

SECURITIES REPORT

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

Fiscal Year (54th Term)

(from January 1, 2016 to December 31, 2016)

CTI Engineering Co., Ltd.

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

(941-172)

54th Term (from January 1, 2016 to December 31, 2016)

SECURITIES REPORT

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

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

CTI Engineering Co., Ltd.

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Cover

Document submitted	Securities report
Legal basis	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Recipient of document	Director of the Kanto Local Finance Bureau
Date of submission	March 27, 2017
Fiscal Year	54th term (from January 1, 2016 to December 31, 2016)
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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		50th term	51st term	52nd term	53rd term	54th term
Fiscal year-end		December 2012	December 2013	December 2014	December 2015	December 2016
Sales amount	(million yen)	32,515	36,435	39,524	40,220	42,033
Ordinary profit	(million yen)	1,076	1,638	2,525	2,734	2,433
Net income attributable to owners of the parent	(million yen)	550	982	1,490	1,633	1,447
Comprehensive income	(million yen)	701	1,270	1,584	1,891	1,259
Net assets	(million yen)	20,350	21,392	21,870	23,816	24,793
Total assets	(million yen)	32,319	37,132	41,011	43,937	42,644
Net assets per share	(yen)	1,429.83	1,504.86	1,539.79	1,675.40	1,746.31
Net income per share	(yen)	38.91	69.46	105.38	115.51	102.37
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	62.6	57.3	53.1	53.9	57.9
Profit ratio of net worth	(%)	2.8	4.7	6.9	7.2	6.0
Price earnings ratio	(times)	15.50	15.22	14.62	10.75	10.18
Cash flow from operating business activities	(million yen)	921	3,012	3,591	1,613	-201
Cash flow from investment activities	(million yen)	-167	-962	568	-1,766	-163
Cash flow from financial activities	(million yen)	-476	89	-108	-196	-683
Closing balance of cash and cash equivalents	(million yen)	6,448	8,592	12,659	12,310	11,244
Number of employees (plus average number of temporary employees)	(persons)	1,588 (510)	1,633 (492)	1,652 (496)	1,855 (499)	1,886 (504)

- Notes:
1. Sales amount does not include consumption tax.
 2. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.
 3. The Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013), etc. have been applied, and net income is changed to net income attributable to owners of the parent effective from the current consolidated fiscal year.

(2) Non-consolidated Management Indices of the Company

Fiscal year		50th term	51st term	52nd term	53rd term	54th term
Fiscal year-end		December 2012	December 2013	December 2014	December 2015	December 2016
Sales amount	(million yen)	27,040	30,059	33,211	33,734	34,256
Ordinary profit	(million yen)	878	1,619	2,275	2,513	2,465
Net income	(million yen)	463	969	1,366	1,520	1,545
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)	19,792	20,840	22,040	23,608	24,923
Total assets	(million yen)	28,228	32,553	36,282	38,498	38,762
Net assets per share	(yen)	1,399.57	1,473.74	1,558.60	1,669.52	1,762.55
Cash Dividend per share (Interim dividend per share)	(yen)	16.00 (-)	18.00 (-)	18.00 (-)	20.00 (-)	20.00 (-)
Net income per share	(yen)	32.81	68.59	96.66	107.54	109.27
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	70.1	64.0	60.7	61.3	64.3
Profit ratio of net worth	(%)	2.4	4.7	6.4	6.4	6.4
Price earnings ratio	(times)	18.38	15.41	15.94	11.55	9.54
Dividend Payout ratio	(%)	48.8	26.2	18.6	18.6	18.3
Number of employees (plus average number of temporary employees)	(persons)	1,270 (475)	1,295 (441)	1,315 (443)	1,399 (441)	1,450 (449)

- Notes:
1. Sales amount does not include consumption tax.
 2. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.
 3. Dividend of 18 yen per share for the fiscal year ended December 31, 2013 includes a commemorative dividend of 2 yen to commemorate the 50th anniversary of founding as a stock company.

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 Nihombashi-koamicho, Chuo-ku, Tokyo
September 1973	Moved the Head Office to Nihombashi-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 (Tohoku Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” (CTI AURA Co., Ltd. at present) to be exclusively engaged in construction management projects
June 1988	Opened Sapporo Liaison Office (Hokkaido Office at present) in Chuo-ku, Sapporo
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
April 1991	Opened Tokyo Office (Tokyo Head Office at present) in Nihombashi-honcho, Chuo-ku, Tokyo in preparation for larger-scale business
April 1994	Opened CM Headquarters in the Head Office to participate in “Construction Management (CM)” business acting as an agent in construction projects ranging from planning and design through to selection of constructor and construction control
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaraki
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
March 1999	Established CTI Engineering International Co., Ltd. to isolate overseas operations making it independent of other operations
April 1999	Assigned the goodwill of the overseas division to the CTI Engineering International
June 1999	Stock listed on the First Section of the Tokyo Stock Exchange
December 1999	Established Management Techno Co., Ltd. to be exclusively engaged in management businesses
April 2000	Opened Management Business Department to be in charge of management business
April 2003	CTI Academy Co., Ltd. (CTI Frontier Co., Ltd. at present) was established to specialize in training, the conducting of seminars, and other businesses.
May 2005	In the company’s 60th year of operations, the head office was relocated to Nihombashi Hamacho, Chuo-ku, Tokyo.
June 2006	On June 1, 2006, the Fukuoka Association of Land Readjustment transferred its commercial operations to the Company’s wholly owned subsidiary, Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006) (presently Japan Urban Engineering Co., Ltd.)
January 2008	Established Wuhan CTI-CRSRI Engineering & Environment Co., Ltd. to implement environmental consulting services with Changjiang River Scientific Research Institute
October 2010	The Company’s wholly owned subsidiary, Chi-ken Sogo Consultants Co., Ltd., absorbed the construction consultant business of SUMIKO CONSULTANTS CO., LTD. (presently Sumiko Resources Exploration & Development Co., Ltd.) and started operations.
March 2014	Established CTI Myanmar Co., Ltd. to implement engineering consulting services jointly with Duwun Export & Import Co., Ltd.
June 2015	Environmental Research & Solutions CO., LTD., started its operations as the Company’s wholly owned subsidiary by way of a share transfer from UNITIKA LTD.
November 2015	NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. started operations as the Company’s wholly owned subsidiary by way of a share transfer in the form of an incorporation-type company split.

3. Business Contents

The Company's group consists of CTI Engineering Co., Ltd. (hereinafter "the Company") and other subsidiaries (hereinafter collectively "the Group") all of which are engaged in engineering consulting business related to public works for rivers, dams, roads, environment and information, etc. In the settlement of the current term, the Company has four consolidated subsidiaries and no affiliates carried by the equity method.

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

(i) Domestic operations

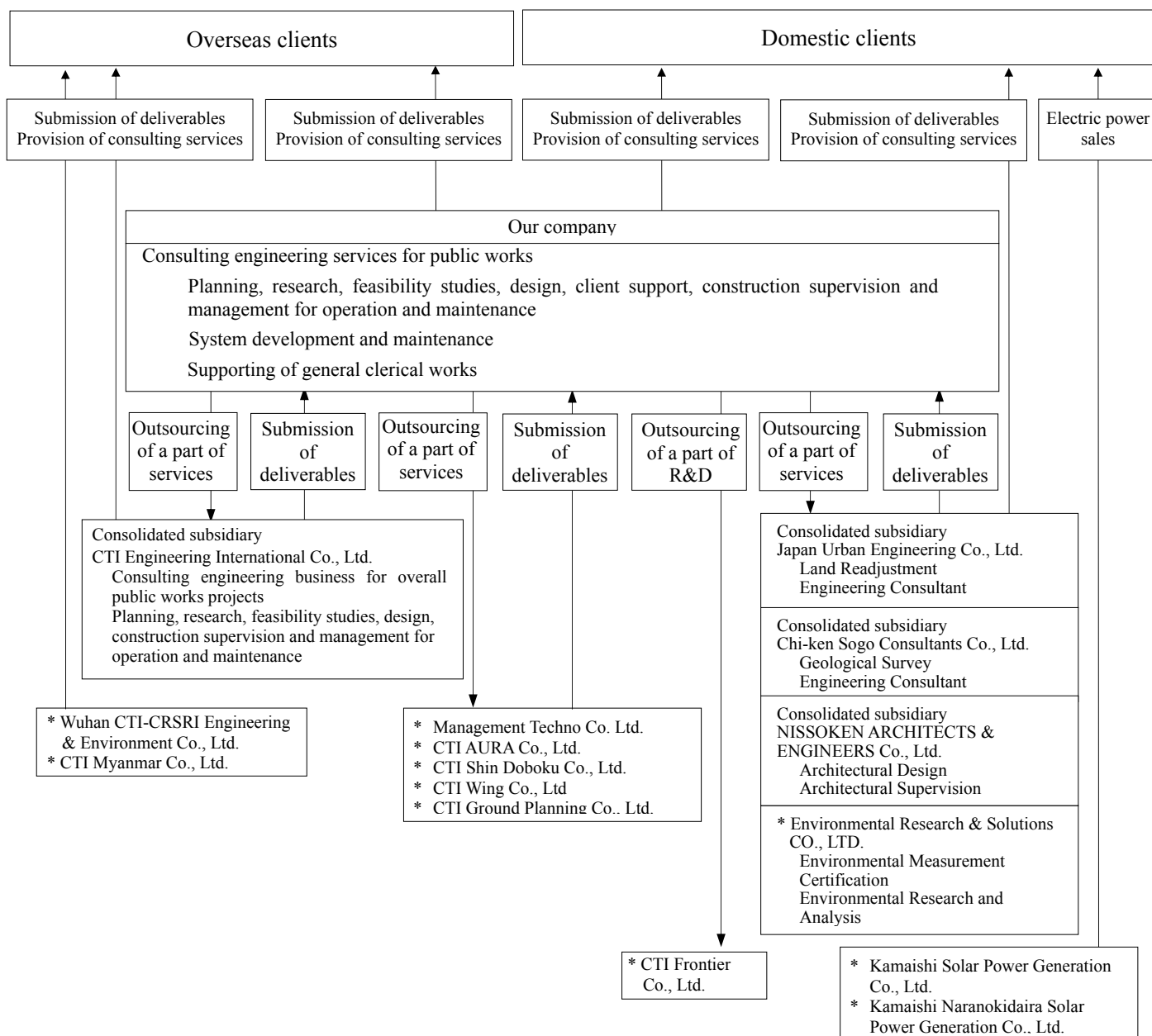
The Company's major consulting engineering services include planning, research, feasibility studies, design, client support, construction supervision, management for operation and maintenance for public works in Japan as well as incidental system development, maintenance and supporting of general clerical works, and land readjustment works. The Company is in charge of all of these operations. Additionally, the Company's subsidiary Japan Urban Engineering Co., Ltd. is mainly in charge of land readjustment and urban redevelopment works. The Company's subsidiary Chi-ken Sogo Consultants Co., Ltd. is mainly in charge of geological work and works related to erosion control. The Company's subsidiary NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. is in charge of architectural design and supervision.

(ii) Overseas operations

The Company's major overseas business operations are 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. The Company is in charge of these services together with its subsidiary CTI Engineering International Co., Ltd.

Furthermore, the Company's overseas subsidiary, Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., is in charge of water environmental consulting services in China.

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



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

4. Situation of Consolidated Subsidiaries

Company name	Address	Capital (million yen)	Major business contents	Voting right ratio (%)	Relation contents
CTI Engineering International Co., Ltd.	Koto-ku, Tokyo	100	Engineering consulting for overseas market	70.0	Receives orders for engineering consulting services in overseas markets. Some directors double as directors of the Company.
Japan Urban Engineering Co., Ltd.)	Chuo-ku, Tokyo	100	Land readjustment Engineering consulting	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for land readjustment works, from local governments.
Chi-ken Sogo Consultants Co., Ltd.	Arakawa-ku, Tokyo	100	Geological survey Engineering consulting	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for geological survey works, from local governments.
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.	Shibuya-ku, Tokyo	100	Architecture / design	100.0	Directly receives orders for architectural design and supervision.

5. Situation of Employees

(1) Consolidation basis

As of December 31, 2016

Number of employees (persons)	1,886 (504)
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Note: "Number of employees" shows the number of regular workers. For temporary employees, the average number of additional temporary workers during the year is shown in ().

(2) Non-consolidation basis

As of December 31, 2016

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
1,450 (449)	42.70	13.28	8,482,395

Notes: 1. "Number of employees" shows the number of regular workers. For temporary employees, the average number of additional temporary workers during the year is shown in ().
2. The average yearly wage contains bonus and extra wages.

(3) Situation of labor union

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

(i) Name: Labor Union of CTI Engineering

(ii) Umbrella organization: National Federation of Construction Engineering Worker's Unions for Japan

(iii) Number of union members: 870 (as of December 31, 2016)

(iv) Other: There is no matter in particular to be mentioned, and labor-management relations are maintained in a stable manner based on mutual trust.

CHAPTER 2: BUSINESS SITUATION

1. Outline of Results

(1) Results

During the current consolidated fiscal year, the Japanese economy moved from a phase of leveling off onto a gradual recovery trend, backed by economic policies implemented by the government and overseas economic recovery.

The global economy, meanwhile, was constrained by lingering downside risks such as turmoil in the financial markets stemming from the UK's decision to depart from the EU and future uncertainty introduced by the results of the US presidential election.

The business environment surrounding the Group remained on an improvement trend, buoyed by the steady levels of public works spending continued from the previous consolidated fiscal year, accelerated budget execution, and the approval of a second supplementary budget with an emphasis on public investment.

Under these circumstances, the Group has committed all of its strengths and resources to contribute to restoration from the Great East Japan Earthquake and the 2016 Kumamoto Earthquake. The Group also strengthened its competitive edge in technical know-how and price and improved its management resources with a focus on human resources. Through these efforts, the Group acquired stable orders received beyond its plans and steadily increased sales and income mainly in businesses related to disaster prevention and disaster mitigation, and businesses related to the maintenance, management, and renewal of social infrastructure.

The results of our consolidated subsidiaries fell below our plan mainly due to the adverse effect of the foreign exchange losses posted by CTI Engineering International Co., Ltd. and the corporate reconstruction of NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd., although Japan Urban Engineering Co., Ltd. and Chicken Sogo Consultants Co., Ltd. both performed stably. Overall, however, the Group pressed ahead in its work to reinforce its comprehensive capabilities by strengthening group supervisory functions, supporting group companies' management, and developing new business areas through group cooperation.

As a consequence, orders received of the Group during this consolidated fiscal year were 42,481 million yen, a YoY increase of 5.3%. Meanwhile, income from completed services was 42,033 million yen, a YoY increase of 4.5%, and ordinary profit decreased by 11.0% YoY to 2,433 million yen. Net income attributable to owners of the parent decreased by 11.4% YoY to 1,447 million yen.

(2) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) decreased by 1,066 million yen YoY, to a total of 11,244 million yen.

Net cash used for operating activities was 201 million yen (net cash provided by operating activities was 1,613 million yen for the previous consolidated fiscal year). The major items were net income before income tax of 2,382 million yen, a 759 million yen increase in sales account, a 1,478 million yen decrease in advances received from uncompleted services, and payment of corporation income tax etc. of 838 million yen.

Net cash used for investment activities was 163 million yen, a YoY decrease of 90.7%. The major items were payments for acquisition of fixed assets of 449 million yen, payments for acquisition of investment securities of 500 million yen, and proceeds from withdrawal of long-term deposits of 800 million yen.

Net cash used for financial activities was 683 million yen, a YoY increase of 247.2%. The major items were dividend payments of 282 million yen, decrease in short-term borrowings of 300 million yen, and repayments of lease obligations of 80 million yen.

2. Production, Orders Received and Sales

The 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, 2016 to December 31, 2016) (million yen)	Change from the same term in previous year (%)
Engineering consulting	42,033	4.5
Total	42,033	4.5

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

(2) Order receiving situation

Category	Current consolidated fiscal year (From January 1, 2016 to December 31, 2016)			
	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	42,481	5.3	44,250	3.5
Total	42,481	5.3	44,250	3.5

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

(3) Sales results

1) Sales results

Category	Current consolidated fiscal year (From January 1, 2016 to December 31, 2016) (million yen)	Change from the same term in previous year (%)
Engineering consulting	42,033	4.5
Total	42,033	4.5

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, 2015 to December 31, 2015)		Current consolidated fiscal year (From January 1, 2016 to December 31, 2016)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government	19,215	47.8	18,485	44.0

3. Our Tasks Ahead

The national government took budgetary measures for public works spending in its supplementary budget for fiscal 2016 in relation to disaster-recovery works, disaster prevention and disaster mitigation works, and the acceleration of restoration. The main budget for fiscal 2017 is expected to remain the same level as that for fiscal 2016. In addition, there remain a host of issues relating to enhancement of social infrastructure such as national resilience and improved maintenance and administration. Construction consultants will play a more important role than ever before under these circumstances.

In light of this business environment, the Group will increase its competitiveness by fully exploiting the power it has been accumulating, while continuing to make forward-looking investments. The Group will promote its corporate activities under the action guidelines listed below with a view to simultaneously reforming working styles and expanding its businesses:

- 1) Increasing group power
- 2) Reforming working styles
- 3) Improving investment in development and production
- 4) Reinforcing business development
- 5) Strengthening measures to improve quality and efficiency

All of our employees and executives will continue to make concerted efforts with their utmost energy to carry out CTI Engineering's social mission as a construction consultant with an important role in the security and safety of Japan's citizens.

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 both in Japan and abroad and carries out research and development necessary for its business.

Investment areas are divided into the opening up of new business areas and new business development (strategic research, international research, research for business development, and research for the development of new businesses), research in national land and culture, technology development, and human resources development.

During the current consolidated fiscal year, the Group invested a total of 923 million yen to carry out research and study on the following major subjects:

- 1) Strategic research (promotion of CIM and promotion of infrastructure maintenance business)
- 2) International research (international business promotion and overseas training for development of human resources)
- 3) Research for business development (services for the provision of weather information, etc., development of the logistics business, development of the smart communities business, development of the farmland soil analysis business, etc.)
- 4) Research for the development of new business areas (business development in water circulation and underground water areas, business development in water supply and sewerage areas, business development in harbors and fishing ports, business development in urban reconstruction, business development in urban civil engineering, business exploitation in railways, business development in green infrastructure in agriculture and agricultural villages, and business development in CM and PM services)
- 5) Research in national land and culture (measures for adapting to temperature variability, declining population society, hydroelectric power generation valuation, study on the effects of changes in economic and social systems, study on diversified mobility, environment for fostering children, environmental design, etc., regional restoration starting from rivers, support for the disaster prevention of cultural assets, etc.)
- 6) Technological research and development (CTI water circulation system, dam reconstruction technology, new river engineering plan, bridge renewal design, a non-life insurance data system, infrastructure public accounting, commercialization of on-the-sea wind power, environmental targets for rivers, conservation technology for rare species, system for estimating the Japanese earthquake scale for ground, rainfall observation equipment via wireless LAN, system for preventing underground flooding, tree and vegetation management technology, a bridge-checking robot, study on repainting of PCB bridges, development of regional analysis methods, etc.)
- 7) Human resources development (training inside or outside of the company, dispatch of employees with full-time jobs to graduate school, dispatch for overseas training, etc.)

7. Analysis of Financial Conditions, Business Performance and Cash Flow

(1) Financial conditions

(Assets)

At the end of the current consolidated fiscal year, the Group's total assets totaled 42,644 million yen, a decrease of 2.9% compared to the end of the previous fiscal year. The major item was a decrease in cash at hand.

(Liabilities)

Total liabilities at the end of this consolidated fiscal year were 17,851 million yen, a decrease of 11.3% compared to the end of the previous fiscal year. The major item was a decrease in advances received from uncompleted services.

(Net Assets)

At the end of the current consolidated fiscal year, net assets totaled 24,793 million yen, an increase of 4.1% compared to the end of the previous fiscal year. The major item was net income attributable to owners of the parent.

(2) Business performance

As of the end of this consolidated fiscal year, the Group's orders received amounted to 42,481 million yen, a YoY increase of 5.3%. Income from completed services was 42,033 million yen, a YoY increase of 4.5%. Ordinary profit decreased by 11.0% YoY to 2,433 million yen, and net income attributable to owners of the parent for this consolidated fiscal year decreased by 11.4% YoY to 1,447 million yen.

(3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) decreased by 1,066 million yen compared to the end of the previous fiscal year, totaling 11,244 million yen.

Net cash used for operating activities was 201 million yen. The major items were net income before income tax of 2,382 million yen, a 759 million yen increase in sales account, a 1,478 million yen decrease in advances received from uncompleted services, and payment of corporation income tax etc. of 838 million yen.

Net cash used for investment activities was 163 million yen, a YoY decrease of 90.7%. The major items were payments for acquisition of fixed assets of 449 million yen, payments for acquisition of investment securities of 500 million yen, and proceeds from withdrawal of long-term deposits of 800 million yen.

Net cash used for financial activities was 683 million yen, a YoY increase of 247.2%. The major items were dividend payments of 282 million yen, decrease in short-term borrowings of 300 million yen, and repayments of lease obligations of 80 million yen.

CHAPTER 3: FACILITIES & EQUIPMENT

1. Outline of Investment into Facilities and Equipment

The Group committed 219 million yen in capital investment chiefly to perform repair work for improving working conditions at offices.

There were no capital investments or sales or dispositions of facilities or equipment that had significant impacts on production capabilities in the current consolidated fiscal year.

2. Major Facilities and Equipment

Major facilities and equipment of the Group are as shown below.

(1) Company submitting the report

As of December 31, 2016

Establishment (location)	Business line	Book value (million yen)						Number of employees (persons)
		Buildings and structures	Machinery and delivery equipment	Land (area: m ²)	Lease assets	Other	Total	
Head Office (Chuo-ku, Tokyo)	General administration facilities	9	–	–	0	28	39	116 (5)
Tokyo Head Office (Chuo-ku, Tokyo)	Office	65	–	–	10	55	132	408 (116)
Tokyo Head Office Saitama Office (Urawa-ku, Saitama)	Office	673	0	772 (1,978)	6	9	1,461	135 (77)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Office and laboratory facilities	246	8	1,937 (50,605)	1	5	2,199	43 (13)
Yono Dormitory (Chuo-ku, Saitama)	Welfare facilities	186	–	820 (1,565)	–	0	1,006	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Office	301	1	1,025 (1,136)	6	13	1,348	145 (14)

Notes: 1. Land area of Research Center Tsukuba includes the area of 14,895 m² leased from a party other than the consolidated company.

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

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

(ii) Number of shares issued

Class	Issued shares as of the end of the fiscal year (shares) (December 31, 2016)	Issued shares as of the date for submission (shares) (March 27, 2017)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	14,159,086	14,159,086	Tokyo Stock Exchange First Section	Number of shares in one voting unit: 100 shares
Total	14,159,086	14,159,086	—	—

(2) Stock options, etc.

Not applicable.

(3) Current status of moving strike stock options, etc.

Not applicable.

(4) Rights plan

Not applicable.

(5) 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

(6) Shareholders

As of December 31, 2016

Category	Distribution of shares (Number of shares per unit: 100 shares)								Shares below a unit (shares)
	Government and local public entities	Financial institutions	Financial instruments firm	Other corporations	Foreign corporations etc.		Individuals etc.	Total	
					Other than Individuals	Individuals			
Number of shareholders (persons)	–	30	26	84	71	7	3,166	3,384	–
Number of shares held (units)	–	34,757	2,468	14,422	18,540	229	70,896	141,312	27,886
Shareholding ratio (%)	–	24.6	1.7	10.2	13.1	0.2	50.2	100.0	–

- Notes: 1. Among treasury stocks (18,456 stocks), 184 units are counted as “Individuals etc.” and 56 shares are counted as “Shares below a unit” in the table above.
2. “Other corporations” and “Shares below a unit” in the table above include 41 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

(7) Major shareholders

As of December 31, 2016

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, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	1,375	9.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	371	2.6
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	354	2.5
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	346	2.4
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	388 GREENWICH STREET, NY, NY 10013, USA (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	345	2.4
Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	18-24, Tsukiji 7-chome, Chuo-ku, Tokyo (8-11, Harumi 1-chome, Chuo-ku, Tokyo)	300	2.1
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	288	2.0
Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	269	1.9
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	188	1.3
Daido Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	2-1, Edobori 1-chome, Nishi-ku, Osaka (8-11, Harumi 1-chome, Chuo-ku, Tokyo)	174	1.2
Total	—	4,014	28.4

Note: 344 thousand shares held in Japan Trustee Services Bank, Ltd. (trust account) and 288 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) are shares related to trust services.

(8) Voting rights

(i) Issued shares

As of December 31, 2016

Category	Number of shares (shares)	Number of voting rights (votes)	Details
Nonvoting shares	–	–	–
Shares with limited voting rights (Treasury stocks, etc.)	–	–	–
Shares with limited voting rights (Other)	–	–	–
Shares with complete voting rights (Treasury stocks, etc.)	(Treasury stock) Common stock 18,400	–	–
Shares with complete voting rights (Other)	Common stock 14,112,800	141,128	–
Shares below a unit	Common stock 27,886	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	141,128	–

- Notes: 1. “Shares with complete voting rights (other)” include 4,100 shares (41 votes) registered in the name of the Japan Securities Depository Center, Inc.
2. “Shares below a unit” include 56 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2016

Name of owners	Address of owners	Number of shares held in its own name (shares)	Number of shares held disguised ownership (shares)	Total number of shares held (shares)	Ratio of the shares held against the total number of shares issued (%)
CTI Engineering Co., Ltd.	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	18,400	–	18,400	0.1
Total	–	18,400	–	18,400	0.1

(9) Contents of the stock option system

Not applicable.

2. Acquisition of Treasury Stocks

Class of Shares Acquisition of ordinary shares in accordance with Article 155, Item 7 of the Companies Act.

(1) Acquisition of shares by resolution at a General Shareholders Meeting
None.

(2) Acquisition of shares by resolution at a Board of Directors Meeting
None.

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

Category	Number of Shares	Total Price (Yen)
Treasury stock acquired in this fiscal year	180	191,431
Treasury stock acquired in this period	—	—

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2017 to the date of the submission of this Securities Report.

(4) Disposal and holding of acquired treasury stock

Category	This Fiscal Year		This Period	
	Number of Shares	Total Amount Received on Divestiture (Yen)	Number of Shares	Total Amount Received on Divestiture (Yen)
Treasury stock acquired by public subscription	—	—	—	—
Treasury stock extinguished	—	—	—	—
Treasury stock acquired due to transfers from mergers, share swaps and company split-offs	—	—	—	—
Other	—	—	—	—
Held Treasury Stock	18,456	—	18,456	—

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2017 to the date of the submission of this Securities Report.

3. Dividend Policy

The Company determines dividends by resolution at a General Shareholders Meeting. While the Company's Articles of Incorporation, pursuant to Article 454, Paragraph 5 of the Companies Act, allow payment of interim dividends, as a general rule, dividends are paid once a year.

In determining dividends, while considering returns to investors, it is critical to maintain an appropriate level of internal reserves to ensure stable operations, as a construction consultancy engaged in operations of a highly public nature. Internal reserves are 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 with the aim of attaining a targeted dividend payment ratio of 30% for the mid- to long-term.

Note: In respect of the dividend for the record date, December 31, 2016, it was resolved at the 54th Ordinary General Shareholders Meeting held on March 24, 2017 to pay a dividend of 20 yen per share (total dividend payment amount: 282 million yen).

4. Change in Stock Price

(1) Highest and lowest stock prices for the past 5 fiscal years

Fiscal year	50th term	51st term	52nd term	53rd term	54th term
Fiscal year end	December 2012	December 2013	December 2014	December 2015	December 2016
Highest (yen)	644	1,080	1,942	1,576	1,240
Lowest (yen)	445	564	958	1,055	753

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 2016	August 2016	September 2016	October 2016	November 2016	December 2016
Highest (yen)	950	929	941	1,079	1,030	1,094
Lowest (yen)	771	834	829	891	900	966

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

5. Executive Management

Male: 14 persons Female: 1 person (Ratio of female Directors and Auditors: 6.7 %)

Board member position	Company position	Name	Date of birth	Career	Term of office (Note no.)	Number of shares held (thousand)
President & Representative Director		Kazuo Murata	September 26, 1951	April 1978 Joined CTI Engineering April 1997 General Manager, Water Resources Div. V, Water Resources Dept. Tokyo Office April 1999 Chief, Water Resources Dept., Tokyo Office April 2001 Deputy Branch Administrator, Tokyo Head Office March 2003 Director, Member of the Board and Chief of Headquarters Quality Management Dept. April 2004 General Manager of Management Planning Dept. and Deputy Chief of Management Div. March 2006 Managing Director, General Manager of Management Dept. April 2009 Principal, Kyushu Office and Okinawa Office March 2010 Director, Managing Executive Officer March 2011 Senior Managing Executive Officer April 2011 Principal, Tokyo Head Office March 2013 President & Representative Director (present post)	1	52
Executive Officer, Vice President & Representative Director	Chief, Headquarters Engineering Dept.	Michio Tanahashi	July 27, 1952	October 2012 Resigned from Statutory Director, Water Resource Environment Center November 2012 Joined CTI Engineering, Executive Manager March 2013 Director, Managing Executive Officer April 2013 Chief, Headquarters Engineering Dept. (present post) March 2014 Senior Managing Executive Officer March 2016 Executive Officer, Vice President & Representative Director (present post)	1	8
Executive Officer, Vice President & Representative Director	Chief, Corporate Planning Dept. and Principal, Tokyo Head Office	Asao Yu	January 17, 1955	April 1979 Joined CTI Engineering April 1997 General Manager Technology Div., Nagoya Branch Office, Tokyo Office March 2003 Deputy Branch Administrator, Tokyo Head Office March 2005 Director & Member of the Board April 2005 Deputy Administrator, Tokyo Head Office March 2006 General Manager, Management Planning Dept. April 2009 Principal, Chubu Office March 2010 Executive Officer March 2011 Director, Managing Executive Officer, Principal, Osaka Head Office March 2013 Senior Managing Executive Officer April 2013 Principal, Tokyo Head Office (present post) March 2016 Executive Officer & Vice President (present post) March 2017 Representative Director & Chief, Corporate Planning Dept. (present post)	1	30
Senior Managing Executive Officer & Director	Chief, Headquarters Business Development Dept.	Norio Tomonaga	September 15, 1953	April 1979 Joined CTI Engineering April 1998 General Manager, Technology Div. IV, Road and Traffic Dept., Tokyo Office April 2004 Deputy Branch Administrator, Tokyo Head Office March 2006 Deputy Administrator, Tokyo Head Office, Director & Member of the Board March 2010 Executive Officer March 2011 Director (present post), Principal, Chubu Office March 2013 Managing Executive Officer April 2013 Chief, Headquarters Business Development Dept. (present post) March 2016 Senior Managing Executive Officer (present post)	1	37

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Senior Managing Executive Officer & Director	Principal, Osaka Head Office	Hideaki Kurita	January 1, 1954	April 1980 April 1998 April 2004 April 2005 March 2006 April 2009 March 2010 March 2011 March 2013 April 2013 March 2016	Joined CTI Engineering General Manager, Technology Div., Hiroshima Branch Office, Osaka Office Deputy Branch Administrator, Osaka Office Deputy Administrator, Osaka Head Office Director & Member of the Board Chief, Headquarters Management Dept. Executive Officer Director (present post) Managing Executive Officer Principal, Osaka Head Office (present post) Senior Managing Executive Officer (present post)	1	30
Managing Executive Officer & Director	Chief, Headquarters Management Dept.	Kazuhiro Terai	February 28, 1956	April 1981 April 1999 April 2003 April 2007 March 2012 April 2012 March 2013 April 2013 March 2016	Joined CTI Engineering General Manager, Environmental Measures Div., Headquarters Environment Dept., Osaka Office General Manager, Management Business Division Deputy Branch Administrator, Tokyo Head Office Executive Officer Deputy Administrator, Tokyo Head Office Director (present post) Chief, Headquarters Management Dept. (present post) Managing Executive Officer (present post)	1	18
Managing Executive Officer & Director	Principal, Kyushu Office and Okinawa Office	Tetsumi Nakamura	March 4, 1957	April 1979 April 2002 April 2006 April 2009 March 2010 April 2011 March 2013 March 2015 March 2016	Joined CTI Engineering General Manager, Water Resources Dept., Tokyo Head Office Deputy Branch Administrator, Tokyo Head Office Deputy Administrator, Tokyo Head Office Executive Officer Principal, Tohoku Office Director (present post) Principal, Kyushu Office and Okinawa Office (present post) Managing Executive Officer (present post)	1	20
Managing Executive Officer & Director	Principal, Chubu Office	Akinori Nakahira	April 14, 1953	March 1994 April 1994 April 1999 April 2009 March 2010 April 2012 March 2015 March 2017	Resigned from Nakahori Soil Corner Co., Ltd. Joined CTI Engineering General Manager, Technology Div. IV, Road and Traffic Dept., Osaka Head Office Deputy Administrator, Osaka Head Office Executive officer President & Representative Director, Fukuoka Urban Engineering Co., Ltd. Director & Principal, Chubu Office, CTI Engineering (present post) Managing Executive Officer (present post)	1	18
Managing Executive Officer & Director	Deputy Chief, Headquarters Management Dept.	Koichi Watanabe	October 20, 1954	March 1990 April 1990 April 2006 April 2009 March 2012 March 2016 March 2017	Resigned from Nishikishoji Co, Ltd. Joined CTI Engineering General Manager, Accounting Div., Headquarters Management Dept. Deputy Chief, Headquarters Management Dept., General Manager, General Affairs Div., Headquarters Management Dept. (present post) Executive Officer Managing Executive Officer (present post) Director (present post)	2	18

Board member position	Company position	Name	Date of birth		Career	Term of office (Note no.)	Number of shares held (thousand)
Director		Shuichi Ikebuchi	July 5, 1943	February 1979 April 1996 May 1999 October 2004 April 2007 April 2013 March 2017	Professor, Disaster Prevention Research Institute, Kyoto University Chief, Water Resources Research Center, Disaster Prevention Research Institute, Kyoto University Director, Disaster Prevention Research Institute, Kyoto University Director and General Manager, Research Institute, Meteorological Engineering Center, Inc. (present post) Professor Emeritus, Kyoto University; Research Advisor, Foundation of River & Watershed Environment Management Research Fellow, The River Foundation (present post) Director, CTI Engineering (present post)	2	-
Director		Fumiko Kosao	April 17, 1954	April 1973 July 1997 July 2011 July 2014 August 2015 June 2016 March 2017	Employed by National Tax Agency Teacher, Tokyo Training Center, National Tax College District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau District Director, Nihonbashi Tax Office Registered as Certified Public Tax Accountant (present post) Auditor, TOBISHIMA CORPORATION (present post) Director, CTI Engineering (present post)	2	-
Statutory Auditor		Shujiro Ozono	January 26, 1958	April 1982 April 2003 April 2006 April 2013 April 2015 March 2017	Joined CTI Engineering Manager, Geology Center, Headquarters Business Promotion Dept. General Manager, Geo-environment Div., Tokyo Head Office Senior Engineer, Tokyo Head Office Manger, Internal Audit Office and Manager, Compliance Office Statutory Auditor (present post)	3	5
Auditor		Yuichi Tou	March 2, 1955	April 1977 April 2000 April 2008 April 2011 March 2015 March 2017	Joined CTI Engineering General Manager, Technology Div. I, Chubu Office General Manager, Operations Management Div., Headquarters Engineering Dept. Manger, Human Resources Development Office, Headquarters Management Dept. Statutory Auditor Auditor (present post)	4	14
Auditor		Kunihiro Horiuchi	April 24, 1943	April 1968 April 1992 April 1996 June 1997 April 1999 March 2000 April 2010	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 Auditor, CTI Engineering (present post) Professor at the Law Department, Ryutsu Keizai University	4	-

Board member position	Company position	Name	Date of birth	Career	Term of office (Note no.)	Number of shares held (thousand)
Auditor		Yasuro Tanaka	February 9, 1946	April 1971 Appointed as Assistant Judge April 1981 Judge of Tokyo District Court April 1985 General Manager, Training Div., United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders April 1994 General Judge of Tokyo District Court February 2003 Director of Morioka District and Domestic Relations Courts February 2005 General Judge of Tokyo High Court March 2009 Director of Sapporo High Court February 2011 Registered as attorney (present post) April 2011 Professor at the Meiji University Graduate School of Law (present post) March 2015 Auditor, CTI Engineering (present post)	4	—
Total						250

- Notes: 1 From March 24, 2016 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2017.
- 2 From March 24, 2017 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2017.
- 3 From March 24, 2017 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2020.
- 4 From March 26, 2015 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2018.
- 5 Directors, Shuichi Ikebuchi and Fumiko Kosao, are External Directors.
- 6 Auditors, Kunihiro Horiuchi and Yasuro Tanaka, are External Auditors.
- 7 The number of shares held by the Auditor, Shujiro Ozono, consists of equity interest in the Employees' Stock-sharing Association.
- 8 To ensure that the Company fully satisfies all conditions set forth under applicable laws a reserve auditor was appointed pursuant to Article 329-3 of the Companies Act. The history of that auditor is as stated below.

Name	Date of Birth	History	Term of office (Note no.)	No. of shares held (Thousand)
Setsuko Yufu	March 28, 1952	April 1981 Registered as attorney (present post) January 2002 Senior Partner, Atsumi & Usui Law Office (currently Atsumi & Sakai) (present post) April 2010 Part-time Instructor at the Keio University Law School	1	—

- Notes: 1 From March 26, 2015 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2018.
- 2 The reserve auditor, Setsuko Yufu, satisfies requirements as an External Auditor.

6. Corporate Governance

(1) Status of 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

Boards 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.

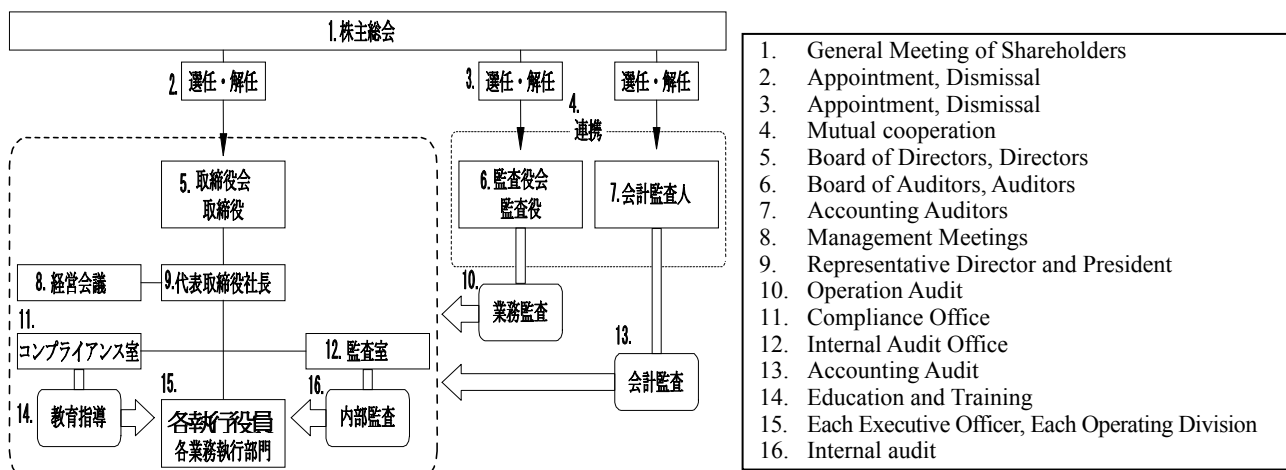
The Company has appointed Auditors. The Auditors, in addition to attendance at Board of Directors Meetings and other important meetings within the Company, audit corporate conduct as an independent body. At present 2 of the 4 Auditors are legal practitioners who have been appointed as External Auditors.

In addition, the Company holds a regular Management Meeting, an advisory body to the President consisting of Chiefs of the Head Office and representatives of business establishments, etc., once a month in principle. The Management Meeting discusses and submits reports on matters necessary for the execution of the President's duties.

The Company introduced an Executive Officers system in March 2010 to establish a structure for accelerating decision-making and for clarifying the functional differences between supervision and execution.

The Company believes that it can fully achieve supervisory and observation functions for the execution of its business by establishing an auditing system operated by its Auditors (including External Auditors) to monitor the execution of duties, by strengthening corporate governance through the participation of its External Directors in management, and by clarifying the supervisory functions of the Board of Directors through the introduction of the Executive Officers system.

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



The Company has established a management system to oversee the Group based on the content of the mission statement such as the Group's management philosophies and management strategies, to the effect that Directors of subsidiaries must report to the parent company on important managerial matters in accordance with the provisions of the Regulations on the Management of Subsidiaries, and the Directors must obtain prior approval from the parent company as necessary.

2. 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.

3. Relationship with External Directors/Auditors

The Company had not appointed any External Directors in prior years, but 2 External Directors were elected at the 54th Ordinary General Meeting of Shareholders held on March 24, 2017.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 2 External Directors.

At present, the 2 Directors appointed as External Directors are 1 academic and 1 Certified Public Tax Accountant. The Company appointed the academic to take advantage of his rich experience and broad knowledge in the civil engineering field and appointed the Certified Public Tax Accountant to make use of her specialized expertise and professional ethics.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 2 External Auditors.

At present 2 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. In addition, the External Auditors supervise the Company's management from an independent position and objective point of view, give appropriate advice and opinions inside and outside the Board of Directors, and thereby appropriately perform their duties. Accordingly, the Company believes that the independence of these External Auditors is steadfastly maintained. In addition, the Company concluded a corporate lawyer agreement with one of the External Auditors.

Of the 4 Auditors, 2, or half of the total, are External Auditors. The Company considers this number appropriate for the supervision of its management.

The Company strengthens its corporate governance through the participation of the External Directors in management and reinforces the Board of Directors' functions of decision-making and supervision of the execution of duties through the introduction of the Executive Officers system. In addition, the Company has reinforced the subjective and neutral functions of management supervision from outside by electing 2 External Auditors out of the 4 Auditors. Furthermore, the 2 External Auditors attended almost all of the Board of Auditors Meetings, and we believe that we have established a structure essential for corporate governance wherein the subjective and neutral functions of management supervision from outside are fully operating. The Company thus adopts the present structure.

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

4. Internal control system

A Compliance Office and Internal Audit Office 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 staff members with concerns, as a means of further strengthening the company's in-house operations monitoring system. The Internal Audit Office and Compliance Office, two departments responsible for internal control, regularly hold discussions and work in close cooperation with the Board of Auditors, a body whose meetings are also attended by the External Auditors.

In addition, the Board of Auditors regularly holds discussions and works in close cooperation with the Accounting Auditor to ensure that the operation audit function and accounting audit function are mutually strengthened.

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.

5. Internal, external and financial audits

Internal audits are performed by the Internal Audit Office that has the authority to request additional personnel as required. At present, the Internal Audit Office staff is comprised of 2 Audit officers and 3 assisting staff members. Specifically, 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. The Auditors, including External Auditors, actively contribute to the decision-making process in its early stages to ensure thorough implementation of the Company's auditing system. In addition, the Board of Auditors, a body whose meetings are also attended by the External Auditors, holds discussions as required and works in close cooperation with the Accounting Auditor to ensure that the operation audit function and accounting audit function are mutually strengthened. With regard to internal control, the Auditors attend the Board of Directors Meeting and other internally important meetings to receive reports and request explanations, as necessary, to ensure that the operational duties are properly executed.

The Company has concluded an auditing agreement with Deloitte Touche Tohmatsu LLC as the

Accounting Auditor. The CPAs Hiroki Kitakata and Katsumi Takizawa have been jointly responsible for audits for the consolidated fiscal year. The CPAs Hiroki Kitakata and Katsumi Takizawa have been in charge since March 2013. The auditors' support staff consists of 16 persons, including 7 CPAs.

6. Executives' compensation, etc.

a. The total amount of compensation, etc. by category of executive, the total amount of compensation, etc. by classification, and the number of covered executives

Category of executive	Total amount of compensation, etc. (million yen)	Amount of compensation, etc. by classification (million yen)			The number of covered executives (persons)
		Basic compensation	Bonuses	Retirement benefits	
Directors (excluding External Directors)	295	262	32	–	11
Auditors (excluding External Auditors)	27	27	–	–	2
External Directors and Auditors	13	13	–	–	2

b. The total amount, etc. of compensation, etc. for a person whose compensation totals 1 hundred million yen or more

No executive in the Company has received a total consolidated compensation, etc. of 1 hundred million yen or more, so description is omitted.

c. Significant salaries (including bonuses) for the portion of services performed by employees concurrently serving as Directors

Total amount (million yen)	The number of applicable executives (persons)	Details
21	3	To concurrently serve as Directors

d. The details of policies regarding the determination of the amount of compensation, etc. for executives, the method for computing such amounts, and the methods for determination

The Company has not made any particular decisions on the foregoing.

7. Holding of shares

a. The number of issues and the total book value on the balance sheet of investment stock held for purposes other than pure investment

Number of issues: 35 issues

Total book value on the balance sheet: 1,659 million yen

b. Division of holding, issuer name, number of shares, book value on balance sheet, and purpose of holding, of investment stock held for purposes other than pure investment

(Previous consolidated fiscal year)

Specified Investment Stock

Issuer name	Number of shares (shares)	Book value on balance sheet (million yen)	Purpose of holding
RAITO KOGYO CO., LTD.	265,100	313	To ensure stable shareholders
OYO Corporation	98,500	134	To ensure stable shareholders
Mitsubishi UFJ Financial Group, Inc.	145,000	109	To maintain and continue stable business relations
SHO-BOND Holdings Co., Ltd.	23,500	103	To ensure stable shareholders
OHBA CO., LTD.	186,000	85	To ensure stable shareholders
NJS CO., LTD.	50,000	74	To ensure stable shareholders
T&D Holdings, Inc.	38,400	61	To maintain and continue stable business relations
E・J Holdings Inc.	60,340	58	To ensure stable shareholders
IDEA Consultants, Inc.	54,800	53	To ensure stable shareholders
Wesco Holdings Inc.	180,000	50	To ensure stable shareholders
CHODAI CO., LTD.	105,000	49	To ensure stable shareholders
Ube Industries, Ltd.	190,400	48	To ensure stable shareholders
ASIA AIR SURVEY CO., LTD.	102,000	45	To ensure stable shareholders
KAWADA technologies, inc.	12,000	45	To ensure stable shareholders
ACK G Limited	57,200	44	To ensure stable shareholders
Maezawa Kasei Industries Co., Ltd.	36,000	41	To ensure stable shareholders
NIPPON ENGINEERING CONSULTANTS CO., LTD.	100,000	40	To ensure stable shareholders
The Chiba Bank, Ltd.	30,000	25	To maintain and continue stable business relations
SYSKEN Corporation	74,000	22	To ensure stable shareholders
Kawasaki Geological Engineering Co., Ltd.	47,000	22	To ensure stable shareholders
Mizuho Financial Group, Inc.	81,000	19	To maintain and continue stable business relations
FUKUYAMA CONSULTANTS CO., LTD.	34,100	17	To ensure stable shareholders
Kuwayama Corporation	26,400	17	To ensure stable shareholders
ARIAKE JAPAN Co., Ltd.	1,829	12	To ensure stable shareholders
UCHIDA YOKO CO., LTD.	16,000	7	To ensure stable shareholders
The Dai-ichi Life Insurance Company, Limited	2,600	5	To maintain and continue stable business relations
ICHINEN HOLDINGS Co., Ltd.	1,844	2	To ensure stable shareholders
NIPPON KOEI CO., LTD.	1,155	0	To ensure stable shareholders

(Current consolidated fiscal year)

Specified Investment Stock

Issuer name	Number of shares (shares)	Book value on balance sheet (million yen)	Purpose of holding
RAITO KOGYO CO., LTD.	265,100	318	To expand business fields
OYO Corporation	98,500	138	To maintain a good relationship
SHO-BOND Holdings Co., Ltd.	23,500	114	To expand business fields
Mitsubishi UFJ Financial Group, Inc.	145,000	104	To maintain and continue stable business relations
KAWADA technologies, inc.	12,000	95	To expand business fields
OHBA CO., LTD.	186,000	85	To maintain a good relationship
NJS CO., LTD.	50,000	69	To maintain a good relationship
T&D Holdings, Inc.	38,400	59	To maintain and continue stable business relations
E・J Holdings Inc.	60,340	57	To maintain a good relationship
Wesco Holdings Inc.	180,000	54	To maintain a good relationship
ACK G Limited	57,200	53	To maintain a good relationship
CHODAI CO., LTD.	105,000	53	To maintain a good relationship
IDEA Consultants, Inc.	54,800	49	To maintain a good relationship
ASIA AIR SURVEY CO., LTD.	102,000	49	To maintain a good relationship
Ube Industries, Ltd.	190,400	46	To expand business fields
NIPPON ENGINEERING CONSULTANTS CO., LTD.	100,000	44	To maintain a good relationship
Maezawa Kasei Industries Co., Ltd.	36,000	43	To expand business fields
SYSKEN Corporation	74,000	22	To expand business fields
Kawasaki Geological Engineering Co., Ltd.	47,000	22	To maintain a good relationship
The Chiba Bank, Ltd.	30,000	21	To maintain and continue stable business relations
FUKUYAMA CONSULTANTS CO., LTD.	34,100	19	To maintain a good relationship
Mizuho Financial Group, Inc.	81,000	16	To maintain and continue stable business relations
Kuwayama Corporation	26,400	15	To smoothly perform business operations
ARIAKE JAPAN Co., Ltd.	1,829	11	To smoothly perform business operations
UCHIDA YOKO CO., LTD.	16,000	7	To smoothly perform business operations
Dai-ichi Life Holdings, Inc.	2,600	5	To maintain and continue stable business relations
ICHINEN HOLDINGS Co., Ltd.	1,844	2	To smoothly perform business operations
NIPPON KOEI CO., LTD.	1,155	0	To maintain a good relationship

c. Investment stock held for the purpose of pure investment

Not applicable.

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

During the fiscal year ended December 2016, 13 Board of Directors and 13 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, Paragraph 4, Item 6 (concerning internal control systems) of the Companies Act, performed a yearly review and amended the items as appropriate. We are always dedicated to further improving compliance through their implementation.

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.

4) Agreements set forth in Article 427, Paragraph 1 of the Companies Act (Liability Limitation Agreements)

The Company has entered into a liability limitation agreement with each of its 2 External Directors and 2 External Auditors. The maximum liability limit under the agreement is 5,000,000 yen or the amount provided by applicable laws, whichever is greater.

5) Election and dismissal of Directors

The fixed number of Directors is 12 without necessary qualifications. The Company sets forth in its Articles of Incorporation that resolutions for the election of Directors shall be adopted by a majority vote of the shareholders present who hold one third or more of the total number of voting rights of shareholders with voting rights. The Company also sets forth in its Articles of Incorporation that resolutions for the election of Directors shall not be by cumulative voting. In addition, the Company has not amended the requirements for resolutions to dismiss Directors set forth in the Companies Act.

6) Resolutions set forth in Article 309, Paragraph 2 of the Companies Act (Special Resolutions)

The Company sets forth in its Articles of Incorporation that the resolutions set forth in Article 309, Paragraph 2 of the Companies Act may be adopted by two thirds or more of the votes of the shareholders present who hold one third or more of the total number of voting rights of shareholders with voting rights. This provision is set forth to ensure that the Company avoids any situation in which it is unable to propose resolutions at a General Shareholders Meeting because a quorum is not present.

7) Matters set forth to be resolved by a Board of Directors Meeting in lieu of resolutions at a General Shareholders Meeting, and the reason therefor

The Company sets forth in its Articles of Incorporation that the distribution of surplus set forth in Article 454, Paragraph 5 of the Companies Act shall be determined by resolution at a Board of Directors Meeting. This provision is set forth because, in order to distribute surplus as set forth in Article 454, Paragraph 5 of the Companies Act, the said article requires the Company to stipulate in its Articles of Corporation that such distribution of surplus may be made by a resolution at a Board of Directors Meeting.

(2) Auditing compensation, etc.

1) Compensation for auditing CPAs, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation for auditing services (million yen)	Compensation for non-auditing services (million yen)	Compensation for auditing services (million yen)	Compensation for non-auditing services (million yen)
The Company	31	–	31	–
Consolidated subsidiaries	–	–	–	–
Total	31	–	31	–

2) Other important compensation

Not applicable.

3) Description of non-auditing services provided by auditing CPAs, etc. to the Company

Not applicable.

4) Policy for decisions regarding auditing compensation

Determined by the Company in consideration of the number of days for the audit.

CHAPTER 5: STATUS OF ACCOUNTING

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

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

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulations on the terminology, forms and method of preparation of financial statements" (Ordinance of Ministry of Finance No. 59, 1963).

The non-consolidated financial statements have been prepared pursuant to the provisions of Article 127 of the Regulations for Non-consolidated Financial Statements because the Company is a company submitting financial statements that have been prepared in accordance with special provision.

2. Audit Report

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the current consolidated fiscal year (from January 1, 2016 to December 31, 2016) and the non-consolidated financial statements for the current fiscal year (from January 1, 2016 to December 31, 2016) of the Company were audited by Deloitte Touche Tohmatsu LLC.

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

3. Special Approach to Ensure the Propriety of Consolidated Financial Statements, etc.

The Company has taken a special approach to ensure the propriety of consolidated financial statements, etc. Specifically, in order to develop a system to enable the Company to appropriately understand the details of accounting standards, and precisely cope with changes, etc. in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and endeavors to collect information aggressively.

1. Consolidated Financial Statements and Other Materials

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Assets		
Current assets		
Cash and bank deposits	2,807	11,244
Notes receivable and completed work receivables	2,553	3,313
Marketable securities	9,503	-
Prepaid expenses for uncompleted services	14,249	13,957
Deferred tax assets	496	428
Other	483	473
Total current assets	30,094	29,416
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,590	4,587
Accumulated depreciation	-2,869	-2,947
Buildings and structures, net	1,720	1,640
Machinery and transportation equipment	246	246
Accumulated depreciation	-234	-237
Machinery and transportation equipment, net	12	9
Land	4,584	4,706
Lease assets	335	293
Accumulated depreciation	-189	-175
Lease assets, net	145	117
Other	1,020	1,067
Accumulated depreciation	-792	-858
Other, net	227	209
Total tangible fixed assets	6,689	6,684
Intangible fixed assets		
Lease assets	24	21
Goodwill	56	45
Other	408	422
Total intangible fixed assets	489	489
Investments and other assets		
Investment securities	*1	*1
2,719		3,264
Long-term loans receivable from subsidiaries and affiliates	539	515
Deferred tax assets	88	140
Net defined benefit asset	1,416	1,013
Other	*1	*1
1,916		1,137
Allowance for doubtful accounts	-17	-17
Total investments and other assets	6,663	6,054
Total fixed assets	13,843	13,227
Total assets	43,937	42,644

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Liabilities		
Current liabilities		
Accounts payable	1,800	1,683
Short-term borrowings	1,000	700
Lease obligations	73	62
Accrued income taxes	498	586
Advances received from uncompleted services	11,347	9,869
Reserve for bonuses	962	888
Reserve for bonuses to directors	27	32
Allowance for losses in operations	64	93
Other	2,793	2,475
Total current liabilities	18,568	16,392
Fixed liabilities		
Long-term accounts payable	72	72
Lease obligations	102	81
Deferred tax liabilities	85	77
Net defined benefit liability	1,094	1,027
Asset retirement obligations	144	147
Other	53	52
Total fixed liabilities	1,552	1,459
Total liabilities	20,120	17,851
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	4,122	4,122
Profit surplus	16,571	17,735
Treasury stock	-12	-12
Total shareholders' equity	23,707	24,871
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	611	664
Remeasurements of defined benefit plans	-627	-842
Total accumulated other comprehensive income	-15	-177
Non-controlling interests	125	99
Total net assets	23,816	24,793
Total liabilities and net assets	43,937	42,644

(ii) Consolidated Profit and Loss Account and Consolidated Statements of Comprehensive Income
Consolidated Profit and Loss Account

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Sales	40,220	42,033
Cost of sales	29,379	30,989
Gross profit	10,841	11,044
Selling, general and administrative expenses	*1 *2 8,243	*1 *2 8,665
Operating income	2,598	2,378
Non-operating revenues		
Interest earned	16	14
Dividend earned	37	42
House rent earned	35	35
Insurance dividends earned	11	7
Refund	20	-
Other	57	29
Total non-operating revenues	178	129
Non-operating expenses		
Interest expense	5	3
Commission paid	15	5
Foreign exchange losses	19	64
Other	1	0
Total non-operating expenses	42	74
Ordinary profit	2,734	2,433
Extraordinary gain		
Gain on sales of investment securities	-	5
Total extraordinary gain	-	5
Extraordinary loss		
Loss from fixed assets disposal	*3 6	*3 20
Loss on cancel of lease contracts	-	0
Unrealized loss on investment securities	-	35
Loss on valuation of golf club membership	6	0
Total extraordinary loss	12	56
Net income before income tax	2,721	2,382
Corporation tax, inhabitants taxes and enterprise tax	935	888
Deferred income taxes etc.	146	70
Total income taxes	1,082	958
Net income	1,639	1,424
Net income (loss) attributable to non-controlling interests	6	-23
Net income attributable to owners of the parent	1,633	1,447

Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Net income	1,639	1,424
Other comprehensive income		
Other valuation difference on available-for-sale securities	0	53
Remeasurements of defined benefit plans, net of tax	250	-217
Total other comprehensive income	* 1 251	* 1 -164
Comprehensive Income	1,891	1,259
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,876	1,285
Comprehensive income attributable to non-controlling interests	14	-25

(iii) Statement of Fluctuations in Consolidated Shareholders' Equity
 Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	4,122	14,856	-11	21,992
Cumulative effects of changes in accounting policies			336		336
Restated balance	3,025	4,122	15,192	-11	22,328
Changes of items during the period					
Dividends from surplus			-254		-254
Net income attributable to owners of the parent			1,633		1,633
Acquisition of treasury stock				-0	-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	—	—	1,378	-0	1,378
Balance at the end of current period	3,025	4,122	16,571	-12	23,707

(million yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	611	-829	-218	96	21,870
Cumulative effects of changes in accounting policies				14	350
Restated balance	611	-829	-218	111	22,221
Changes of items during the period					
Dividends from surplus					-254
Net income attributable to owners of the parent					1,633
Acquisition of treasury stock					-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	0	202	202	13	216
Total changes of items during the period	0	202	202	13	1,594
Balance at the end of current period	611	-627	-15	125	23,816

Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	4,122	16,571	-12	23,707
Changes of items during the period					
Dividends from surplus			-282		-282
Net income attributable to owners of the parent			1,447		1,447
Acquisition of treasury stock				-0	-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	—	—	1,164	-0	1,164
Balance at the end of current period	3,025	4,122	17,735	-12	24,871

(million yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	611	-627	-15	125	23,816
Changes of items during the period					
Dividends from surplus					-282
Net income attributable to owners of the parent					1,447
Acquisition of treasury stock					-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	53	-215	-162	-25	-187
Total changes of items during the period	53	-215	-162	-25	976
Balance at the end of current period	664	-842	-177	99	24,793

(iv) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Cash flow from operating activities		
Net income before income tax	2,721	2,382
Depreciation and amortization	366	394
Amortization of goodwill	-	11
Increase (decrease) in allowance for doubtful accounts	-11	0
Increase (decrease) in net defined benefit liability	-5	94
Decrease (increase) in net defined benefit asset	-413	-51
Increase (decrease) in reserve for bonuses	-156	-73
Increase (decrease) in reserve for bonuses to directors	-0	5
Increase (decrease) in allowance for losses in operations	-61	28
Increase (decrease) in long-term accounts payable	-32	-
Interest and dividend earned	-53	-56
Interest payable	5	3
Foreign exchange loss (gain)	-0	18
Unrealized loss (gain) on investment securities	-	35
Loss (gain) on sales of investment securities	-	-5
Loss (gain) from fixed assets disposal	6	20
Loss on cancel of lease contracts	-	0
Loss on valuation of golf club membership	6	0
Decrease (increase) in sales account	-797	-759
Decrease (increase) in prepaid expenses for uncompleted services	-309	292
Decrease (increase) in other current assets	-18	9
Increase (decrease) in account payable	340	-108
Increase (decrease) in advances received from uncompleted services	318	-1,478
Increase (decrease) in other current liabilities	487	-175
Increase (decrease) in other fixed liabilities	-4	-1
Other	313	2
Subtotal	2,700	589
Received interest and dividend	53	51
Interest payment	-5	-3
Payment of corporation income tax etc.	-1,134	-838
Cash flow provided by (used for) operating activities	1,613	-201

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Cash flow from investment activities		
Payments for acquisition of marketable securities	6,000	-
Proceeds from sales of marketable securities	-6,000	-
Payments for acquisition of tangible fixed assets	-184	-233
Payments for acquisition of intangible fixed assets	-174	-215
Payments for acquisition of investment securities	-230	-500
Proceeds from sales of investment securities	-	7
Repayments for loans	-773	-80
Income from loan collection	143	94
Payments for acquisition of securities of subsidiaries and affiliates	-340	-
Purchase of shares in subsidiaries resulting in change in scope of consolidation	-189	-
Proceeds from withdrawal of long-term deposits	-	800
Other payments	-30	-40
Other proceeds	14	4
Cash flow used for investment activities	-1,766	-163
Cash flow from financial activities		
Net increase (decrease) in short-term borrowings	150	-300
Acquisition of treasury stock	-0	-0
Repayments of lease obligations	-91	-80
Dividend payments	-254	-282
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-	-19
Cash flow used for financial activity	-196	-683
Effect in fluctuation of exchange rate for cash and cash equivalents	0	-18
Increase (decrease) in cash and cash equivalents	-349	-1,066
Opening balance of cash and cash equivalents	12,659	12,310
Closing balance of cash and cash equivalents	*1 12,310	*1 11,244

Notes:

Basic Important Matters for Preparation of Consolidated Financial Statement

1. Consolidation range

(1) Number of consolidated subsidiaries: 4

Names of the consolidated subsidiaries:

CTI Engineering International Co., Ltd.

Japan Urban Engineering Co., Ltd.

Chi-ken Sogo Consultants Co., Ltd.

NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.

(Fukuoka Urban Engineering Co., Ltd. was renamed as “Japan Urban Engineering Co., Ltd.” on September 1, 2016.)

(2) Number of non-consolidated subsidiaries: 11

Names of the non-consolidated subsidiaries:

Environmental Research & Solutions CO., LTD.

CTI Frontier Co., Ltd.

Management Techno Co., Ltd.

Kamaishi Solar Power Generation Co., Ltd.

Kamaishi Naranokidaira Solar Power Generation Co., Ltd.

CTI AURA Co., Ltd.

CTI Shin Doboku Co., Ltd.

CTI Wing Co., Ltd.

CTI Ground Planning Co., Ltd.

Wuhan CTI-CRSRI Engineering & Environment Co., Ltd.

CTI Myanmar Co., Ltd.

(CTI Ground Planning Co., Ltd. changed its Japanese trade name on April 1, 2016. There was no change in its English trade name.)

(3) Reason why the non-consolidated subsidiaries are excluded from consolidation range

All of these non-consolidated subsidiaries are small and their total assets, sales, net income or loss, surplus and other of the current term do not largely influence the consolidated financial statements.

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliates to which the equity method is applied

The equity method is not applied to any non-consolidated subsidiary.

(2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied

Environmental Research & Solutions CO., LTD., CTI Frontier Co., Ltd., Management Techno Co., Ltd., Kamaishi Solar Power Generation Co., Ltd., Kamaishi Naranokidaira Solar Power Generation Co., Ltd., CTI AURA Co., Ltd., CTI Shin Doboku Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., CTI Myanmar Co., Ltd., Sogo Setsubi Consulting Co., Ltd., and SAPPORO NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. have only a slight influence on the consolidated net income or loss and the profit surplus respectively, and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.

(Sogo Setsubi Consulting Co., Ltd. and SAPPORO NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. are affiliates of NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.)

3. Fiscal year of the consolidated subsidiary

The fiscal year of the consolidated subsidiary ends on the consolidated closing date.

4. Accounting policy

(1) Valuation base and valuation method of important assets

1) Securities

Held-to-maturity securities

Amortized cost method.

Available-for-sale securities

- With fair value

Calculated on the market value method based upon stock market prices as of the fiscal year-end. (Unrealized gains or losses have been dealt with according to the direct capital imputation method, while value of products sold has been calculated according to the moving average method.)

- With no fair value

Cost method by moving average method.

2) Inventories

Prepaid expenses for uncompleted services -- Cost method by job cost system

(2) Depreciation and amortization method of important depreciable assets

1) Tangible fixed assets (excluding lease assets) -- Declining balance method.

However, the straight-line method is adopted for the buildings (excluding the facilities attached to them) acquired on and after April 1, 1998 and the facilities attached to buildings and structures acquired on and after April 1, 2016.

Further, the average life expectancy is as set forth below.

Buildings: 17 – 50 years

2) Intangible fixed assets (excluding lease assets) -- Straight-line method.

For software for internal use, the straight-line method based on the usable period in the Company (5 years) is adopted.

3) Lease assets

Straight-line method using the lease period as the service life and considering the residual value to be zero.

(3) Entry standard of important reserves and allowances

1) Allowance for doubtful accounts

To prepare for any loss by bad debts, in respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded.

2) Reserve for bonuses

To prepare for bonus payment to employees, the Company enters the reserve for bonuses according to the estimated payment amount standard.

3) Reserve for bonuses to directors

Calculated on forecasted payment amount to prepare for bonus payments to Directors.

4) Allowance for losses in operations

Calculated according to the forecasted losses due to uncompleted services at the end of current consolidated fiscal year in preparation for future losses related to ordered works.

(4) Accounting treatment of retirement benefits obligations

1) Periodic allocation of retirement benefits forecast

When computing retirement benefits obligations, the benefit formula standard is applied for allocation of the retirement benefits forecast to the periods until the end of current consolidated fiscal year.

2) Expense disposal of accounting disparity

As regards the accounting disparity, expenses shall be disposed of from the next consolidated fiscal year by the fixed amount method that shall use a predetermined number of years (5 years) within the average remaining employment period for those employees that were employed at the time of its occurrence.

3) Adoption of the simplified method in SMEs

When computing net defined benefit liability and retirement benefit costs, some consolidated subsidiaries adopt the simplified method wherein retirement benefits obligations are forecasted payment amount, assuming that all employees terminate their services as of the balance sheet date for their own convenience.

(5) Entry standard of important revenues and expenses

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

(6) Method and period for amortization of goodwill

Goodwill is regularly amortized by the straight-line method over five years.

(7) Range of fund in the consolidated cash flow statement

The fund (cash and cash equivalents) in the consolidated cash flow statement comprises cash in hand, bank deposit which can be withdrawn at any time and short-term investment which can be easily realized and takes only a low risk about value fluctuation and for which the refund date comes within 3 months from the acquisition date.

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

Accounting treatment of consumption tax

Tax exclusion method is adopted.

(Changes in Accounting Policy)

(Application of the Accounting Standard for Business Combinations, etc.)

The Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013; hereinafter the “Accounting Standard for Business Divestitures”), etc. have been applied, effective from the current consolidated fiscal year. Based on the newly adopted standards, the presentation of net income, etc. has been revised and the presentation of minority interest has been changed to non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

In the consolidated cash flow statement for the current consolidated fiscal year, cash flows relating to the purchase or sales of shares in subsidiaries not resulting in change in scope of consolidation are shown in the “cash flow provided by (used for) financial activities” section, while cash flows relating to expenses associated with the purchase of shares in subsidiaries resulting in change in scope of consolidation and expenses associated with the purchase or sales of shares in subsidiaries not resulting in change in scope of consolidation are shown in the “cash flow provided by (used for) operating activities” section.

For the application of the Accounting Standard for Business Combinations, etc., the transitional treatments provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures are followed. The Accounting Standard for Business Combinations, etc. are prospectively applied from the current consolidated fiscal year.

There was no impact on the profit and loss reported in the consolidated financial statements.

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In accordance with the revision of the Corporation Tax Act, the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32 issued on June 17, 2016) has been applied, effective from the current consolidated fiscal year, whereby the method for depreciating facilities attached to buildings and structures acquired on and after April 1, 2016 is changed to the straight-line method from the declining-balance method.

There was no significant impact on the profit and loss reported in the consolidated financial statements.

(Accounting Standards Issued but Not Yet Applied)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 issued on March 28, 2016)

(1) Outline

The practical guidelines for accounting and auditing for tax effect accounting (limited to a portion of the accounting treatment) were transferred from The Japan Institute of Certified Public Accountants (JICPA) to The Accounting Standards Board of Japan. At the time of transfer, with respect to the guideline on recoverability of deferred tax assets mainly set forth in “the auditing treatment on determining the recoverability of deferred tax assets” (the JICPA Audit Committee Report No. 66) from among the said practical guidelines, the Accounting Standards Board of Japan principally adhered, as before, to the framework that groups companies into five classifications and estimates the amounts of deferred tax assets according to the classifications, and thereupon examined and revised some of the classification requirements and treatments for the amounts of deferred tax assets. The “Implementation Guidance on Recoverability of Deferred Tax Assets” prescribes guidelines for recoverability of deferred tax assets when applying the Accounting Standard on Tax Effect Accounting (The Business Accounting Council):

- (i) the treatment of companies that do not meet any of the classification requirements for (Classification 1) through (Classification 5)
- (ii) the classification requirements for (Classification 2) and (Classification 3)

- (iii) the treatment of an unschedulable deductible temporary difference at companies that fall under (Classification 2)
- (iv) the treatment of a reasonably estimable period for taxable income before reflecting deductible/taxable temporary differences, etc. at companies that fall under (Classification 3)
- (v) the treatment of a company that meets the requirements for (Classification 4) and also falls under (Classification 2) or (Classification 3)

(2) Planned date for application

The Company plans to apply the guidance from the beginning of the consolidated fiscal year ending December 31, 2017.

(3) Effect of the application of the guidance on financial statements

The Company is in the process of measuring the impact on consolidated financial statements when it applies the Implementation Guidance on Recoverability of Deferred Tax Assets.

(Notes on Consolidated Balance Sheet)

*1 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Investment securities (stock)	880 million yen	864 million yen
“Other” in investments and other assets	50	50

*2 Warranty for liabilities

Warranty for liabilities of the Company’s employees and overseas subsidiary borrowed from financial institutions:

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Employees	43 million yen	33 million yen
Overseas subsidiary	- million yen	38 million yen
Total	43 million yen	72 million yen

(Notes on Consolidated Profit and Loss Account)

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

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Wages and allowances	3,038 million yen	3,279 million yen
Bonuses	559	581
Transferred reserve for bonuses	255	239
Reserve for bonuses to directors	27	32
Retirement benefits expenses	184	191
Research and investigation expenses	930	923
Allowance for doubtful accounts	0	0

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

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
	930 million yen	923 million yen

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

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Buildings and structures in tangible fixed assets	0 million yen	18 million yen
Other tangible fixed assets	5	2
Other intangible fixed assets	0	-
Total	6	20

(Notes on Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments to net income and related tax effect of other comprehensive income

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Other valuation difference on available-for-sale securities		
Amount recognized in the period	-37 million yen	65 million yen
Reclassification adjustments to net income	-	-
Before tax-effect adjustment	-37	65
Amount of tax effects	38	-12
Other valuation difference on available-for-sale securities	0	53
Remeasurements of defined benefit plans, net of tax		
Amount recognized in the period	72	-579
Reclassification adjustments to net income	299	286
Before tax-effect adjustment	372	-293
Amount of tax effects	-121	75
Remeasurements of defined benefit plans, net of tax	250	-217
Total other comprehensive income	251	-164

(Statement of Fluctuations in Consolidated Shareholders' Equity)

Previous Consolidated Fiscal Year (From January 1, 2015 to December 31, 2015)

1. Issued shares

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	14,159,086	-	-	14,159,086

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	18,071	205	-	18,276

Note: The increase in the amount of treasury stock of 205 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights

Not applicable.

4. Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 26, 2015	Common stock	254	18	December 31, 2014	March 27, 2015

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

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 24, 2016	Common stock	Profit surplus	282	20	December 31, 2015	March 25, 2016

Current Consolidated Fiscal Year (From January 1, 2016 to December 31, 2016)

1. Issued shares

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	14,159,086	-	-	14,159,086

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	18,276	180	-	18,456

Note: The increase in the amount of treasury stock of 180 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights
Not applicable.

4. Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 24, 2016	Common stock	282	20	December 31, 2015	March 25, 2016

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

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 24, 2017	Common stock	Profit surplus	282	20	December 31, 2016	March 27, 2017

(Notes on Consolidated Cash Flow Statement)

*1 Relation between the closing balance of the cash and cash equivalents and the amounts for items described on the Consolidated Balance Sheet

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Cash and bank deposit account	2,807 million yen	11,244 million yen
Marketable securities account	9,503	-
Total	12,310	11,244

(Notes on Lease Arrangements)

1. Financial lease transactions (Lessee side)

Finance lease transactions of which ownership is not transferred to the lessee

(1) Lease assets

1) Tangible fixed assets

Mainly office appliances (other)

2) Intangible fixed assets

Software (other)

(2) Depreciation and amortization method for lease assets

The method is outlined in “(2) Depreciation and amortization method of important depreciable assets of 4. Accounting policy” in Basic Important Matters for Preparation of Consolidated Financial Statement.

(Notes on Financial Instruments)

1. Items Related to Financial Instruments

(1) Policy of financial instruments

With regard to fund management, the Group's policy is to invest temporary surplus funds in highly secure financial assets only and does not engage in speculative transactions such as derivative financial instruments.

(2) Details and risks of financial instruments and the risk management system

Notes receivable and completed work receivables as trade receivables are exposed to customer credit risks. If, with regard to those risks, the Group receives no payment after a due date has passed, it will investigate the reasons and make the results known to related persons in-house, and the relevant department will then handle the matter appropriately, in accordance with the Rules on Management of Contract Duties and the Outline of the Handling of Contracts.

Marketable securities and investment securities that mainly consist of investment trusts and shares are exposed to the risk of volatility in market prices. In the case of securities with fair value, the Group assesses their fair value on a regular basis.

(3) Supplementary explanation on matters related to the fair value, etc. of financial instruments

The fair value of financial instruments includes the value based on market prices or a reasonably calculated value for those without market prices. Because the calculation of the value entails variable factors, the value may fluctuate if different preconditions, etc. are applied.

2. Items Related to the Fair Value, etc. of Financial Instruments

The book value on the consolidated balance sheet, the fair value, and the difference between them are stated as follows. The table below does not include any financial instrument whose fair value is deemed to be considerably difficult to recognize.

Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	2,807	2,807	-
(2) Notes receivable and completed work receivables	2,553	2,553	-
(3) Marketable securities and investment securities			
1) Held-to-maturity securities	228	225	-2
2) Available-for-sale securities	11,018	11,018	-
Total	16,607	16,604	-2

Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	11,244	11,244	-
(2) Notes receivable and completed work receivables	3,313	3,313	-
(3) Marketable securities and investment securities			
1) Held-to-maturity securities	725	696	-29
2) Available-for-sale securities	1,581	1,581	-
Total	16,864	16,834	-29

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

Assets

(1) Cash and bank deposits

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

(2) Notes receivable and completed work receivables

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

(3) Marketable securities and investment securities

With regard to the fair value of marketable securities and investment securities, shares are recorded according to prices on stock exchanges, and bonds and notes are recorded according to prices on exchanges or prices quoted by financial institutions. In addition, Free Financial Funds, etc. are reported in book value because the fair value of Free Financial Funds, etc. is closely related to the book value due to the relatively short period of accounts settlement. With regard to items related to securities classified by purposes of holding, please see the Notes on Marketable Securities.

Liabilities

Not applicable.

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

(million yen)

Account title	As of December 31, 2015	As of December 31, 2016
Non-listed shares	975	957

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

Note 3. Predicted redemption value after the settlement date of the consolidated accounts for monetary credits and securities that have reached maturity

Previous Consolidated Fiscal Year (as of December 31, 2015)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	2,807	–	–	–
Notes receivable and completed work receivables	2,553	–	–	–
Marketable securities and investment securities				
Held-to-maturity securities				
Corporate bonds	–	–	228	–
Total	5,360	–	228	–

Current Consolidated Fiscal Year (as of December 31, 2016)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	11,244	–	–	–
Notes receivable and completed work receivables	3,313	–	–	–
Marketable securities and investment securities				
Held-to-maturity securities				
Corporate bonds	–	–	225	500
Total	14,557	–	225	500

(Notes on Marketable Securities)

1. Held-to-maturity securities

Previous Consolidated Fiscal Year (as of December 31, 2015)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	-	-	-
	(2) Corporate bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	-	-	-
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	-	-	-
	(2) Corporate bonds	228	225	-2
	(3) Other	-	-	-
	Subtotal	228	225	-2
Total		228	225	-2

Current Consolidated Fiscal Year (as of December 31, 2016)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	-	-	-
	(2) Corporate bonds	225	226	1
	(3) Other	-	-	-
	Subtotal	225	226	1
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	-	-	-
	(2) Corporate bonds	500	469	-30
	(3) Other	-	-	-
	Subtotal	500	469	-30
Total		725	696	-29

2. Available-for-sale securities

Previous Consolidated Fiscal Year (as of December 31, 2015)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	1,461	654	807
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	1,461	654	807
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	53	54	-1
	(2) Bonds and Notes	–	–	–
	(3) Other	9,503	9,503	–
	Subtotal	9,556	9,558	-1
Total		11,018	10,212	805

Current Consolidated Fiscal Year (as of December 31, 2016)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	1,531	654	877
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	1,531	654	877
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	49	54	-5
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	49	54	-5
Total		1,581	709	871

3. Held-to-maturity securities sold during the consolidated fiscal year
Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)
Not applicable.

Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Not applicable.

4. Available-for-sale securities sold during the consolidated fiscal year
Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)
Not applicable.

Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Not applicable.

5. Securities written down
Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)
Not applicable.

Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
In the current consolidated fiscal year, the Group wrote down 35 million yen in investment securities.

(Notes on Derivatives Transactions)

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

(Notes on Retirement Benefits)

1. Outline of the current retirement benefits system

The Company and its consolidated subsidiaries have established an employees' pension fund of a fixed-benefit type, an approved superannuation fund system, a defined benefit corporate pension system and a lump sum retirement benefits system.

The Company and CTI Engineering International Co., Ltd. joined Japan Civil Engineering Consultants Pension Fund (jointly established) in 1971. Japan Civil Engineering Consultants Pension Fund (jointly established) received approval from the Minister of Health, Labour and Welfare for the return of past obligations for a part of an employees' pension fund administered on behalf of the government on July 1, 2016 and was transferred to the Civil Engineering Consultants Corporate Pension Fund (jointly established) on the same date. An additional amount to be borne resulting from the return of a part of an employees' pension fund administered on behalf of the government is not expected to accrue.

Japan Urban Engineering Co., Ltd. joined All Japan Surveying Enterprises Multi Employers Pension Fund (jointly established) in 1972. All Japan Surveying Enterprises Multi Employers Pension Fund received exemption from future payment obligations for a part of an employees' pension fund administered on behalf of the government from the Minister of Health, Labour and Welfare on November 1, 2015.

All of the pension fund systems the employees join are multi-employer systems, and because an amount of pension assets corresponding to the Company's contribution cannot be reasonably computed, the Company carries out the accounting treatment in the same manner used for the defined contribution system.

Tokyo Architectural Engineer Pension Fund (jointly established), which NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. joined, dissolved effective on March 30, 2016 with approval of the Minister of Health, Labour and Welfare. An additional amount to be borne resulting from the dissolution of the pension fund is not expected to accrue.

A lump sum retirement benefits system held by some consolidated subsidiaries computes net defined benefit liability and retirement benefits costs using the simplified method.

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

The Company also has a retirement benefits trust.

2. Defined Benefit System (excluding the systems using the Simplified Method)

(1) Reconciliation of opening and closing balance of retirement benefits obligations

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Balance of retirement benefit obligations at the beginning of year	11,599	11,559
Cumulative effects of changes in accounting policies	-521	-
Restated balance	11,077	11,559
Labor costs	786	814
Interest costs	56	70
Accounting disparity	108	596
Retirement benefits paid	-468	-620
Balance of the retirement benefit obligations at the end of year	11,559	12,420

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

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Balance of pension assets at the beginning of year	11,359	12,288
Expected operating profit	227	245
Accounting disparity	182	16
Contribution from employer	935	720
Retirement benefits paid	-416	-548
Balance of the pension assets at the end of year	12,288	12,723

(3) Reconciliation of the ending balance of retirement benefits obligations and pension assets, and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

	(million yen)	
	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Funded retirement benefits obligations	10,893	11,723
Pension assets	-12,288	-12,723
	-1,395	-999
Unfunded retirement benefits obligations	666	696
Net amount of relevant liabilities and assets on the consolidated balance sheets	-729	-303
Net defined benefit liability	666	696
Net defined benefit asset	-1,395	-999
Net amount of relevant liabilities and assets on the consolidated balance sheets	-729	-303

(4) Retirement benefits costs and related accounting items

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Labor costs	786	814
Interest costs	56	70
Expected operating profit	-227	-245
Cost disposal amount arising from accounting disparity	299	286
Retirement benefits costs under the defined benefit system	915	925

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items (before tax effect adjustment) included in remeasurements of defined benefit plans, net of tax is as follows:

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Accounting disparities	372	-293
Total	372	-293

(6) Remeasurements of defined benefit plans

The breakdown of items (before tax effect adjustment) included in remeasurements of defined benefit plans is as follows:

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Previously unrecognized accounting disparities	-952	-1,244
Total	-952	-1,244

(7) Matters regarding pension assets

1) Major breakdown of pension assets

The percentages of major asset types that account for the total pension assets are as follows:

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Domestic bonds	14 %	12 %
Domestic stocks	1	1
Foreign bonds	1	1
Foreign stocks	1	1
Life insurance general accounts	52	53
Other	31	32
Total	100	100

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (11% for the previous consolidated fiscal year and 11% for the current consolidated fiscal year).

2) Method for setting the long-term expected operating profit percentage

To determine the long-term expected operating profit percentage on pension assets, the current and projected distribution of pension assets, as well as the current and anticipated long-term yield rates of various assets that constitute the pension assets, are taken into account.

(8) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Discount percentage	Primarily 0.6%	Primarily 0.3%
Long-term expected operating profit percentage	2.0%	2.0%

3. Defined Benefit System using the Simplified Method

(1) Reconciliation of opening and closing balance of net defined benefit liability using the Simplified Method

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Balance of net defined benefit liability at the beginning of year	173	407
Retirement benefits costs	46	97
Retirement benefits paid	-10	-20
Contribution to systems	-83	-166
Increase due to change in scope of consolidation	280	-
Net amount of relevant benefit liability and asset	407	316
Net defined benefit liability	428	330
Net defined benefit asset	-20	-13
Net amount of relevant benefit liability and asset	407	316

(2) Reconciliation of the ending balance of retirement benefits obligations and pension assets, and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

	(million yen)	
	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Funded retirement benefits obligations	946	847
Pension assets	-539	-530
	407	316
Unfunded retirement benefits obligations	-	-
Net amount of relevant liabilities and assets on the consolidated balance sheets	407	316
Net defined benefit liability	428	330
Net defined benefit asset	-20	-13
Net amount of relevant liabilities and assets on the consolidated balance sheets	407	316

(3) Retirement benefit costs

Retirement benefit costs calculated using the simplified method

Previous Consolidated Fiscal Year	46 million yen
Current Consolidated Fiscal Year	97 million yen

4. Multi-employer System

The required amounts of contribution to the employees' pension fund under the multi-employer system, a system whose accounting treatment is carried out in the same manner as the defined contribution system, were 326 million yen for the previous consolidated fiscal year and 306 million yen for the current consolidated fiscal year.

(1) The latest savings in the multi-employer system

1) Japan Civil Engineering Consultants Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year (as of March 31, 2015)	Current Consolidated Fiscal Year (as of March 31, 2016)
Pension assets	198,294	193,485
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	198,589	190,067
Balance	-295	3,417

2) All Japan Surveying Enterprises Multi Employers Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year (as of March 31, 2015)	Current Consolidated Fiscal Year (as of March 31, 2016)
Pension assets	205,448	196,912
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	194,940	185,654
Balance	10,508	11,258

3) Tokyo Architectural Engineer Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year (as of March 31, 2015)	Current Consolidated Fiscal Year (as of March 31, 2016)
Pension assets	69,457	-
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	87,527	-
Balance	-18,069	-

(2) Percentage of total salaries of the Group to the overall system under the multi-employer system

1) Japan Civil Engineering Consultants Pension Fund

Previous Consolidated Fiscal Year 7.11% (from April 1, 2014 to March 31, 2015)

Current Consolidated Fiscal Year 7.97% (from April 1, 2015 to March 31, 2016)

2) All Japan Surveying Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year 0.44% (from April 1, 2014 to March 31, 2015)

Current Consolidated Fiscal Year 0.43% (from April 1, 2015 to March 31, 2016)

3) Tokyo Architectural Engineer Pension Fund

Previous Consolidated Fiscal Year 1.34% (from April 1, 2014 to March 31, 2015)

Current Consolidated Fiscal Year - % (from April 1, 2015 to March 31, 2016)

(3) Supplementary explanation

1) Japan Civil Engineering Consultants Pension Fund

The major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance (20,811 million yen for the previous consolidated fiscal year and 19,253 million yen for the current consolidated fiscal year), surplus, and shortage (-20,515 million yen for the previous consolidated fiscal year and -22,670 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 15 years, and a special premium (213 million yen for the previous consolidated fiscal year and 217 million yen for the current consolidated fiscal year) was amortized in the consolidated financial statements.

Additionally, the percentage described in (2) above was not identical to the Group's actual percentage.

2) All Japan Surveying Enterprises Multi Employers Pension Fund

Major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance (8,035 million yen for the previous consolidated fiscal year and 7,752 million yen for the current consolidated fiscal year), surplus, and shortage (-18,543 million yen for the previous consolidated fiscal year and -19,010 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 20 years, and a special premium (3 million yen for the previous consolidated fiscal year and 3 million yen for the current consolidated fiscal year) was amortized in the consolidated financial statements.

Additionally, the percentage described in (2) above was not identical to the Group's actual percentage.

3) Tokyo Architectural Engineer Pension Fund

The major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance (12,693 million yen for the previous consolidated fiscal year and - for the current consolidated fiscal year), surplus, and shortage (5,376 million yen for the previous consolidated fiscal year and - for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 18 years, and no special premium was amortized in the consolidated financial statements.

Additionally, the percentage described in (2) above was not identical to the Group's actual percentage.

(Stock Options)
Not applicable.

(Tax Effect Accounting)

1. Breakdown by major cause of deferred tax assets and deferred tax liabilities generation

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Deferred tax assets (current assets)		
Accrued enterprise tax	39 million yen	64 million yen
Allowance for losses in operations	22	31
Reserve for bonuses	318	275
Social insurance premiums for bonuses	53	40
Loss brought forward	28	26
Other	50	19
Subtotal	513	458
Allowance account	-16	-29
Total	496	428
Deferred tax assets (fixed assets)		
Net defined benefit liability	183 million yen	320 million yen
Long-term accounts payable	23	22
Unrealized loss on securities	67	63
Asset retirement obligations	48	47
Loss brought forward	82	83
Other	42	54
Subtotal	447	592
Allowance account	-134	-216
Total deferred tax assets	312	376
Deferred tax liabilities (fixed liabilities)		
Net defined benefit asset	8 million yen	19 million yen
Tangible fixed assets	30	28
Other valuation difference on available-for-sale securities	194	207
Liability adjustment account	76	59
Total	309	313
Net of deferred tax assets (fixed assets)	2 million yen	62 million yen

Note: Net deferred tax assets for the previous consolidated fiscal year and the current consolidated fiscal year are included in the following items on the consolidated balance sheets.

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Current assets - Deferred tax assets	496 million yen	428 million yen
Fixed assets - Deferred tax assets	88	140
Fixed liabilities - Deferred tax liabilities	85	77

2. Breakdown by major item of causes leading to any material difference between the legal effective tax rate and the bearing rate of corporation tax or the like after application of tax effect accounting

	Previous Consolidated Fiscal Year (as of December 31, 2015)	Current Consolidated Fiscal Year (as of December 31, 2016)
Legal effective tax rate	35.64 %	33.06 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.42	0.44
Per capita inhabitant tax	3.38	3.99
No entry of profit from dividends earned, etc.	-0.33	-0.27
Revision due to a change in tax rate	1.79	0.66
Tax credit under the Income Growth Promotion Tax System	-2.09	-2.35
No entry of loss from bonuses to directors	0.40	0.38
Allowance account	-0.06	4.07
Other	0.61	0.24
Bearing rate of corporation tax or the like after application of tax effect accounting	39.76	40.22

3. Revision to amounts of deferred tax assets pursuant to a change in the rate of income taxes

Pursuant to the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and “Act for Partial Amendment, etc. of the Local Tax Act, etc.” (Act No. 13 of 2016) at the Diet session held on March 29, 2016, corporation income tax rates will be reduced for the fiscal years beginning on or after April 1, 2016. In accordance with this change, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities shall be set forth as follows according to the period of expected elimination of temporary differences: the effective statutory tax rate has been reduced to 30.86% with respect to temporary differences that are expected to be eliminated during the consolidated fiscal year beginning on January 1, 2017 and the consolidated fiscal year beginning on January 1, 2018, and to 30.62% with respect to temporary differences that are expected to be eliminated during the consolidated fiscal years beginning on or after January 1, 2019.

As a result of this change, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) decreased by 24 million yen while deferred income taxes etc., other valuation difference on available-for-sale securities, and remeasurements of defined benefit plans recognized in the current consolidated fiscal year increased by 15 million yen, 11 million yen, and 19 million yen, respectively.

(Segment Information)

Segment Information

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015) and current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

The Group is engaged in a single business as engineering consulting and incidental services. The Company does not have business categories other than this, and have nothing to be described here.

Relevant Information

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)

1. Information by products and services

The Group operates a single segment consisting of engineering consulting and incidental services, and omits description.

2. Information by areas

(1) Sales

Sales to outside customers in Japan make up over 90% of the amount of sales in the Consolidated Profit and Loss Account, and are omitted here.

(2) Tangible Fixed Assets

The Group has no tangible fixed assets located outside of Japan. The Company has nothing to be described here.

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government	19,215	Engineering consulting

Current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

1. Information by products and services

The Group operates a single segment consisting of engineering consulting and incidental services, and omits description.

2. Information by areas

(1) Sales

Sales to outside customers in Japan make up over 90% of the amount of sales in the Consolidated Profit and Loss Account, and are omitted here.

(2) Tangible Fixed Assets

The Group has no tangible fixed assets located outside of Japan. The Company has nothing to be described here.

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government	18,485	Engineering consulting

Impairment losses on fixed assets by reportable segments

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015) and current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

Not applicable.

Amortized amount and unamortized balance of goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)

The Group operates a single segment consisting of engineering consulting and incidental services, and omits description.

Current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

The Group operates a single segment consisting of engineering consulting and incidental services, and omits description.

Gain on negative goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015) and current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

Not applicable.

Information on related parties

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015)

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

(a) Non-consolidated subsidiary and affiliates, etc. of the company submitting consolidated financial statements

Type	Name of company, etc.	Location	Paid-in capital or investment in capital (million yen)	Business outline	Ratio of voting rights holding (held) (%)	Relationship with related party	Summary of transactions	Amount of transaction (million yen)	Item	Balance at end of fiscal year (million yen)
Non-consolidated subsidiary	Kamaishi Naranokidaira Solar Power Generation Co., Ltd.	Kamaishi-shi, Iwate	5	Solar power generation	100	Outsourcing of a part of the Company's services	Loan of funds	550	Short-term loans	28
									Long-term loans	521

Note: The terms and conditions of transactions are as follows:

* Loan transactions: The loan interest rate is determined in consideration of the prevailing market rates.

Current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

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

(a) Non-consolidated subsidiary and affiliates, etc. of the company submitting consolidated financial statements

Type	Name of company, etc.	Location	Paid-in capital or investment in capital (million yen)	Business outline	Ratio of voting rights holding (held) (%)	Relationship with related party	Summary of transactions	Amount of transaction (million yen)	Item	Balance at end of fiscal year (million yen)
Non-consolidated subsidiary	Kamaishi Naranokidaira Solar Power Generation Co., Ltd.	Kamaishi-shi, Iwate	5	Solar power generation	100	Outsourcing of a part of the Company's services	Loan of funds	-	Short-term loans	52
									Long-term loans	497

Note: The terms and conditions of transactions are as follows:

* Loan transactions: The loan interest rate is determined in consideration of the prevailing market rates.

(Business Combination)

Current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

Not applicable.

(Notes on Investment and Rental Property)

Previous consolidated fiscal year (from January 1, 2015 to December 31, 2015) and current consolidated fiscal year (from January 1, 2016 to December 31, 2016)

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

(Information per Share)

	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Net assets per share	1,675.40 yen	1,746.31 yen
Net income per share	115.51 yen	102.37 yen

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

2. Basis of calculation of net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2015 to December 31, 2015)	Current Consolidated Fiscal Year (from January 1, 2016 to December 31, 2016)
Net income attributable to owners of the parent in the consolidated profit and loss account (million yen)	1,633	1,447
Net income attributable to owners of the parent related to common shares (million yen)	1,633	1,447
Amounts not belonging to ordinary shareholders (million yen)	–	–
Average number of common shares for the entire fiscal year (shares)	14,140,884	14,140,683

(Significant Subsequent Event)

Not applicable.

(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

Category	Current term opening balance (million yen)	Current term closing balance (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	1,000	700	0.5	–
Long-term borrowings to be repaid within 1 year	–	–	–	–
Lease obligations to be repaid within 1 year	73	62	–	–
Long-term borrowings except those to be repaid within 1 year	–	–	–	–
Lease obligations except those to be repaid within 1 year	102	81	–	2018 to 2021
Other Interest-bearing Liabilities	–	–	–	–
Total	1,175	843	–	–

Notes: 1. In respect of the average interest ratio, balance at the end of the term such as outstanding borrowings are set forth at a weighted average percentage.

2. Because lease obligations are reported in the consolidated balance sheet in the amount before deducting assumed interest payments included in total lease payments, the average interest ratio of the lease obligations is not set forth.

3. The amount scheduled to be repaid for lease obligations (except those to be repaid within one year) within 5 years after the consolidated closing date is as follows.

Category	Over 1 year but within 2 years (million yen)	Over 2 years but within 3 years (million yen)	Over 3 years but within 4 years (million yen)	Over 4 years but within 5 years (million yen)
Lease obligations	44	25	8	1

Specifications about asset retirement obligations

The amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is no more than one hundredth of the total amount of liabilities and net assets at the beginning and end of the current consolidated fiscal year, respectively. The Company has nothing to be described here.

(2) Other

Quarterly financial information for the current consolidated fiscal year

(Cumulative period)	Three months ended March 31, 2016	First half ended June 30, 2016	Nine months ended September 30, 2016	Current consolidated fiscal year
Sales (million yen)	7,521	22,151	31,343	42,033
Net income (loss) before income tax (million yen)	-49	1,381	1,676	2,382
Net income (loss) attributable to owners of the parent (million yen)	-23	898	1,079	1,447
Net income (loss) per share (yen)	-1.63	63.56	76.31	102.37

(Fiscal period)	First quarter from January 1, 2016 to March 31, 2016	Second quarter from April 1, 2016 to June 30, 2016	Third quarter from July 1, 2016 to September 30, 2016	Fourth quarter from October 1, 2016 to December 31, 2016
Net income (loss) per share (yen)	-1.63	65.20	12.74	26.06

2. Non-consolidated Financial Statements and Other Materials

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheet

(million yen)

	Previous Fiscal Year (as of December 31, 2015)	Current Fiscal Year (as of December 31, 2016)
Assets		
Current assets		
Cash and bank deposits	1,820	10,281
Completed work receivables	1,487	1,631
Marketable securities	9,503	-
Prepaid expenses for uncompleted services	10,861	11,048
Advance payment	131	139
Deferred tax assets	450	385
Short-term loans	*1 323	*1 1,533
Other	135	120
Total current assets	24,712	25,139
Fixed assets		
Tangible fixed assets		
Buildings	3,747	3,727
Accumulated depreciation	-2,261	-2,322
Buildings, net	1,485	1,404
Structures	716	717
Accumulated depreciation	-563	-573
Structures, net	153	144
Machinery and equipment	238	238
Accumulated depreciation	-227	-229
Machinery and equipment, net	11	9
Furniture and fixtures	959	1,001
Accumulated depreciation	-755	-809
Furniture and fixtures, net	203	191
Land	4,556	4,678
Lease assets	238	192
Accumulated depreciation	-143	-118
Lease assets, net	95	73
Total tangible fixed assets	6,506	6,502
Intangible fixed assets		
Leasehold	16	16
Software	328	341
Telephone rights	22	22
Right of using special facilities	0	0
Lease assets	5	3
Other	0	0
Total intangible fixed assets	373	384
Investments and other assets		
Investment securities	1,822	2,385
Shares in subsidiaries and affiliates	1,195	1,179
Investments in capital of subsidiaries and affiliates	50	50
Investments	3	43
Long-term loans	*1 539	*1 515
Long-term time deposits	800	-
Long-term prepaid expenses	25	17
Lease and guarantee deposit	711	714
Membership	52	51
Prepaid pension cost	1,706	1,778
Other	0	0
Allowance for doubtful accounts	-0	-0
Total investments and other assets	6,905	6,735
Total fixed assets	13,785	13,622
Total assets	38,498	38,762

(million yen)

	Previous Fiscal Year (as of December 31, 2015)		Current Fiscal Year (as of December 31, 2016)	
Liabilities				
Current liabilities				
Accounts payable for services	*1	1,579	*1	1,472
Lease obligations		46		36
Accounts payable		305		212
Accrued income taxes		487		538
Accrued consumption taxes		724		401
Accrued expenses		879		826
Advances received from uncompleted services		8,714		8,042
Deposits received		521		600
Revenue received in advance		4		7
Reserve for bonuses		924		854
Reserve for bonuses to directors		27		32
Allowance for losses in operations		27		25
Other		2		1
Total current liabilities		14,244		13,053
Fixed liabilities				
Long-term accounts payable		56		56
Lease obligations		57		43
Deferred tax liabilities		239		213
Reserve for retirement benefits		142		322
Asset retirement obligations		94		96
Other		53		52
Total fixed liabilities		645		785
Total liabilities		14,890		13,838
Net assets				
Shareholders' equity				
Capital		3,025		3,025
Capital surplus				
Capital reserve		4,122		4,122
Total capital surplus		4,122		4,122
Profit surplus				
Profit reserve		176		176
Other profit surplus				
General reserve		8,700		8,700
Profit surplus brought forward		6,983		8,245
Total profit surplus		15,860		17,122
Treasury stock		-12		-12
Total shareholders' equity		22,996		24,258
Valuation and translation differences				
Other valuation difference on available-for-sale securities		611		664
Total valuation and translation adjustment		611		664
Total net assets		23,608		24,923
Total liabilities and net assets		38,498		38,762

(ii) Non-consolidated Profit and Loss Account

(million yen)

	Previous Fiscal Year (from January 1, 2015 to December 31, 2015)		Current Fiscal Year (from January 1, 2016 to December 31, 2016)	
Sales		33,734		34,256
Cost of sales		24,102		24,609
Gross profit		9,631		9,646
Selling, general and administrative expenses	*2	7,253	*2	7,317
Operating income		2,377		2,328
Non-operating revenues				
Interest earned	*1	9	*1	16
Dividend earned	*1	41	*1	47
Interest from securities		10		3
Rent earned	*1	35	*1	35
Insurance dividends earned		11		7
Other		43		31
Total non-operating revenues		151		142
Non-operating expenses				
Commissions paid		15		5
Other		0		0
Total non-operating expenses		15		5
Ordinary profit		2,513		2,465
Extraordinary loss				
Loss from fixed assets disposal	*3	6	*3	18
Unrealized loss on shares in subsidiaries and affiliates		-		35
Loss on cancel of lease contracts		-		0
Loss on valuation of golf club membership		6		0
Total extraordinary loss		12		54
Net income before income tax		2,500		2,411
Corporation tax, inhabitants tax and enterprise tax		884		841
Deferred income taxes etc.		95		25
Total income taxes		979		866
Net income		1,520		1,545

Cost Specifications for Completed Services

Category	Note No.	Previous Fiscal Year (from January 1, 2015 to December 31, 2015)			Current Fiscal Year (from January 1, 2016 to December 31, 2016)		
		Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		7,898			8,189		
2. Bonuses		1,405			1,519		
3. Provision of reserve for bonuses		640			591		
4. Retirement benefits expense		674			686		
5. Other		1,852	12,471	51.1	1,884	12,871	51.9
II Amount paid to subcontractors			8,062	33.1		8,191	33.0
III Expenses							
1. Traveling expenses		997			1,018		
2. Printing and copying expenses		366			373		
3. Expendables cost		251			259		
4. Rents		1,087			1,160		
5. Depreciation		144			134		
6. Provision of allowance for losses in operations		-7			-2		
7. Other		1,020	3,859	15.8	790	3,733	15.1
Current general business expenses			24,394	100.0		24,796	100.0
Opening prepaid expenses for uncompleted services			10,569			10,861	
Total			34,964			35,658	
Closing prepaid expenses for uncompleted services			10,861			11,048	
Current cost of completed services			24,102			24,609	

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

(iii) Statement of Fluctuations in Shareholders' Equity
 Previous Fiscal Year (from January 1, 2015 to December 31, 2015)

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		Total profit surplus
		Capital reserve	Total capital surplus		General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	5,415	14,292
Cumulative effects of changes in accounting policies						301	301
Restated balance	3,025	4,122	4,122	176	8,700	5,717	14,594
Changes of items during the period							
Dividends from surplus						-254	-254
Net income						1,520	1,520
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	—	—	—	—	—	1,266	1,266
Balance at the end of current period	3,025	4,122	4,122	176	8,700	6,983	15,860

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-11	21,429	611	611	22,040
Cumulative effects of changes in accounting policies		301			301
Restated balance	-11	21,730	611	611	22,341
Changes of items during the period					
Dividends from surplus		-254			-254
Net income		1,520			1,520
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			0	0	0
Total changes of items during the period	-0	1,265	0	0	1,266
Balance at the end of current period	-12	22,996	611	611	23,608

Current Fiscal Year (from January 1, 2016 to December 31, 2016)

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		Total profit surplus
		Capital reserve	Total capital surplus		Other profit surplus		
					General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	6,983	15,860
Changes of items during the period							
Dividends from surplus						-282	-282
Net income						1,545	1,545
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	—	—	—	—	—	1,262	1,262
Balance at the end of current period	3,025	4,122	4,122	176	8,700	8,245	17,122

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-12	22,996	611	611	23,608
Changes of items during the period					
Dividends from surplus		-282			-282
Net income		1,545			1,545
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			53	53	53
Total changes of items during the period	-0	1,262	53	53	1,315
Balance at the end of current period	-12	24,258	664	664	24,923

Notes:

Important Accounting Policy

1. Valuation base and method for securities

(1) Held-to-maturity securities

Amortized cost method.

(2) Shares in subsidiaries and affiliates

Cost method according to moving average method.

(3) Available-for-sale securities

* With fair value

Calculated on the market value method based upon stock market prices as of the fiscal year-end. (Unrealized gains or losses have been dealt with according to the direct net assets imputation method, while value of products sold has been calculated according to the moving average method.)

* With no fair value

Cost method according to moving average method.

2. Valuation base and method for inventories

Prepaid expenses for uncompleted services -- Cost method by job cost system

3. Depreciation of fixed assets

(1) Tangible fixed assets (excluding lease assets) -- Declining balance method

However, straight-line method is applied to the buildings (excluding the facilities attached to them) acquired on and after April 1, 1998 and the facilities attached to buildings and structures acquired on and after April 1, 2016. Further, the average life expectancy is as set forth below.

Buildings: 17 – 50 years

(2) Intangible fixed assets (excluding lease assets) -- Straight-line method

For software for internal use, the straight-line method based on the usable period in the Company (5 years) is adopted.

(3) Lease assets

Straight-line method using the lease period as the service life and considering the residual value to be zero.

4. Accounting for allowances and reserves

(1) Allowance for doubtful accounts

In respect of ordinary credit, for the loan loss ratio as regards credit designated as being in danger of becoming irrecoverable, the possibility of each item being recovered is considered and the amount deemed irrecoverable is recorded to prepare for possible loss caused by bad debts.

(2) Reserve for bonuses

To prepare for bonus payment to employees, the Company enters the reserve for bonuses according to the estimated payment amount standard.

(3) Reserve for bonus to directors

Calculated on forecast payment amount to prepare for bonus payments to Directors.

(4) Allowance for losses in operations

Calculated according to the forecasted losses due to uncompleted services at the end of fiscal year in preparation for future losses related to ordered works.

(5) Reserve for retirement benefits

To prepare retirement benefits for employees, these were recorded based upon the obligations to pay retirement benefits and the forecast amount of pension assets as at the end of this consolidated accounting year.

1) Periodic allocation of retirement benefits forecast

When computing retirement benefits obligations, the benefit formula standard is applied for allocation of retirement benefits forecast to the periods until the end of current fiscal year.

2) Expense disposal of accounting disparity

As regards the accounting disparity, expenses shall be disposed of from the next fiscal year by the fixed amount method that shall use a predetermined number of years (5 years) within the average remaining employment period for those employees that were employed at the time of its occurrence.

5. Entry standard of important revenues and expenses

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

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

(1) Accounting treatment of consumption taxes

Tax exclusion method is adopted.

(2) Accounting treatment of retirement benefits

The accounting treatment of unrecognized accounting disparities relating to retirement benefits is different from the accounting treatment of unrecognized accounting disparities relating to retirement benefits in the consolidated financial statements.

(Changes in Accounting Policy)

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In accordance with the revision of the Corporation Tax Act, the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32 issued on June 17, 2016) has been applied, effective from the current fiscal year, whereby the method for depreciating facilities attached to buildings and structures acquired on and after April 1, 2016 is changed to the straight-line method from the declining-balance method.

There was no significant impact on the profit and loss reported in the non-consolidated financial statements.

(Notes on Balance Sheet)

*1 Assets and liabilities for subsidiaries and affiliates

The amount of monetary claims and monetary debts for subsidiaries and affiliates other than those presented separately is as follows:

	Previous Fiscal Year (as of December 31, 2015)		Current Fiscal Year (as of December 31, 2016)	
Shot-term monetary claims	344	million yen	1,587	million yen
Shot-term monetary debts	250		272	
Long-term monetary claims	539		515	
Long-term monetary debts	46		46	

2 Warranty for liabilities

Warranty for liabilities of the following employees and overseas subsidiary borrowed from financial institutions:

	Previous Fiscal Year (as of December 31, 2015)		Current Fiscal Year (as of December 31, 2016)	
Employees of the Company	41	million yen	32	million yen
Employees of CTI Engineering International Co., Ltd.	1		1	
Wuhan CTI-CRSRI Engineering & Environment Co., Ltd	–		38	

(Notes on Profit and Loss Account)

*1 Total amount of turnover of operating transactions and transactions other than operating transactions, with subsidiaries and affiliates

	Previous Fiscal Year (from January 1, 2015 to December 31, 2015)		Current Fiscal Year (from January 1, 2016 to December 31, 2016)	
Turnover of operating transactions				
Sales	70	million yen	45	million yen
Subcontractor cost	1,302		1,498	
Other operating transactions	119		118	
Turnover of transactions other than operating transactions	53		62	

*2 The percentage of expenses included in selling expenses is approximately 34% for the previous fiscal year and 34% for the current fiscal year, and the percentage of expenses included in general and administrative expenses is 66% for the previous fiscal year and 66% for the current fiscal year.

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

	Previous Fiscal Year (from January 1, 2015 to December 31, 2015)		Current Fiscal Year (from January 1, 2016 to December 31, 2016)	
Wages and allowances	2,635	million yen	2,684	million yen
Transferred reserve for bonuses	248		230	
Reserve for bonuses to directors	27		32	
Retirement benefits expenses	167		161	
Allowance for doubtful accounts	0		0	
Depreciation and amortization	88		81	
Research and investigation expenses	930		923	

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

	Previous Fiscal Year (from January 1, 2015 to December 31, 2015)		Current Fiscal Year (from January 1, 2016 to December 31, 2016)	
Buildings	0	million yen	16	million yen
Furniture and fixtures	5		1	
Software	0		–	
Total	6		18	

(Notes on Securities)

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

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

	(million yen)	
	Previous Fiscal Year (as of December 31, 2015)	Current Fiscal Year (as of December 31, 2016)
Shares in subsidiaries	1,195 million yen	1,179 million yen
Total	1,195	1,179

(Notes on Tax Effect Accounting)

1. Breakdown by major cause of deferred tax assets and deferred tax liabilities generation

	Previous Fiscal Year (as of December 31, 2015)	Current Fiscal Year (as of December 31, 2016)
Deferred tax assets (current assets)		
Accrued enterprise tax	41 million yen	61 million yen
Allowance for losses in operations	9	7
Reserve for bonuses	305	263
Social insurance premiums for bonuses	52	38
Other	41	14
Total	450	385
Deferred tax assets (fixed assets)		
Reserve for retirement benefits	46 million yen	99 million yen
Long-term accounts payable	18	17
Unrealized loss of securities	67	63
Asset retirement obligations	30	29
Other	17	24
Subtotal	179	235
Allowance account	-74	-81
Total	104	153
Deferred tax liabilities (fixed liabilities)		
Prepaid pension cost	130 million yen	140 million yen
Tangible fixed assets	20	18
Other valuation difference on available-for-sale securities	194	207
Total	344	366
Net of deferred tax liabilities (fixed liabilities)	239 million yen	213 million yen

2. Breakdown by major item of causes leading to any material difference between the legal effective tax rate and the bearing rate of corporation tax or the like after adoption of tax effect accounting

	Previous Fiscal Year (as of December 31, 2015)	Current Fiscal Year (as of December 31, 2016)
Legal effective tax rate	35.64 %	33.06 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.38	0.37
Per capita inhabitant tax	3.29	3.42
No entry of profit from dividend earned etc.	-0.36	-0.25
Revision due to a change in tax rate	1.79	0.71
Tax credit under the Income Growth Promotion Tax System	-2.26	-2.33
No entry of loss from bonuses to directors	0.40	0.38
Allowance account	-0.08	0.49
Other	0.39	0.07
Bearing rate of corporation tax or the like after application of tax effect accounting	39.19	35.92

3. Revision to amounts of deferred tax assets pursuant to a change in the rate of income taxes

Pursuant to the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and “Act for Partial Amendment, etc. of the Local Tax Act, etc.” (Act No. 13 of 2016) at the Diet session held on March 29, 2016, corporation income tax rates will be reduced for the fiscal years beginning on or after April 1, 2016. In accordance with this change, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities shall be set forth as follows according to the period of expected elimination of temporary differences: the effective statutory tax rate has been reduced to 30.86% with respect to temporary differences that are expected to be eliminated during the fiscal year beginning on January 1, 2017 and the fiscal year beginning on January 1, 2018, and to 30.62% with respect to temporary differences that are expected to be eliminated during the fiscal years beginning on or after January 1, 2019.

As a result of this change, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) decreased by 6 million yen while deferred income taxes etc. and other valuation difference on available-for-sale securities recognized in the current fiscal year increased by 17 million yen and 11 million yen, respectively.

(Significant Subsequent Event)

Not applicable.

(iv) Supplemental specifications

Specifications of tangible fixed assets and other

Type of assets	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Depreciation or amortization in the current term (million yen)	Closing balance (million yen)	Accumulated depreciation or amortization (million yen)
Tangible fixed assets						
Buildings	1,485	8	16	72	1,404	2,322
Structures	153	0	–	9	144	573
Machinery and equipment	11	–	–	2	9	229
Furniture and fixtures	203	78	1	88	191	809
Land	4,556	121	–	–	4,678	–
Lease assets	95	25	0	46	73	118
Total tangible fixed assets	6,506	234	18	219	6,502	4,053
Intangible fixed assets						
Leasehold	16	–	–	–	16	–
Software	328	106	0	93	341	–
Telephone rights	22	–	–	–	22	–
Right of using special facilities	0	–	–	0	0	–
Lease assets	5	–	–	1	3	–
Other	0	–	–	0	0	–
Total intangible fixed assets	373	106	0	95	384	–

Specifications of allowances and reserves

Category	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Closing balance (million yen)
Allowance for doubtful accounts	0	0	–	0
Reserve for bonuses	924	854	924	854
Reserve for bonuses to directors	27	32	27	32
Allowance for losses in operations	27	25	27	25
Reserve for retirement benefits	142	250	71	322

(2) Details of major assets/liabilities

The Company prepares consolidated financial statements, so the description is omitted here.

(3) Other

Not applicable.

CHAPTER 6: SHAREHOLDER RELATED INFORMATION

Fiscal year	January 1 to December 31
Ordinary general meeting of shareholders	In March
Record date	December 31
Record date of dividends from surplus	June 30, December 31
Unit of shares	100 shares
Purchase of shares below one unit of shares	
Place of purchase	(Special Account) Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	(Special Account) Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Service office	–
Service charge for purchase	Free of charge
Media of public notice	The Company's notices are published on its website. However, where due to unforeseen circumstances website publication is not possible, notices will be published in the Nihon Keizai Shimbun. The Company's website for public notices is as follows: http://www.ctie.co.jp/
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, its accompanying documents, and confirmation note

Fiscal year (53rd fiscal year) (from January 1, 2015 to December 31, 2015) Submitted to the director of the Kanto Local Finance Bureau on March 25, 2016.

(2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on March 25, 2016.

(3) Quarterly Report and confirmation note

(First quarter of 54th fiscal year) (from January 1, 2016 to March 31, 2016) Submitted to the director of the Kanto Local Finance Bureau on May 12, 2016.

(Second quarter of 54th fiscal year) (from April 1, 2016 to June 30, 2016) Submitted to the director of the Kanto Local Finance Bureau on August 10, 2016.

(Third quarter of 54th fiscal year) (from July 1, 2016 to September 30, 2016) Submitted to the director of the Kanto Local Finance Bureau on November 14, 2016.

(4) Extraordinary Report

The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. Submitted to the director of the Kanto Local Finance Bureau on March 27, 2017.

Part 2: SURETY COMPANY INFORMATION

Not applicable.

