulations concerning consolidated fiscal statements, while the financial statements for this consolidated fiscal year (from January 1, 2006 to December 31, 2006) were prepared pursuant to the amended regulations.

### 2. Audit Report

In accordance with the provisions of article 193-2 of the Securities and Exchange Law, the consolidated financial statements for the previous consolidated fiscal year (from January 1, 2005 to December 31, 2005) and the financial statements for the previous fiscal year (from January 1, 2005 to December 1, 2005) were audited by Chuo Aoyama Kansa Hojin (PricewaterhouseCoopers Japan) and the Company received those audit reports. Further, the consolidated financial statements for this consolidated fiscal year (from January 1, 2006 to December 31, 2006) and the financial statements for this fiscal year (from January 1, 2006 to December 1, 2006) were audited by Chuo Aoyama Kansa Hojin (PricewaterhouseCoopers Japan) who changed its name to Misuzu Audit Corporation on September 1, 2006 and the Company received those audit reports.

[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, 2005)		Current Consolidated Fiscal Year (as of December 31, 2006)		
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	
(Assets)						
I Current assets						
1. Cash and bank deposits		5,767		5,264		
2. Notes receivable and other receivables		844		952		
3. Marketable Securities		3,108		2,611		
4. Prepaid expenses		8,674		9,468		
5. Deferred tax assets		290		331		
6. Other		450		470		
7. Allowance for doubtful accounts		—		-8		
Total current Assets		19,135	63.0	19,090	63.6	
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings and structures		4,313		4,342		
Accumulated depreciation		1,864	2,449	2,004	2,337	
2. Machinery and transportation equipment		272		273		
Accumulated depreciation		219	53	228	44	
3. Land			4,581		4,581	
4. Other		716		737		
Accumulated depreciation		496	220	554	182	
Total tangible fixed assets			7,304		7,146	24.0
(2) Intangible fixed assets						
1. Goodwill			—		113	
2. Other			295		266	
Total intangible fixed assets			295		379	1.3
(3) Investments and other assets						
1. Investment in securities	*1		947		1,108	
2. Long-term loans receivable			21		12	
3. Deferred tax assets			881		777	
4. Prepaid pension cost			—		197	
5. Other			1,792		1,309	
6. Allowance for investment loss			—		-6	
Total investments and other assets			3,642	12.0	3,399	11.3
Total fixed assets			11,242	37.0	10,925	36.4
Total assets			30,377	100.0	30,015	100.0

Category	Note No.	Previous Consolidated Fiscal Year (as of December 31, 2005)		Current Consolidated Fiscal Year (as of December 31, 2006)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
<b>(Liabilities)</b>					
I Current liabilities					
1. Accounts payable		994		1,170	
2. Short-term borrowings		400		300	
3. Accrued income taxes		373		264	
4. Advances received		8,192		7,499	
5. Reserve for bonuses		460		498	
6. Reserve for bonuses to directors		—		43	
7. Allowance for losses in operations		—		125	
8. Other		1,216		1,195	
Total current liabilities		11,637	38.3	11,097	37.0
II Fixed liabilities					
1. Reserve for retirement benefit		556		395	
2. Reserve for directors retirement benefits		366		—	
3. Long-term accounts payable		—		316	
4. Other		39		41	
Total fixed liabilities		963	3.2	753	2.5
Total liabilities		12,600	41.5	11,851	39.5
<b>(Minority interest)</b>					
Minority interest		80	0.2	—	—
<b>(Capital)</b>					
I Capital	*3	3,025	10.0	—	—
II Capital surplus		4,122	13.6	—	—
III Profit surplus		10,259	33.7	—	—
IV Unrealized gains or losses on other securities		294	1.0	—	—
V Treasury stocks	*4	-5	-0.0	—	—
Total Shareholders' equity		17,697	58.3	—	—
Total of liabilities, minority interest and shareholders' equity		30,377	100.0	—	—

Category	Note No.	Previous Consolidated Fiscal Year (as of December 31, 2005)		Current Consolidated Fiscal Year (as of December 31, 2006)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Net assets)					
I Shareholders' equity					
1 Capital		—	—	3,025	10.1
2 Capital surplus		—	—	4,122	13.7
3 Profit surplus		—	—	10,690	35.6
4 Treasury stock		—	—	-5	-0.0
Total shareholders equity		—	—	17,832	59.4
II Valuation and translation differences					
1 Other valuation difference on available-for-sale securities		—	—	249	0.8
Total valuation and translation adjustment		—	—	249	0.8
III Minority interest		—	—	82	0.3
Total net assets		—	—	18,164	60.5
Total liabilities and net assets		—	—	30,015	100.0

## (ii) Consolidated Profit and Loss Account

Category	Note No.	Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)		Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
I Sales					
Income from completed services		28,166	100.0	28,977	100.0
II Cost of sales					
Cost of completed services		20,976	74.5	21,750	75.1
Gross profit		7,189	25.5	7,226	24.9
III Selling, general and administrative expenses	*1	5,637	20.0	5,918	20.4
Operating income		1,552	5.5	1,308	4.5
IV Non-operating revenues					
1. Interest earned		8		19	
2. Dividend earned		9		9	
3. Exchange rate gains		24		3	
4. House rent earned		31		32	
5. Insurance dividends earned		17		4	
6. Other		32	0.4	29	0.3
		124		100	
V Non-operating expenses					
1. Interest expense		2		3	
2. Commission paid		9		28	
3. Loss on surrender		—		9	
4. Other		1	0.0	1	0.1
		14		41	
Ordinary profit		1,662	5.9	1,366	4.7
VI Extraordinary loss					
1. Loss from fixed assets disposal	*2	101		0	
2. Business establishment relocation expenses		165		2	
3. Premium for early retirement		21		—	
4. Unrealized loss on membership		—		3	
5. Provision of allowance for investment loss		—		6	
6. Other		4	1.0	0	0.0
		292		13	
Net income before income tax		1,370	4.9	1,353	4.7
Corporation tax, inhabitants taxes and enterprise tax		655		556	
Deferred income taxes etc.		-45	2.2	94	2.3
Minority interest in profit of consolidated Companies		5	0.0	3	0.0
Current net income		755	2.7	698	2.4

## (iii) Consolidated Surplus Account

		Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)
Category	Note No.	Amount (million yen)
<b>(Capital surplus)</b>		
I Opening balance of capital surplus		4,122
II Increase of capital surplus		—
III Decrease of capital surplus		—
IV Closing balance of capital surplus		4,122
<b>(Profit surplus)</b>		
I Opening balance of profit surplus		9,692
II Increase of profit surplus		
1. Current net income		755
III Decrease of profit surplus		
1. Dividend		169
2. Bonuses paid to directors		18
IV Closing balance of profit surplus		10,259

## (iv) Statement of Fluctuations in Consolidated Shareholders' Equity

Current consolidated fiscal year (From January 1, 2006 to December 31, 2006)

	Shareholders Equity				
	Capital	Capital Surplus	Profit Surplus	Treasury Stock	Total Shareholders Equity
Amount as of December 31, 2005 (million yen)	3,025	4,122	10,259	-5	17,402
Fluctuations during this consolidated fiscal year (million yen)					
Dividend surplus (Appropriation of retained earnings)	—	—	-226	—	-226
Bonus to directors (Appropriation of retained earnings)	—	—	-22	—	-22
Net income	—	—	698	—	698
Acquisition of treasury stock	—	—	—	-0	-0
Reduction due to increase in consolidated subsidiaries	—	—	-19	—	-19
Fluctuations during this consolidated fiscal year for items other than shareholders equity (Net amount)	—	—	—	—	—
Total fluctuations during this consolidated fiscal year (million yen)	—	—	430	0	430
Amount as of December 31, 2006 (million yen)	3,025	4,122	10,690	-5	17,832

	Valuation and Translation Differences		Minority Interest	Total Net Assets
	Other valuation difference on available-for-sale securities	Total of Valuation and Translation Differences		
Amount as of December 31, 2005 (million yen)	294	294	80	17,777
Fluctuations during this consolidated fiscal year (million yen)				
Dividend surplus (Appropriation of retained earnings)	—	—	—	-226
Bonus to Directors (Appropriation of retained earnings)	—	—	—	-22
Net income	—	—	—	698
Acquisition of treasury stock	—	—	—	-0
Reduction due to increase in consolidated subsidiaries	—	—	—	-19
Fluctuations during this consolidated fiscal year for items other than shareholders equity (Net amount)	-45	-45	2	-42
Total fluctuations during this consolidated fiscal year (million yen)	-45	-45	2	387
Amount as of December 31, 2006 (million yen)	249	249	82	18,164

## (v) Consolidated Cash Flow Statement

		Previous Consolidated Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (From January 1, 2006 to December 31, 2006)
Category	Note No.	Amount (million yen)	Amount (million yen)
I Cash flow from operating activities			
Current net income before income tax		1,370	1,353
Depreciation and amortization		336	320
Goodwill amortization		—	12
Increase in allowance for doubtful accounts		—	8
Decrease in reserve for retirement benefit		-1,650	-161
Increase in prepaid pension cost		—	-197
Increase (decrease) in reserve for directors' retirement benefits		19	-366
Increase in reserve for bonuses		144	35
Increase in reserve for bonuses to directors		—	43
Increase in allowance for losses in operations		—	125
Increase in allowance for investment loss		—	6
Increase in Long-term accounts payable		—	316
Interest and dividend earned		-18	-29
Interest payable		2	3
Foreign exchange loss or (gain)		-18	6
Other non-operating expenses		1	9
Loss from fixed assets disposal		101	0
Profit from sales of securities		-7	—
Unrealized loss on membership		—	3
Increase in sales account		-118	-105
Decrease (increase) in prepaid expenses on uncompleted work		323	-520
Increase in other current assets		-47	-38
Increase (decrease) in account payable		-27	157
Decrease in advances received from incomplete services		-1,645	-902
Payment of bonuses to directors		-18	-22
Increase (decrease) in other current liabilities		147	-55
Increase in other fixed liabilities		3	1
Subtotal		-1,100	6
Received interest and dividend		19	29
Interest payment		-2	-2
Payment of corporation income tax etc.		-770	-634
Cash flow used for operating activities		-1,854	-601
II Cash flow from investment activities			
Payments for acquisition of marketable securities		-0	-247
Proceeds from sales of marketable securities		1	—
Payments for acquisition of tangible fixed assets		-221	-53
Proceeds from sales of tangible fixed assets		—	0
Payments for acquisition of intangible fixed assets		-66	-59
Repayments for loans		-300	-340
Income from loan collection		237	221
Payments for underwrite securities of affiliate		—	-90
Income from cancellation of long term deposits		500	—
Other payments for investment		-269	-86
Other income from investment		711	257
Cash flow provided by (used for) investment activities		591	-398
III Cash flow from financial activities			
Income from short-term borrowing		820	1,350
Payment of short-term borrowing		-670	-1,450
Payment of long-term borrowing		-2	-0
Dividend payment		-170	-226
Dividend payment for minority shareholders		—	-1
Cash flow used for financial activity		-22	-328



		Previous Consolidated Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (From January 1, 2006 to December 31, 2006)
Category	Note No.	Amount (million yen)	Amount (million yen)
IV Effect in fluctuation of exchange rate for cash and cash equivalents		-18	-6
V Decrease in cash and cash equivalents		-1,266	-1,334
VI Opening balance of cash and cash equivalents		10,142	8,875
VII Increase in cash and cash equivalent for increase in consolidated subsidiaries		—	35
VIII Closing balance of cash and cash equivalents		8,875	7,576

Basic Important Matters for Preparation of Consolidated Financial Statement

Item	Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
1. Consolidation range	<p>(1) Number of consolidated subsidiaries: 1 Name of the consolidated subsidiary: Kensetsu Giken International Co., Ltd.</p> <p>(2) Number of non-consolidated subsidiaries: 7 Non-consolidated subsidiaries: Management Techno Co., Ltd Construction Technologies Research Geological Environment Co., Ltd AURA Engineering Co., Ltd. CTI Academy Co., Ltd CTI Ground Planning Co., Ltd. Tech Consultants Co., Ltd. (Renamed as CTI Wing Co., Ltd on February 14, 2006) 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 income or loss, surplus and other of the current term do not largely influence the consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 2 Name of the consolidated subsidiary: Kensetsu Giken International Co., Ltd. Fukuoka Land Readjustment Co., Ltd. (On June 1, 2006 as the Fukuoka Association of Land Readjustment transferred a portion of its operations to Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006) Given the increased importance of this company from this consolidated fiscal year, it is within the consolidation scope.)</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 Academy Co., Ltd Shin Doboku Kaihatsu Co., Ltd. CTI Wing Co., Ltd CTI Ground Planning Co., Ltd. CTI Mates Fukuoka Co., Ltd</p> <p>(3) Reason why the non-consolidated subsidiaries are excluded from consolidation range: As at present.</p>
2. Application of equity method	<p>(1) Number of non-consolidated subsidiaries to which the equity method is applied: The equity method is not applied to any non-consolidated subsidiary.</p>	<p>(1) Number of non-consolidated subsidiaries to which the equity method is applied: As at present.</p>

Item	Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
<p>3. Fiscal year of the consolidated subsidiary</p> <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>(2) Non-consolidated subsidiaries to which the equity method is not applied</p> <p>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., (Renamed as CTI Wing Co., Ltd. on February 14, 2006) CTI Mates Fukuoka Co., Ltd. have only a slight influence on the consolidated net income or loss and the profit surplus respectively, and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.</p> <p>The fiscal year of the consolidated subsidiary ends on the consolidated closing date.</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</p>	<p>(2) Non-consolidated subsidiaries to which the equity method is not applied</p> <p>Management Techno Co., Ltd., Construction Technologies Research Geological Environment Co., Ltd., AURA Engineering Co., Ltd., CTI Academy Co., Ltd., Shin Doboku Kaihatsu Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., and CTI Mates Fukuoka Co., Ltd. have only a slight influence on the consolidated net income or loss and the profit surplus respectively, and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.</p> <p>As at present.</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 net assets 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 As at present.</p> <p>1) Tangible fixed assets ... Declining balance method. As at present.</p>

Item	Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
(3) Entry standard of important reserves and allowances	<p>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.</p> <p>2) Allowance for investment loss _____</p> <p>3) 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>4) Reserve for bonuses to directors _____</p> <p>5) Allowance for losses in operations _____</p> <p>6) 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>The Company also established a retirement benefit trust during this consolidated fiscal year.</p>	<p>2) Intangible fixed assets ... Straight-line method. As at present.</p> <p>1) Reserve for doubtful accounts As at present.</p> <p>2) Allowance for investment loss Calculated according the amount deemed necessary to allow for possible future losses on shares of affiliates held, taking into account net asset value.</p> <p>3) Reserve for bonuses As at present.</p> <p>4) Reserve for bonuses to directors Calculated on forecasted payment amount to prepare for bonus payments to Directors.</p> <p>5) Allowance for losses in operations Calculated according to the forecasted losses due to incomplete services at the end of consolidated fiscal year in preparation for future losses related to ordered works.</p> <p>6) 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>The Company also established a retirement benefit trust.</p>

Item	Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
(4) Accounting treatment of important lease transactions	<p>7) 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>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>7) Reserve for directors' retirement benefits _____</p> <p>As at present.</p>
(5) Other important matters for preparation of the consolidated financial statements	<p>1) Accounting treatment of consumption tax Tax exclusion method is adopted.</p>	<p>1) Accounting treatment of consumption tax As at present.</p>
5. Valuation of assets and liabilities of the consolidated subsidiary	<p>For valuation of assets and liabilities of the consolidated subsidiary, the overall current value method is adopted.</p>	<p>As at present.</p>
6. Goodwill amortization	<p>_____</p>	<p>Goodwill is amortized as regulated over 5 years using the straight-line method.</p>
7. Amortization of consolidated adjustment account	<p>Not applicable.</p>	<p>_____</p>
8. Treatment of appropriation items	<p>The consolidation surplus account is prepared according to the appropriation fixed in the consolidated fiscal year for appropriation of profit at the consolidated company.</p>	<p>_____</p>
9. Range of fund in the consolidated cash flow account	<p>The fund (cash and cash equivalents) in the consolidated cash flow account comprises cash in hand, bank deposit which can be withdrawn at any time and short-term investment which can be easily realized and takes only a low risk about value fluctuation and for which the refund date comes within 3 months from the acquisition date.</p>	<p>As at present.</p>

## Changes to Important Items in the Preparation of Consolidated Financial Statements

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
<hr style="border: 0.5px solid black;"/>	<p>1. Accounting Standards for Impairment Loss on Fixed Assets</p> <p>From this consolidated fiscal year “Accounting Standards for Impairment Loss on Fixed Assets” ( “Opinion Paper concerning the Establishment of Accounting Standards for Impairment Loss on Fixed Assets” ) (Corporate Accounting Standards Committee, Aug. 9, 2002) and the “Application Guidelines for Accounting Standards for Impairment Loss on Fixed Assets” (Corporate Accounting Standards Application Guideline No.6, Oct. 31, 2003) are applicable. This application has no effect on profit and loss for this consolidated fiscal year.</p> <p>2. Accounting Standards for Bonus to Directors</p> <p>Directors’ bonuses in accordance with a previous proposal for appropriation of retained earnings as approved at a General Meeting of Shareholders were accounted for by a reduction in the retained earnings. However, from this consolidated fiscal year, based on the “Accounting Standards for Directors’ Bonuses” (Corporate Accounting Standards No.4, Nov. 29, 2005), they are accounted for as costs at the time they arise. As a result under selling general and administrative expenses the Reserve for bonuses to directors increased by 43 million yen and operating income, ordinary profit, and net income before income tax all decreased by 43 million yen.</p> <p>3. Accounting Standards for Net Assets in the Balance Sheet</p> <p>From this consolidated fiscal year “Accounting Standards for Net Assets Shown in the Balance Sheet” (Corporate Accounting Standards No.5, Dec. 9, 2005) and “Application Guidelines for Accounting Standards for Net Assets shown in the Balance Sheet” (Corporate Accounting Standards Application Guideline No.8, Dec. 9, 2005) are applicable. Further the amount previously under the item “Total capital” is 18,082 million yen. Further due to an amendment to the consolidated financial statements regulations, in respect of the item net assets in the consolidated balance sheet, this has been accounted for using the amended consolidated financial statements regulations.</p> <p>4. Accounting Standards for Business Combination</p>

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
	<p>From this consolidated fiscal year, the accounting has been carried out using a method in conformance with “Accounting Standards for Business Combination” (Corporate Accounting Standards Committee, Oct. 31, 2003) and the “Application Guidelines for Accounting Standards in respect of Business Combination and Accounting Standards in respect of Corporate Split-Off, etc.” (Corporate Accounting Standards Application Guideline No.10, Dec. 27, 2005).</p>

## Change in presentation of accounts

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
<p>(Consolidated Profit and Loss Statement)</p> <p>1. "Commissions earned," which was recorded as a separate item in the accounts for the previous consolidated fiscal year, is now included under "Other" in this consolidated fiscal year, as this amount is less than 10/100 of non-operating revenues. The amount of "Commissions earned" in this consolidated fiscal year totaled 4 million yen.</p> <p>2. "Valuation loss on investments," which was recorded in non-operating costs in the accounts for the previous consolidated fiscal year, is now included under "Other" in this consolidated fiscal year, as this amount is less than 10/100 of non-operating costs. The amount of "Valuation loss on investments" in this consolidated fiscal year totaled 0 million yen.</p>	<p>(Consolidated Profit and Loss Statement)</p> <p>1. In the previous consolidated fiscal year "Loss on Surrender" was included under "Other" in non-operating expenses. However as this amount is now more than 10/100 of non-operating expenses, from this consolidated fiscal year it is listed as a separate item. Further in the previous consolidated fiscal year "Insurance Cancellation Loss" was 0 million yen</p>

## Additional Information

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
<p>"The Law Concerning a partial Amendment to the Local Tax Law" (Law No. 9, 2003) was promulgated on March 31, 2003 and has applied to the introduction of pro-forma standard taxation for all fiscal years that commenced on or after April 1, 2004. Therefore, in accordance with "Practical treatment of the portion of profit and loss statement with pro-forma standard taxation under the Corporate Taxation Law" (Corporate Accounting Standards Committee Practical Application Report No. 12, Feb. 13, 2004), the direct ratio of added value and the ratio of shareholders equity are accounted for under selling, general and administrative expenses.</p> <p>As a result selling, general and administrative expenses increased by 64 million yen, while operating income, ordinary profit and net income before income tax decreased 64 million yen.</p>	<p>1. Establishment of an Allowance for Losses in Operations</p> <p>For the Company and its consolidated subsidiaries, as losses relating to ordered works have been increasing in financial importance, the amount forecasted as necessary as of the end of this consolidated fiscal year has been set aside. As a result Cost of sales increased by 125 million yen and operating income, ordinary profit, and net income before income tax decreased by 125 million yen.</p> <p>2. Abolition of Directors Retirement Benefits</p> <p>Previously for the Company and its consolidated subsidiary, CTI Engineering International Co., Ltd. the required amount payable at the end of a period as payment of a reward for services for retiring directors in accordance with its in-house regulations was accounted for under the reserve for directors' retirement benefits. However, at the Company's Board of Directors meeting held on Feb. 23, 2006, and the Board of Directors meeting of its consolidated subsidiary, CTI Engineering International Co., Ltd. held on Feb. 22, 2006, it was resolved to abolish the directors retirement benefits systems. Further at the Company's ordinary General Meeting of Shareholders held on March 29, 2006 and the ordinary General Meeting of Shareholders of its consolidated subsidiary, CTI Engineering</p>



Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
	<p>International Co., Ltd., held on March 24, 2006, it was resolved that for directors still serving at the time of the conclusion of those meetings that the retirement benefits payable on that date be paid upon the resignation of each of those directors. Accordingly the in-house regulations for the payment of directors retirement benefits were repealed and from this consolidated fiscal year all amounts in the reserve for directors retirement benefits were withdrawn and transferred to “Long-term accounts payable” and listed under fixed liabilities.</p>

## Notes:

## (Notes on Consolidated Balance Sheet)

Previous Consolidated Fiscal Year (as of December 31, 2005)	Current Consolidated Fiscal Year (as of December 31, 2006)
*1 For non-consolidated companies Marketable securities 150 million yen	*1 For non-consolidated companies Marketable securities 170 million yen
2 Warranty for liabilities Warranty for the Company's employees' liabilities of 130 million yen borrowed from banks	2 Warranty for liabilities Warranty for the Company's employees' liabilities of 107 million yen borrowed from banks
* 3 Total number of issued shares (ordinary stocks) 14,159,086 shares	* 3 Total number of issued shares (ordinary stocks) 14,159,086 shares
*4. Treasury stocks held by the Company are listed as follows: Ordinary stocks 7,914shares	*4. _____

## (Notes on Consolidated Profit and Loss Account)

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)																																	
1 Major items and amounts among selling, general and administrative expenses are as follows: Wages and allowances 1,898 million yen Bonuses 322 Transferred reserve for bonuses 117 Retirement allowances 1 Retirement benefit expenses 237 Transferred reserve for directors' retirement benefits 56 Research and investigation expenses 575	*1 Major items and amounts among selling, general and administrative expenses are as follows: Wages and allowances 2,103 million yen Bonuses 331 Transferred reserve for bonuses 135 Reserve for bonuses to directors 43 Retirement allowances 9 Retirement benefit expenses 166 Transferred reserve for directors' retirement benefits 15 Research and investigation expenses 560 Allowance for doubtful accounts 8																																	
* 2 Loss from fixed assets disposal can be broken down as follows:	* 2 Loss from fixed assets disposal can be broken down as follows:																																	
<table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off (million yen)</th> <th>Loss from fixed assets cancellation (million yen)</th> <th>Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings and structures</td> <td>87</td> <td>-</td> <td>87</td> </tr> <tr> <td>Machine &amp; equipment, and delivery equipment</td> <td>13</td> <td>-</td> <td>13</td> </tr> <tr> <td>Tangible fixed assets etc.</td> <td>0</td> <td>-</td> <td>0</td> </tr> <tr> <td>Investment and other assets</td> <td>-</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>100</td> <td>0</td> <td>101</td> </tr> </tbody> </table>		Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Total (million yen)	Buildings and structures	87	-	87	Machine & equipment, and delivery equipment	13	-	13	Tangible fixed assets etc.	0	-	0	Investment and other assets	-	0	0	Total	100	0	101	<table border="1"> <thead> <tr> <th></th> <th>Loss from fixed assets write-off (million yen)</th> <th>Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Tangible fixed assets etc.</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		Loss from fixed assets write-off (million yen)	Total (million yen)	Tangible fixed assets etc.	0	0	Total	0	0
	Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Total (million yen)																															
Buildings and structures	87	-	87																															
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Total	100	0	101																															
	Loss from fixed assets write-off (million yen)	Total (million yen)																																
Tangible fixed assets etc.	0	0																																
Total	0	0																																

(Statement of Fluctuations in Consolidated Shareholders' Equity)

Current Consolidated Fiscal Year (From January 1, 2006 to December 31, 2006)

1 Issued shares

Type of Share	As of the end of the previous consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Ordinary Shares	14,159,086	-	-	14,159,086

2 Treasury stock

Type of Share	As of the end of the previous consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Ordinary Shares	7,914	521	-	8,435

Note: The increase in the amount of treasury stock of 521 shares was due to acquisition of shares constituting less than one transaction unit.

3 New share subscription acquisition rights

No applicable items.

4 Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 29, 2006	Ordinary Shares	226	16	December 31, 2005	March 30, 2006

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

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 28, 2007	Ordinary Shares	Profit surplus	226	16	December 31, 2006	March 29, 2007

## (Notes on Consolidated Cash Flow Account)

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
1. Relation between the closing balance of the cash and cash equivalents and the amounts for items described on the Consolidated Balance Sheet  <p style="text-align: right;">(as of December 31, 2005)</p>	1. Relation between the closing balance of the cash and cash equivalents and the amounts for items described on the Consolidated Balance Sheet  <p style="text-align: right;">(as of December 31, 2006)</p>
Cash and bank deposit account 5,767 million yen	Cash and bank deposit account 5,264 million yen
Marketable securities account 3,108	Marketable securities account 2,611
Total 8,875	Fixed term deposits with a redemption period exceeding 3 months. -300
	Total 7,576

## (Notes on Lease Arrangements)

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)																																
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																																
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost(million yen)</th> <th style="text-align: center;">Accumulated depreciation (million yen)</th> <th style="text-align: center;">Closing balance(million yen)</th> </tr> </thead> <tbody> <tr> <td>Tangible fixed assets etc.</td> <td style="text-align: center;">119</td> <td style="text-align: center;">59</td> <td style="text-align: center;">59</td> </tr> <tr> <td>Intangible fixed assets etc.</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: center;">122</td> <td style="text-align: center;">62</td> <td style="text-align: center;">59</td> </tr> </tbody> </table>		Acquisition cost(million yen)	Accumulated depreciation (million yen)	Closing balance(million yen)	Tangible fixed assets etc.	119	59	59	Intangible fixed assets etc.	2	2	0	Total	122	62	59	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost(million yen)</th> <th style="text-align: center;">Accumulated depreciation (million yen)</th> <th style="text-align: center;">Closing balance(million yen)</th> </tr> </thead> <tbody> <tr> <td>Tangible fixed assets etc.</td> <td style="text-align: center;">161</td> <td style="text-align: center;">69</td> <td style="text-align: center;">91</td> </tr> <tr> <td>Intangible fixed assets etc.</td> <td style="text-align: center;">15</td> <td style="text-align: center;">3</td> <td style="text-align: center;">11</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: center;">176</td> <td style="text-align: center;">73</td> <td style="text-align: center;">103</td> </tr> </tbody> </table>		Acquisition cost(million yen)	Accumulated depreciation (million yen)	Closing balance(million yen)	Tangible fixed assets etc.	161	69	91	Intangible fixed assets etc.	15	3	11	Total	176	73	103
	Acquisition cost(million yen)	Accumulated depreciation (million yen)	Closing balance(million yen)																														
Tangible fixed assets etc.	119	59	59																														
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Total	176	73	103																														
2. Unexpired lease payment at the end of term Within one year 29 million yen Over one year 31 <hr/> Total 60	2. Unexpired lease payment at the end of term Within one year 46 million yen Over one year 57 <hr/> Total 104																																
3. Lease payments, assumed depreciation, and assumed interest payments Lease payments 48 million yen Assumed depreciation 45 Assumed interest 2 payment	3. Lease payments, assumed depreciation, and assumed interest payments Lease payments 46 million yen Assumed depreciation 43 Assumed interest 2 payment																																
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.																																

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
<p>5. Calculation method of assumed interest payments</p> <p>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</p>	<p>5. Calculation method of assumed interest payments</p> <p>As at present.</p>

(Notes on Marketable Securities)

1. Other securities with fair value

Classification	Type	Previous Consolidated Fiscal Year (as of December 31, 2005)			Current Consolidated Fiscal Year (as of December 31, 2006)		
		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	259	755	496	459	879	420
	(2) Bonds and Notes						
	(i) National, local bonds	–	–	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other Bonds and Notes	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	<b>Subtotal</b>	<b>259</b>	<b>755</b>	<b>496</b>	<b>459</b>	<b>879</b>	<b>420</b>
Those whose acquisition cost did not exceed the amount recorded on the consolidated balance sheet	(1) Shares	–	–	–	17	17	-0
	(2) Bonds and Notes						
	(i) National, local bonds	1,000	1,000	–	–	–	–
	(ii) Corporate bonds	–	–	–	–	–	–
	(iii) Other Bonds and Notes	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	<b>Subtotal</b>	<b>1,000</b>	<b>1,000</b>	<b>–</b>	<b>17</b>	<b>17</b>	<b>-0</b>
<b>Total</b>		<b>1,259</b>	<b>1,755</b>	<b>496</b>	<b>476</b>	<b>896</b>	<b>420</b>

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

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)			Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)		
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)
1,001	0	–	–	–	–

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

Types	Previous Consolidated Fiscal Year (as of December 31, 2005)	Current Consolidated Fiscal Year (as of December 31, 2006)
	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)	41	40
(ii) Money Management Fund	702	703
(iii) Medium-term government securities fund	705	706
(iv) Free Financial Fund	200	700
(v) Other	500	500

4. Within other securities, predicted redemption value after this settlement date of the consolidated accounts for those bonds that have reached maturity and those that will be held until the end of term.

Not applicable.

(Notes on Derivatives Transactions)

In the previous (January 1, 2005 to December 31, 2005) and current (January 1, 2006 to December 31, 2006) 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 have established an employees' pension fund of a fixed benefit type. The Company and CTI Engineering International Co., Ltd. have also established an approved superannuation fund system and a lump sum retirement benefit system.

In respect of the employees' pension fund system the Company and CTI Engineering International Co., Ltd. joined the construction consultants pension fund (jointly established) in 1971. Fukuoka Land Readjustment Co., Ltd. joined the Japan Federation of Survey Planning Association's pension fund (jointly established) in 1972.

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.

The Company also established a retirement benefit trust during this consolidated accounting fiscal year.

(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, 2005) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2006) (million yen)
(1) Retirement Benefit Obligations	-7,346	-7,580
(2) Pension Assets	5,026	5,862
(3) Retirement Benefit Trust	1,499	1,510
(4) Outstanding Accumulated Retirement Benefit Obligations: (1) + (2) + (3)	-819	-207
(5) Unrealized disposal amount arising from disparity at the time of change in accounting standards	-	-
(6) Previously unrecognized accounting disparities.	262	8
(7) Previously unrecognized pre-existing employment obligations (Obligation reduction amount)	-	-
(8) Consolidated Balance Sheet Recorded Net Amount: (4) + (5) + (6) + (7)	-556	-198
(9) Previously Paid Pension Assets	-	197
(10) Retirement Benefit Reserves: (8) - (9)	-556	-395

Note: Besides the above pension funds, the pension assets computed as a percentage of installment contributions in the comprehensive-type pension fund scheme totaled 7,446 million yen in the previous term's consolidated report and 9,776 million yen in the current term's consolidated report.

## 3. Retirement Benefit Costs and Related Accounting Items

	Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005) (million yen)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006) (million yen)
Retirement Benefit Costs	845	705
(1) Labor costs	509	469
(2) Interest costs	144	148
(3) Expected operating profit (Subtracted)	81	130
(4) Cost disposal amount arising from disparity at the time of change in accounting standards	-	-
(5) Cost disposal Amount arising from accounting disparity	261	208
(6) Temporarily paid retirement amount	12	9

Note: Besides the above listed expenses for retirement allowances, the payments into the comprehensive-type pension fund (borne by corporation) were 315 million yen for the previous fiscal year's consolidated report and 375 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, 2005) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2006) (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, 2005)	Current Consolidated Fiscal Year (as of December 31, 2006)																																																																						
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	<p>Deferred tax assets (current assets)</p> <table border="0"> <tr> <td>Accrued enterprise tax</td> <td style="text-align: right;">40</td> </tr> <tr> <td>Social insurance premiums for bonuses</td> <td style="text-align: right;">21</td> </tr> <tr> <td>Reserve for bonuses</td> <td style="text-align: right;">185</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">43</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">290</td> </tr> </table> <p>Deferred tax assets (fixed assets)</p> <table border="0"> <tr> <td>Reserve for retirement allowances</td> <td style="text-align: right;">805 million yen</td> </tr> <tr> <td>Reserve for directors' retirement benefits</td> <td style="text-align: right;">150</td> </tr> <tr> <td>Unrealized loss of marketable securities</td> <td style="text-align: right;">88</td> </tr> <tr> <td>Unrealized loss of membership</td> <td style="text-align: right;">25</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">13</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">1,082</td> </tr> </table> <p>Deferred tax liabilities (fixed liabilities)</p> <table border="0"> <tr> <td>Unrealized gains or losses on other securities</td> <td style="text-align: right;">201 million yen</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">201</td> </tr> </table> <p>Net deferred tax assets 881 million yen</p>	Accrued enterprise tax	40	Social insurance premiums for bonuses	21	Reserve for bonuses	185	Other	43	Subtotal	290	Reserve for retirement allowances	805 million yen	Reserve for directors' retirement benefits	150	Unrealized loss of marketable securities	88	Unrealized loss of membership	25	Other	13	Subtotal	1,082	Unrealized gains or losses on other securities	201 million yen	Subtotal	201	<p>Deferred tax assets (current assets)</p> <table border="0"> <tr> <td>Accrued enterprise tax</td> <td style="text-align: right;">26 million yen</td> </tr> <tr> <td>Loss brought forward</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Allowance for losses in operations</td> <td style="text-align: right;">48</td> </tr> <tr> <td>Bonuses and social insurance</td> <td style="text-align: right;">23</td> </tr> <tr> <td>Reserve for bonuses</td> <td style="text-align: right;">201</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">32</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">335</td> </tr> <tr> <td>Allowance account</td> <td style="text-align: right;">-3</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">332</td> </tr> </table> <p>Deferred tax liability (Current liability)</p> <table border="0"> <tr> <td>Accrued enterprise tax</td> <td style="text-align: right;">0 million yen</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">0</td> </tr> </table> <p>Net deferred tax assets 331 million yen</p> <p>Deferred tax assets (fixed assets)</p> <table border="0"> <tr> <td>Reserve for retirement allowances</td> <td style="text-align: right;">691 million yen</td> </tr> <tr> <td>Loss brought forward</td> <td style="text-align: right;">22</td> </tr> <tr> <td>Long-term accounts payable</td> <td style="text-align: right;">129</td> </tr> <tr> <td>Loss on valuation of available-for-sell securities</td> <td style="text-align: right;">91</td> </tr> <tr> <td>Unrealized loss on membership</td> <td style="text-align: right;">26</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">9</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">970</td> </tr> <tr> <td>Allowance account</td> <td style="text-align: right;">-22</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">948</td> </tr> </table> <p>Deferred tax liabilities (fixed liabilities)</p> <table border="0"> <tr> <td>Unrealized gains or losses on other securities</td> <td style="text-align: right;">170 million yen</td> </tr> <tr> <td>Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">170</td> </tr> </table> <p>Net deferred tax assets 777 million yen</p>	Accrued enterprise tax	26 million yen	Loss brought forward	3	Allowance for losses in operations	48	Bonuses and social insurance	23	Reserve for bonuses	201	Other	32	Subtotal	335	Allowance account	-3	Total	332	Accrued enterprise tax	0 million yen	Total	0	Reserve for retirement allowances	691 million yen	Loss brought forward	22	Long-term accounts payable	129	Loss on valuation of available-for-sell securities	91	Unrealized loss on membership	26	Other	9	Subtotal	970	Allowance account	-22	Total	948	Unrealized gains or losses on other securities	170 million yen	Subtotal	170
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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	<p>Legal effective tax rate 40.69%</p> <p>(Adjustment)</p> <table border="0"> <tr> <td>No entry of loss from entertainment expense etc.</td> <td style="text-align: right;">1.08</td> </tr> <tr> <td>Per capita inhabitant tax</td> <td style="text-align: right;">4.61</td> </tr> </table>	No entry of loss from entertainment expense etc.	1.08	Per capita inhabitant tax	4.61	<p>Legal effective tax rate 40.69%</p> <p>(Adjustment)</p> <table border="0"> <tr> <td>No entry of loss from entertainment expense etc.</td> <td style="text-align: right;">1.27</td> </tr> <tr> <td>Per capita inhabitant tax</td> <td style="text-align: right;">4.98</td> </tr> </table>	No entry of loss from entertainment expense etc.	1.27	Per capita inhabitant tax	4.98																																																														
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Item	Previous Consolidated Fiscal Year (as of December 31, 2005)	Current Consolidated Fiscal Year (as of December 31, 2006)
application of tax effect accounting	Non-inclusion of gains, including                   -0.18 dividends received IT related investment           -0.83 promotion tax system Other                               -0.88 Bearing rate of corporation tax or the like after application       44.49 of tax effect accounting	Non-inclusion of gains, including               -0.28 dividends received Allowance account            1.95 Other                            -0.49 Bearing rate of corporation tax or the like after application       48.12 of tax effect accounting

(Stock Options)

No applicable items.

(Segment Information)

The previous consolidated fiscal year (from January 1, 2005 to December 31, 2005) and the current consolidated fiscal year (from January 1, 2006 to December 31, 2006).

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, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
_____	_____

(Business Combination)

Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)

- 1 Acquired original business name and outline of business, main reason for business acquisition, acquisition date, and legally stipulated acquisition method.
  - (1) Acquired business name and outline of business  
Transfer by the Fukuoka Association of Land Readjustment under a special account for works related to urban planning and land readjustment.
  - (2) Main reason for business acquisition  
To support the transfer of the urban planning and land readjustment operation from a previous juridical foundation, Fukuoka Association of Land Readjustment, to a for-profit corporation under special account support and to strengthen the Group's urban division.
  - (3) Acquisition date  
June 1, 2006
  - (4) Legally Stipulated Acquisition method  
Business transfer
- 2 Consolidated financial statement period in which the business acquisition is included  
From July 1, 2006 to December 31, 2006
- 3 Acquisition cost and details  
Acquisition cost 150 million yen (Details: Cash 150 million yen)
- 4 Amount of goodwill, reason for acquisition, amortization method, and period
  - (1) Amount of goodwill  
128 million yen
  - (2) Reason for acquisition  
Expected revenue generation through future business development.
  - (3) Amortization method and period  
Goodwill is amortized as regulated over 5 years using the straight-line method.
- 5 Accepted assets and liabilities on the date of business acquisition and main details
  - Assets  
Current Assets 224 million yen  
Fixed Assets 22 million yen  
Total 246 million yen
  - Liabilities  
Current Liabilities 225 million yen  
Total 225 million yen
- 6 Estimated amount of influence on the consolidated profit and loss statement assuming completion of business acquisition on the commencement date of the consolidated fiscal year  
This is not included in the calculated estimate because forecast is difficult due to fluctuations due to reliance on individual sub-contract revenue in the calculation period.

(Information per Share)

Previous Consolidated Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
Net assets per share 1,248.99 yen	Net assets per share 1,277.83 yen
Current net income per share 51.78 yen	Current net income per share 49.35 yen
Current net income per share after adjustment of potential shares is not stated because the Company has not issued any bonds with stock options or convertible bonds.	As at present.

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, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
Current term net income in the consolidated income statement (million yen)	755	698
Current term net income related to common shares (million yen)	732	698
Breakdown of major amounts not belonging to ordinary shareholders (million yen)		
Bonuses for directors based on appropriation of profits	22	—
Amounts not belonging to ordinary shareholders (million yen)	22	—
Average number of common shares for the entire fiscal year (shares)	14,152,134	14,150,872
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, 2005 to December 31, 2005)	Current Consolidated Fiscal Year (from January 1, 2006 to December 31, 2006)
_____	_____

(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	400	300	1.03	–
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	400	300	–	–

Note:

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

(2) Other

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, 2005)		Current Fiscal Year (as of December 31, 2006)		
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	
(Assets)						
I Current assets						
1. Cash and bank deposits		5,576		4,986		
2. Completed work receivables		653		805		
3. Marketable securities		3,108		2,611		
4. Prepaid expenses		8,327		8,333		
5. Advance payment		112		120		
6. Deferred tax assets		275		306		
7. Short-term loans	* 1	230		858		
8. Other		86		82		
9. Allowance for doubtful account		—		-8		
Total current Assets		18,371	62.1	18,094	62.6	
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings		3,584		3,603		
Accumulated depreciation		1,443	2,141	1,560	2,042	
2. Structures		714		714		
Accumulated depreciation		412	302	434	280	
3. Machinery and equipment		235		235		
Accumulated depreciation		189	45	196	38	
4. Vehicle and transportation equipment		20		20		
Accumulated depreciation		16	3	17	2	
5. Furniture and fixtures		706		717		
Accumulated depreciation		487	218	539	178	
6. Land			4,581		4,581	
Total tangible fixed assets			7,292		7,124	24.6
(2) Intangible fixed assets						
1. Leasehold			16		16	
2. Software			253		215	
3. Telephone rights			22		22	
4. Right of using special facilities			2		1	
5. Other			0		0	
Total intangible fixed assets			294		257	0.9
(3) Investments and other assets						
1. Investment in securities			796		936	
2. Shares of affiliated companies			220		341	
3. Investments			—		3	
4. Long-term deposit			900		600	
5. Long-term loan to employees			21		12	
6. Long-term prepaid cost			17		14	
7. Deferred tax assets			819		727	
8. Lease and guarantee deposit			568		569	
9. Membership			56		54	



Category	Note No.	Previous Fiscal Year (as of December 31, 2005)		Current Fiscal Year (as of December 31, 2006)		
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	
10. Insurance reserve fond			209		-	
11. Prepaid pension cost			-		197	
12. Other			0		0	
13. Allowance for investment loss			-		- 6	
Total investments and other assets			3,609	12.2	3,451	11.9
Total fixed assets			11,197	37.9	10,832	37.4
Total assets			29,569	100.0	28,926	100.0

Category	Note No.	Previous Fiscal Year (as of December 31, 2005)		Current Fiscal Year (as of December 31, 2006)	
		Amount (million yen)	(%)	Amount (million yen)	Ratio (%)
<b>(Liabilities)</b>					
I Current liabilities					
1. Accounts payable for services	* 1	1,163		1,259	
2. Short-term borrowings		200		–	
3. Accounts payable		194		217	
4. Accrued income taxes		341		263	
5. Accrued consumption taxes		190		115	
6. Accrued expenses		473		504	
7. Advances received		7,916		7,035	
8. Deposits received		254		268	
9. Revenue received in advance		4		8	
10. Reserve for bonuses		435		470	
11. Reserve for bonuses to directors		–		43	
12. Allowance for losses in operations		–		85	
Total current liabilities		11,173	37.8	10,273	35.5
II Fixed liabilities					
1. Reserve for retirement benefits		490		319	
2. Reserve for directors' retirement benefits		284		–	
3. Long-term accounts payable		–		273	
4. Other		39		41	
Total fixed liabilities		815	2.7	634	2.2
Total liabilities		11,989	40.5	10,908	37.7
<b>(Capital)</b>					
I Capital	* 2	3,025	10.2	–	–
II Capital surplus					
(1) Capital reserve		4,122		–	
Total capital surplus		4,122	14.0	–	–
III Profit surplus					
(1) Profit reserve		176		–	
(2) Voluntary reserve					
Separate reserve		8,300		–	
(3) Current unappropriated profit		1,665		–	
Total profit surplus		10,142	34.3	–	–
IV Unrealized gains or losses on other securities		294	1.0	–	–
V Treasury stocks	* 3	-5	-0.0	–	–
Total shareholders' equity		17,580	59.5	–	–
Total of liabilities and shareholders equity		29,569	100.0	–	–

Category	Note No.	Previous Fiscal Year (as of December 31, 2005)		Current Fiscal Year (as of December 31, 2006)	
		Amount (million yen)	(%)	Category	Note No.
(Net assets)					
I Shareholders' equity					
1 Capital		-	-	3,025	10.5
2 Capital surplus					
(1) Capital reserve		-		4,122	
Total capital surplus		-	-	4,122	14.2
3 Profit surplus					
(1) Profit reserve		-		176	
(2) Other profit surplus					
General reserve		-		8,700	
Profit surplus brought forward		-		1,750	
Total profit surplus		-	-	10,626	36.7
4 Treasury stock		-	-	-5	-0.0
Total shareholders equity		-	-	17,769	61.4
II Valuation and translation differences					
1 Other valuation difference on available-for-sale securities		-	-	249	0.9
Total valuation and translation adjustment		-	-	249	0.9
Total net assets		-	-	18,018	62.3
Total liabilities and net assets		-	-	28,926	100.0

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

Category	Note No.	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)		Current Fiscal Year (from January 1, 2006 to December 31, 2006)	
		Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
I Sales					
Income from completed services		27,083	100.0	27,406	100.0
II Cost of sales					
Cost of completed services		20,085	74.2	20,459	74.7
Gross profit		6,997	25.8	6,947	25.3
III Selling, general and administrative expenses					
1. Directors' remuneration		248		288	
2. Salaries and allowances		1,859		2,011	
3. Bonuses		315		323	
4. Provision of reserve for bonuses		115		132	
5. Provision of Reserve for bonuses to directors		-		43	
6. Retirement allowances		1		1	
7. Retirement benefit expenses		235		163	
8. Provision of reserve for directors' retirement benefits		42		10	
9. Legal welfare expenses		398		425	
10. Traveling expenses		289		327	
11. Tax and public imposts		121		124	
12. Depreciation		82		73	
13. Rent expenses		322		313	
14. Research and investigation expenses		575		560	
15. Provision of allowance for doubtful account		-		8	
16. Other		861	20.2	816	20.5
Operating income			5.6		4.8
IV Non-operating revenues					
1. Interest earned	* 1	7		14	
2. Dividend earned	* 1	9		13	
3. Interest from securities		0		4	
4. Exchange rate gains		15		-	
5. Rent earned	* 1	31		32	
6. Insurance dividends earned		16		4	
7. Other		32	0.4	29	0.3
V Non-operating expenses					
1. Interest expense		1		1	
2. Commissions paid		9		28	
3. Loss on surrender		-		7	
4. Other		1	0.0	0	0.1
Ordinary profit			6.0		5.0
VI Extraordinary loss					
1. Loss from fixed assets disposal	* 2	101		0	
2. Office moving cost		165		-	
3. Unrealized loss on membership		-		3	
4. Premium for early retirement		21		-	
5. Provision of allowance for investment loss		-		6	
6. Other		4	1.1	0	0.0
Net income before income tax			4.9		5.0
Corporation tax, inhabitants tax and enterprise tax		618		547	
Deferred income taxes etc.		-24	2.2	92	2.3
Current net income			2.7		2.7
Profit brought forward					-
Current unappropriated profit					-
		1,665			

Cost Specifications for Completed Services

Category	Note No.	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)			Current Fiscal Year (from January 1, 2006 to December 31, 2006)		
		Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		5,799			5,988		
2. Bonuses		967			900		
3. Provision of reserve for bonuses		202			320		
4. Retirement benefit expense		562			502		
5. Other		1,127	8,660	43.8	1,189	8,899	43.5
II Amount paid to subcontractors			7,565	38.3		7,901	38.6
III Expenses							
1. Traveling expenses		916			955		
2. Printing and copying expenses		763			723		
3. Expendables cost		265			201		
4. Rents		827			828		
5. Depreciation		132			132		
6. Provision of allowance for losses in operations		–			85		
7. Other		625	3,531	17.9	697	3,664	17.8
Current general business expenses			19,757	100.0		20,465	100.0
Opening expenses prepaid for uncompleted services			8,655			8,327	
Total			28,412			28,792	
Closing expenses prepaid for uncompleted services			8,327			8,333	
Current cost of completed services			20,085			20,459	

(Footnote)

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
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 29, 2006)	
Category	Note No.	Amount (million yen)	
I Current unappropriated profit			1,665
II Appropriation of profit			
1. Dividends		226	
2. Directors' bonuses		20	
3. Auditors' bonuses		1	
4. Voluntary reserve			
Separate reserve		400	648
III Retained earnings carried forward			1,017

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

## (iv) Statement of Fluctuations in Shareholders' Equity

Current Fiscal Year (From January 1, 2006 to December 31, 2006)

	Shareholders' Equity						
	Capital	Capital Surplus		Profit Reserve	Profit Surplus		Total Profit Surplus
		Capital Reserve	Total Capital Surplus		Other Profit Surplus		
					Special Reserve	Profit Surplus Carried Forward	
Amount as of December 31, 2005 (Million yen)	3,025	4,122	4,122	176	8,300	1,665	10,142
Fluctuations during this fiscal year (Million yen)							
Dividend surplus (Appropriation of retained earnings)	-	-	-	-	-	-226	-226
Bonus to directors (Appropriation of retained earnings)	-	-	-	-	-	-22	-22
Special reserve	-	-	-	-	400	-400	-
Net income	-	-	-	-	-	733	733
Acquisition of treasury stock	-	-	-	-	-	-	-
Fluctuations during this fiscal year for items other than shareholders equity (Net amount)	-	-	-	-	-	-	-
Total fluctuations during this fiscal year (Million yen)	-	-	-	-	400	84	484
Amount as of December 31, 2006 (Million yen)	3,025	4,122	4,122	176	8,700	1,750	10,626

	Shareholders Equity		Valuation and Translation Differences		Total Net Assets
	Treasury Stock	Total Shareholders Equity	Other valuation differences on available-for-sale securities	Total of Valuation and Translation Differences	
Amount as of December 31, 2005 (Million yen)	-5	17,285	294	294	17,580
Fluctuations during this fiscal year (Million yen)					
Dividend surplus (Appropriation of retained earnings)	-	-226	-	-	-226
Bonus to directors (Appropriation of retained earnings)	-	-22	-	-	-22
Special Reserve	-	-	-	-	-
Net income	-	733	-	-	733
Acquisition of treasury stock	-0	-0	-	-	-0
Fluctuations during this fiscal year for items other than shareholders equity (Net amount)	-	-	-45	-45	-45
Total fluctuations during this fiscal year (Million yen)	-0	483	-45	-45	438
Amount as of December 31, 2006 (Million yen)	-5	17,769	249	249	18,018



## Important Accounting Policy

Item	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
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 * With fair value Calculated on the market value method based upon stock market prices as of the fiscal year-end. (Unrealized gains or losses have been dealt with according to the direct net assets imputation method, while value of products sold has been calculated according to the moving average method.) * With no fair value Cost method according to moving average method.</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>(1) Tangible fixed assets As at present.</p> <p>(2) Intangible fixed assets As at present.</p>
4. Accounting allowances for and reserves	<p>(1) Allowance for doubtful accounts In respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded to prepare for possible loss caused by bad debts.</p> <p>(2) Allowance for investment loss</p> <p>(3) 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>(1) Allowance for doubtful accounts As at present.</p> <p>(2) Allowance for investment loss Calculated according to the amount deemed necessary to allow for possible future losses on shares of affiliates held, taking into account net asset value.</p> <p>(3) Reserve for bonuses As at present.</p>

Item	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
	<p>(4) Reserve for bonus to directors _____</p> <p>(5) Allowance for losses in operations _____</p>	<p>(4) Reserve for bonus to directors Calculated on forecast payment amount to prepare for bonus payments to Directors.</p> <p>(5) Allowance for losses in operations Calculated according to the forecasted losses due to incomplete services at the end of fiscal year in preparation for future losses related to ordered works.</p>
<p>5. Accounting for leases</p> <p>6. Accounting for consumption taxes</p>	<p>(6) Reserve for retirement benefits To prepare retirement benefits for employees, these were recorded based upon the obligations to pay retirement benefits and the forecast amount of pension assets as at the end of this consolidated accounting year. 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. The Company also established a retirement benefit trust during this consolidated fiscal year.</p> <p>(7) 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>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>(6) Reserve for retirement benefits To prepare retirement benefits for employees, these were recorded based upon the obligations to pay retirement benefits and the forecast amount of pension assets as at the end of this consolidated accounting year. 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. The Company also established a retirement benefit trust.</p> <p>(7) Reserve for directors' retirement benefits _____</p> <p>As at present.</p> <p>As at present.</p>

## Changes to Accounting Method

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
	<p>1. Accounting Standards for Impairment Losses on Fixed Assets</p> <p>From this fiscal year “Accounting Standards for Impairment Losses on Fixed Assets” (“Opinion paper concerning the establishment of Accounting Standards for Impairment Losses on Fixed Assets”) (Corporate Accounting Standards Committee, Aug. 9, 2002) and the “Application Guidelines for Accounting Standards for Impairment Losses on Fixed Assets” (Corporate Accounting Standards Application Guideline No.6, Oct. 31, 2003) are applicable. This application has no effect on profit and loss for this fiscal year.</p> <p>2. Accounting Standards for Directors’ Bonuses</p> <p>Directors’ bonuses in accordance with a previous proposal for appropriation of retained earnings as approved at a General Meeting of Shareholders were accounted for by a reduction in the retained earnings. However, from this fiscal year, based on the “Accounting Standards for Directors’ Bonuses” (Corporate Accounting Standards No.4, Nov. 29, 2005), they are accounted for as costs at the time they arise. As a result under selling general and administrative expenses, the reserve for bonuses to directors increased by 43 million yen and operating income, ordinary profit and net income before income tax all decreased by 43 million yen.</p> <p>3. Accounting Standards for Net Assets in the Balance Sheet</p> <p>From this fiscal year “Accounting Standards for Net Assets shown in the Balance Sheet” (Corporate Accounting Standards No.5, Dec. 9, 2005) and “Application Guidelines for Accounting Standards for Net Assets shown in the Balance Sheet” (Corporate Accounting Standards Application Guideline No.8, Dec. 9, 2005) are applicable. The amount corresponds to what was previously listed under total capital.</p> <p>Further, due to an amendment to the financial statements regulations, in respect of the item net assets in the balance sheet, this has been accounted for using the amended financial statements regulations.</p>

## Change in presentation of accounts

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
<p>1. "Commissions earned," which was recorded as a separate item in the accounts for the previous consolidated fiscal year, is now included under "Other" in this consolidated fiscal year, as this amount is less than 10/100 of non-operating revenues. The amount of "Commissions earned" in this consolidated fiscal year totaled 4 million yen.</p> <p>2. "Valuation loss on investments," which was recorded in non-operating costs in the accounts for the previous consolidated fiscal year, is now included under "Other" in this consolidated fiscal year, as this amount is less than 10/100 of non-operating costs. The amount of "Valuation loss on investments" in this consolidated fiscal year totaled 0 million yen.</p>	<p>1. "Exchange gain," which was recorded as a separate item in the accounts for the previous consolidated fiscal year, is now included under "Other" in this consolidated fiscal year, as this amount is less than 10/100 of non-operating revenues. The amount of "Exchange gain" in this consolidated fiscal year totaled 0 million yen.</p> <p>2. In the previous fiscal year "Loss on surrender" was included under "Other" in non-operating expenses. However as this amount is now more than 10/100 of non-operating expenses, from this fiscal year it is listed as a separate item. Further in the previous fiscal year "Loss on surrender" was 0 million yen.</p>

## Additional Information

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
<p>"The Law Concerning a partial Amendment to the Local Tax Law" (Law No. 9, 2003) was promulgated on March 31, 2003 and has applied to the introduction of pro-forma standard taxation for all fiscal years that commenced on or after April 1, 2004. Therefore, in accordance with "Practical treatment of the portion of profit and loss statement with pro-forma standard taxation under the Corporate Taxation Law" (Corporate Accounting Standards Committee Practical Application Report No. 12, Feb. 13, 2004), the direct ratio of added value and the ratio of shareholders equity are accounted for under selling, general and administrative expenses.</p> <p>As a result selling, general and administrative expenses increased by 64 million yen, while operating income, ordinary profit and net income before income tax decreased by 64 million yen.</p>	<p>1. Establishment of an Allowance for Losses in Operations</p> <p>For the Company, as losses related to ordered works have been increasing in financial importance, the amount forecasted as necessary as at the end of this fiscal year has been set aside. As a result sales costs increased by 85 million yen and operating income, ordinary profit and net income before income tax decreased by 85 million yen.</p> <p>2. Abolition of Directors Retirement Benefits</p> <p>Previously for the Company the required amount payable at the end of a period as payment of a reward for services for retiring directors in accordance with its in-house regulations was accounted for under the reserve for directors' retirement benefits. However, at the Company's Board of Directors meeting held on Feb. 23, 2006, it was resolved to abolish the directors retirement benefits system. Further at the Company's ordinary General Meeting of Shareholders held on March 29, 2006, it was resolved that for directors still serving at the time of the conclusion of that meeting, that the retirement benefits payable on that date be paid upon the resignation of each of those</p>

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
	<p>directors.</p> <p>Accordingly the in-house regulations for the payment of directors retirement benefits were repealed and from this fiscal year all amounts in the reserve for directors retirement benefits were withdrawn and transferred to “Long-term accounts payable” and listed under fixed liabilities</p>

Notes

(Note on Balance Sheet)

Previous Fiscal Year (as of December 31, 2005)	Current Fiscal Year (as of December 31, 2006)
<p>* 1 Amount for related companies is included as follows: Account payable-trade 301 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) 7,914 shares</p> <p>4 Guarantee of debts The Company guarantees its employees' borrowing from banks (126 million yen) and, the borrowing from banks and advancement of Kensetsu Giken International from banks (245 million yen).</p> <p>5. Dividend restrictions Due to the valuation of securities at market price, net assets increased by 294 million yen. The provision of Article 124 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: Shot-term loan receivable 587 million yen Account payable-trade 362 million yen</p> <p>* 2 _____</p> <p>* 3 _____</p> <p>4 Guarantee of debts The Company guarantees its employees' borrowing from banks (99 million yen) and, the borrowing from banks and advancement of Kensetsu Giken International from banks (342 million yen).</p> <p>5. _____</p>

(Note on Profit and Loss Statement)

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)																																					
<p>* 1 Within non-operating profits, the total amount of profit from affiliated companies was 24 million yen, mainly comprised of the following major items.</p> <p>Received dividends 2 million yen Received rent income 16</p> <p>* 2 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;">Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td style="text-align: center;">87</td> <td style="text-align: center;">-</td> <td style="text-align: center;">87</td> </tr> <tr> <td>Furniture and fixtures</td> <td style="text-align: center;">13</td> <td style="text-align: center;">-</td> <td style="text-align: center;">13</td> </tr> <tr> <td>Software</td> <td style="text-align: center;">0</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;">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;">0</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>100</b></td> <td style="text-align: center;"><b>0</b></td> <td style="text-align: center;"><b>101</b></td> </tr> </tbody> </table>		Loss from fixed assets write-off (million yen)	Loss from fixed assets cancellation (million yen)	Total (million yen)	Buildings	87	-	87	Furniture and fixtures	13	-	13	Software	0	-	0	Membership	-	0	0	Long-term prepaid expenses	-	0	0	<b>Total</b>	<b>100</b>	<b>0</b>	<b>101</b>	<p>* 1 Within non-operating profits, the total amount of profit from affiliated companies was 39 million yen, mainly comprised of the following major items.</p> <p>Received interest 7 million yen Received dividends 5 Received rent income 21</p> <p>* 2 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;">Total (million yen)</th> </tr> </thead> <tbody> <tr> <td>Furniture and fixtures</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>0</b></td> <td style="text-align: center;"><b>0</b></td> </tr> </tbody> </table>		Loss from fixed assets write-off (million yen)	Total (million yen)	Furniture and fixtures	0	0	<b>Total</b>	<b>0</b>	<b>0</b>
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Membership	-	0	0																																			
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	Loss from fixed assets write-off (million yen)	Total (million yen)																																				
Furniture and fixtures	0	0																																				
<b>Total</b>	<b>0</b>	<b>0</b>																																				

(Notes on Statement of Fluctuations in Shareholders' Equity)

Current Fiscal Year (From January 1, 2006 to December 31, 2006)

1 Treasury stock

Type of Share	As of the end of the previous fiscal year	Increase	Decrease	As of the end of the fiscal year
Ordinary Shares	7,914	521	—	8,435

Note: The increase in the amount of treasury stock of 521 shares was due to acquisition of shares constituting less than one transaction unit.

(Notes on lease arrangements)

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)				Current Fiscal Year (from January 1, 2006 to December 31, 2006)			
Finance lease transactions other than those by which the ownership of the leased assets is to be transferred to lessees				Finance lease transactions other than those by which the ownership of the leased assets is to be transferred to lessees			
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	119	59	59	Furniture and fixtures	148	62	85
Software	2	2	0	Software	11	1	10
Total	122	62	59	Total	159	63	96
2. Unexpired lease payment at the end of term				2. Unexpired lease payment at the end of term			
Within one year 29 million yen				Within one year 43 million yen			
Over one year 31				Over one year 54			
Total 60				Total 97			
3. Lease payments, assumed depreciation, and assumed interest payments				3. Lease payments, assumed depreciation, and assumed interest payments			
Lease payments 48 million yen				Lease payments 42 million yen			
Assumed depreciation 45				Assumed depreciation 40			
Assumed interest payments 2				Assumed interest payments 2			
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, 2005)	Current Fiscal Year (as of December 31, 2006)
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, 2005)	Current Fiscal Year (as of December 31, 2006)
1. Breakdown by major cause of deferred tax assets and deferred tax credits generation	Deferred tax assets (current assets)	
	Accrued enterprise tax	37 million yen
	Social insurance premiums for bonuses	20
	Reserve for bonuses	175
	Other	43
	Subtotal	275
	Deferred tax assets (fixed assets)	
	Reserve for retirement allowances	778 million yen
	Reserve for directors' retirement benefits	115
	Unrealized loss of securities	88
	Unrealized loss on membership	25
	Other	13
	Subtotal	1,021
	Deferred tax liabilities (fixed liabilities)	
	Unrealized gains or losses on other securities	201 million yen
	Subtotal	201
	Net deferred tax assets	819 million yen
	Deferred tax assets (current assets)	
	Accrued enterprise tax	26 million yen
	Allowance for losses in operations	34
	Social insurance premiums for bonuses	22
Reserve for bonuses	191	
Other	31	
Subtotal	306	
Deferred tax assets (fixed assets)		
Reserve for retirement allowances	660 million yen	
Long-term accounts payable	111	
Unrealized loss of securities	91	
Unrealized loss on membership	26	
Other	9	
Subtotal	898	
Deferred tax liabilities (fixed liabilities)		
Unrealized gains or losses on other securities	170 million yen	
Subtotal	170	
Net deferred tax assets	727 million yen	



Item	Previous Fiscal Year (as of December 31, 2005)	Current Fiscal Year (as of December 31, 2006)
2. Breakdown by major item of causes leading to any material difference between the legal effective tax rate and the bearing rate of corporation tax or the like after adoption of tax effect accounting	Legal effective tax rate 40.69% (Adjustment) No entry of loss from entertainment expense etc. 1.03 Per capita inhabitant tax 4.71 No entry of profit from dividend earned etc. -0.19 IT related investment promotion tax system -0.85 Other -0.94 Bearing rate of corporation tax or the like after application of tax effect accounting 44.45	Legal effective tax rate 40.69% (Adjustment) No entry of loss from entertainment expense etc. 1.12 Per capita inhabitant tax 4.83 No entry of profit from dividend earned etc. -0.27 Other 0.24 Bearing rate of corporation tax or the like after application of tax effect accounting 46.61

## (Information per share)

Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
Net assets per share 1,240.72 yen	Net assets per share 1,273.35 yen
Current net income per share 50.85 yen	Current net income per share 51.80 yen
Current net income per share after adjustment of potential shares is not stated because there no potential shares.	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 Fiscal Year (January 1, 2005 to December 31, 2005)	Current Fiscal Year (January 1, 2006 to December 31, 2006)
Current term net income in the income statement (million yen)	742	733
Current term net income related to common shares (million yen)	719	733
Breakdown of major amounts not belonging to ordinary shareholders (million yen)		
Bonuses for directors based on appropriation of profits	22	—
Amounts not belonging to ordinary shareholders (million yen)	22	—
Average number of common shares for the entire fiscal year (shares)	14,152,134	14,150,872
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, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
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## (iv) Supplemental specifications

## Specifications of securities

## Shares

		Issuer name	Number of shares	Book value on balance sheet (million yen)
Investment securities	Other Investment securities	Mitsubishi UFJ Financial Group, Inc.	145	213
		T&D Holdings, Inc.	19,200	151
		OYO Corporation	98,566	123
		Mizuho Financial Group, Inc.	81	68
		Maezawa Kasei Industries Co., Ltd.	36,000	64
		Ube Material Industries, Ltd.	136,000	56
		Kokusai Kogyo Co., Ltd	141,000	53
		Asia Air Survey Co., Ltd.	102,000	37
		West Japan System Construction Corp.	74,000	33
		Chuo Securities Co., Ltd.	60,000	24
		Other (17 issues)	161,143	111
		Total	828,135	936

## 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)	501,887,303	501
		(Free Financial Fund)	500,522,576	500
		Mitsubishi UFJ Asset Management Co., Ltd. (Medium-term government securities fund)	706,590,911	706
		Daiwa Securities Investment Trust Consignment Co., Ltd. (Money Management Fund)	201,341,778	201
		(Free Financial Fund)	200,455,453	200
		DWS Investment S.A. (Deutsch Money-Plus)	50,000	500
				Total

Specifications of tangible fixed assets and other

Type of assets	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	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	3,584	18	–	3,603	1,560	116	2,042
Structures	714	–	–	714	434	22	280
Machinery and equipment	235	–	–	235	196	6	38
Vehicle and delivery equipment	20	–	–	20	17	1	2
Furniture and fixtures	706	20	9	717	539	59	178
Land	4,581	–	–	4,581	–	–	4,581
Total tangible fixed assets	9,843	38	9	9,873	2,749	206	7,124
Intangible fixed assets							
Leasehold	16	–	–	16	–	–	16
Software	478	56	–	535	319	93	215
Telephone right	22	–	–	22	–	–	22
Right of using special facilities	6	–	–	6	5	0	1
Leasehold	1	–	–	1	0	0	0
Total intangible fixed assets	526	56	–	582	325	93	257
Long-term prepaid expenses	45	8	3	51	37	–	14
Deferred assets							
–	–	–	–	–	–	–	–
Total deferred assets	–	–	–	–	–	–	–

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 (Other) (million yen)	Closing balance (million yen)
Allowance for doubtful account	-	8	-	-	8
Allowance for investment loss	-	6	-	-	6
Reserve for bonuses	435	470	435	-	470
Reserve for bonuses to directors	-	43	-	-	43
Allowance for losses in operations	-	85	-	-	85
Reserve for retirement benefits	490	662	833	-	319
Reserve for directors' retirement benefits	284	10	22	273	-

Note: The decrease in the reserve for directors' retirement benefits for "Other" is due to the abolition of the directors' retirement benefit system.

(2) Details of major assets/liabilities

1) Assets section

(i) Cash and bank deposits

Category	Amount (million yen)
Cash on hand	3
Type of bank deposits	
Checking deposit	4,087
Ordinary deposit	590
Time deposit	300
Special deposit	3
Subtotal	4,982
Total	4,986

(ii) Accounts receivable from completed services

(a) Breakdown by client

Client	Amount (million yen)
Japanese Government	219
Republic of Indonesia	191
Republic of the Philippines	56
Malaysia	35
Fukui Prefecture	32
Shiga-ken Kankyo Jigyo Kosha	28
Yokohama City	22
Kyoto City	21
Social experiment conference on expressway toll	20
Japan Institute of Construction Engineering	20
Other	155
Total	805

(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
653	2,304	2,152	805	72.8	115.5

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	3,827
Subcontractor cost	2,880
Expense	1,625
Total	8,333

2) Liabilities

(i) Accounts payable—Trade

Service provider	Amount (million yen)
CTI Engineering International Co., Ltd.	190
CTI Wing Co., Ltd	51
CTI Grand Planning Co., Ltd.	42
AURA Engineering Co., Ltd.	32
Otsuka Corporation	19
CTI Geo-Environment Co., Ltd.	19
Shin Doboku Kaihatsu Co., Ltd.	17
CGK, Ltd	16
Manyu Shokai	15
Sanyu architectural design office	14
Other	839
<b>Total</b>	<b>1,259</b>

(ii) Advances received

Client	Amount (million yen)
Japanese Government	2,733
Hyogo Prefecture	431
Fukui Prefecture	281
Shizuoka Prefecture	183
Yamaguchi Prefecture	182
Japan Institute of Construction Engineering	134
Japan Water Agency	127
Fukushima Prefecture	119
Aomori Prefecture	118
Kanagawa Prefecture	118
Other	2,604
<b>Total</b>	<b>7,035</b>



(3) Other

There is no applicable information.

## Chapter 6: Shareholder Related Information

Fiscal year	January 1 to December 31
Ordinary general meeting of shareholders	In March
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 dividends from surplus	June 30, December 31
Unit of shares	100 shares
Stock transfer	
Place of transfer	Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Service offices	Head office and branches Mitsubishi UFJ Trust and Banking Corporation
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 Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Service office	Head office and branches Mitsubishi UFJ Trust and Banking Corporation
Service charge for purchase	Free of charge
Media of public notice	The Company's notices are published on its website. However, where due to unforeseen circumstances website publication is not possible, notices will be published in the Nihon Keizai Shimbun. The Company's website for public notices is as follows: <a href="http://www.ctie.co.jp/">http://www.ctie.co.jp/</a>
Privilege to shareholders	None

## Chapter 7: Reference Material

### 1. Parent Company Information

The Company has no parent company.

### 2. Other References

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

(1) Securities Report and accompanying documents	Fiscal year (43rd fiscal year)	from January 1, 2005 to December 31, 2005	Submitted to the director of the Kanto Local Finance Bureau on March 30, 2006.
(2) Semiannual Securities Report	(during the 44th fiscal year)	from January 1, 2006 to June 30 2006	Submitted to the director of the Kanto Local Finance Bureau on September 25, 2006.

## Part2: SURETY COMPANY INFORMATION

Not applicable.