SECURITIES REPORT

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

Fiscal Year (56th Term)

(from January 1, 2018 to December 31, 2018)

CTI Engineering Co., Ltd.

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

(941-172)
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.)
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56th Term SECURITIES REPORT

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Document submitted  Securities report

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Recipient of document  Director of the Kanto Local Finance Bureau

Date of submission  March 27, 2019

Fiscal Year  56th term (from January 1, 2018 to December 31, 2018)

Company name  CTI Engineering Co., Ltd.

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Contact  Koichi Watanabe, Senior Managing Executive Officer & Director, serving as the Chief of Headquarters Management Dept.

Place Available for Public Inspection  Osaka Head Office of CTI Engineering Co., Ltd.

(6-7, Doshomachi 1-chome, Chuo-ku, Osaka)

Tokyo Stock Exchange, Inc.

(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
Part 1: CORPORATE INFORMATION

CHAPTER 1: GENERAL

1. Changes in Major Management Indices

(1) Consolidated management indices of the Company

<table>
<thead>
<tr>
<th>Fiscal year-end</th>
<th>52nd term</th>
<th>53rd term</th>
<th>54th term</th>
<th>55th term</th>
<th>56th term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales amount (million yen)</td>
<td>39,524</td>
<td>40,220</td>
<td>42,033</td>
<td>49,301</td>
<td>58,443</td>
</tr>
<tr>
<td>Ordinary profit (million yen)</td>
<td>2,525</td>
<td>2,734</td>
<td>2,433</td>
<td>2,500</td>
<td>3,167</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent (million yen)</td>
<td>1,490</td>
<td>1,633</td>
<td>1,447</td>
<td>1,615</td>
<td>1,893</td>
</tr>
<tr>
<td>Comprehensive income (million yen)</td>
<td>1,584</td>
<td>1,891</td>
<td>1,259</td>
<td>2,237</td>
<td>1,299</td>
</tr>
<tr>
<td>Net assets (million yen)</td>
<td>21,870</td>
<td>23,816</td>
<td>24,793</td>
<td>26,885</td>
<td>27,810</td>
</tr>
<tr>
<td>Total assets (million yen)</td>
<td>41,011</td>
<td>43,937</td>
<td>42,644</td>
<td>49,444</td>
<td>50,873</td>
</tr>
<tr>
<td>Net assets per share (yen)</td>
<td>1,539.79</td>
<td>1,675.40</td>
<td>1,746.31</td>
<td>1,881.01</td>
<td>1,950.54</td>
</tr>
<tr>
<td>Net income per share (yen)</td>
<td>105.38</td>
<td>115.51</td>
<td>102.37</td>
<td>114.22</td>
<td>133.94</td>
</tr>
<tr>
<td>Net income per share after adjustment of potential shares (yen)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net worth ratio (%)</td>
<td>53.1</td>
<td>53.9</td>
<td>57.9</td>
<td>53.8</td>
<td>54.2</td>
</tr>
<tr>
<td>Profit ratio of net worth (%)</td>
<td>6.9</td>
<td>7.2</td>
<td>6.0</td>
<td>6.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Price earnings ratio (times)</td>
<td>14.62</td>
<td>10.75</td>
<td>10.18</td>
<td>10.08</td>
<td>11.59</td>
</tr>
<tr>
<td>Cash flow from operating business activities (million yen)</td>
<td>3,591</td>
<td>1,613</td>
<td>-201</td>
<td>2,834</td>
<td>1,873</td>
</tr>
<tr>
<td>Cash flow from investment activities (million yen)</td>
<td>568</td>
<td>-1,766</td>
<td>-163</td>
<td>-6,857</td>
<td>-1,475</td>
</tr>
<tr>
<td>Cash flow from financial activities (million yen)</td>
<td>-108</td>
<td>-196</td>
<td>-683</td>
<td>-739</td>
<td>-76</td>
</tr>
<tr>
<td>Closing balance of cash and cash equivalents (million yen)</td>
<td>12,659</td>
<td>12,310</td>
<td>11,244</td>
<td>6,515</td>
<td>6,722</td>
</tr>
<tr>
<td>Number of employees (plus average number of temporary employees) (persons)</td>
<td>1,652 (496)</td>
<td>1,855 (499)</td>
<td>1,886 (504)</td>
<td>2,826 (817)</td>
<td>2,932 (883)</td>
</tr>
</tbody>
</table>

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.
## (2) Non-consolidated Management Indices of the Company

<table>
<thead>
<tr>
<th>Fiscal year-end</th>
<th>Fiscal year</th>
<th>52nd term</th>
<th>53rd term</th>
<th>54th term</th>
<th>55th term</th>
<th>56th term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year-end</td>
<td></td>
<td>December 2014</td>
<td>December 2015</td>
<td>December 2016</td>
<td>December 2017</td>
<td>December 2018</td>
</tr>
<tr>
<td>Sales amount (million yen)</td>
<td>33,211</td>
<td>33,734</td>
<td>34,256</td>
<td>35,440</td>
<td>36,768</td>
<td></td>
</tr>
<tr>
<td>Ordinary profit (million yen)</td>
<td>2,275</td>
<td>2,513</td>
<td>2,465</td>
<td>2,643</td>
<td>2,821</td>
<td></td>
</tr>
<tr>
<td>Net income (million yen)</td>
<td>1,366</td>
<td>1,520</td>
<td>1,545</td>
<td>1,609</td>
<td>1,778</td>
<td></td>
</tr>
<tr>
<td>Capital stock (million yen)</td>
<td>3,025</td>
<td>3,025</td>
<td>3,025</td>
<td>3,025</td>
<td>3,025</td>
<td></td>
</tr>
<tr>
<td>Number of outstanding shares (shares)</td>
<td>14,159,086</td>
<td>14,159,086</td>
<td>14,159,086</td>
<td>14,159,086</td>
<td>14,159,086</td>
<td></td>
</tr>
<tr>
<td>Net assets (million yen)</td>
<td>22,040</td>
<td>23,608</td>
<td>24,923</td>
<td>26,528</td>
<td>27,852</td>
<td></td>
</tr>
<tr>
<td>Total assets (million yen)</td>
<td>36,282</td>
<td>38,498</td>
<td>38,762</td>
<td>41,386</td>
<td>43,774</td>
<td></td>
</tr>
<tr>
<td>Net assets per share (yen)</td>
<td>1,558.60</td>
<td>1,669.52</td>
<td>1,762.55</td>
<td>1,876.06</td>
<td>1,969.72</td>
<td></td>
</tr>
<tr>
<td>Cash Dividend per share (Interim dividend per share) (yen)</td>
<td>18.00</td>
<td>20.00</td>
<td>20.00</td>
<td>22.00</td>
<td>25.00</td>
<td></td>
</tr>
<tr>
<td>Net income per share (yen)</td>
<td>96.66</td>
<td>107.54</td>
<td>109.27</td>
<td>113.81</td>
<td>125.76</td>
<td></td>
</tr>
<tr>
<td>Net income per share after adjustment of potential shares (yen)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Net worth ratio (%)</td>
<td>60.7</td>
<td>61.3</td>
<td>64.3</td>
<td>64.1</td>
<td>63.6</td>
<td></td>
</tr>
<tr>
<td>Profit ratio of net worth (%)</td>
<td>6.4</td>
<td>6.4</td>
<td>6.4</td>
<td>6.3</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Price earnings ratio (times)</td>
<td>15.94</td>
<td>11.55</td>
<td>9.54</td>
<td>10.11</td>
<td>12.34</td>
<td></td>
</tr>
<tr>
<td>Dividend Payout ratio (%)</td>
<td>18.6</td>
<td>18.6</td>
<td>18.3</td>
<td>19.3</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td>Number of employees (plus average number of temporary employees) (persons)</td>
<td>1,315 (443)</td>
<td>1,399 (441)</td>
<td>1,450 (449)</td>
<td>1,511 (448)</td>
<td>1,574 (462)</td>
<td></td>
</tr>
</tbody>
</table>

**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.
## 2. Chronology

<table>
<thead>
<tr>
<th>Date</th>
<th>Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1963</td>
<td>Established “Kensetsu Giken KK” in Ginza-nishi (Ginza 3-chome at present), Chuo-ku, Tokyo to conduct engineering consulting business</td>
</tr>
<tr>
<td>April 1963</td>
<td>Started business at the Head Office and Osaka Office in Minami-ku (Chuo-ku at present), Osaka at the same time as company establishment</td>
</tr>
<tr>
<td>February 1964</td>
<td>Changed trading name to “KK Kensetsu Gijutsu Kenkyuyo (= CTI Engineering Co., Ltd.)”</td>
</tr>
<tr>
<td>December 1964</td>
<td>Registered at the Ministry of Construction as a construction consultant (No. 39-133)</td>
</tr>
<tr>
<td>June 1967</td>
<td>Opened Fukuoka Liaison Office (Fukuoka Office at present) in Fukuoka-shi, Fukuoka</td>
</tr>
<tr>
<td>April 1969</td>
<td>Moved the Head Office to Nihombashi-koamicho, Chuo-ku, Tokyo</td>
</tr>
<tr>
<td>September 1973</td>
<td>Moved the Head Office to Nihombashi-honcho, Chuo-ku, Tokyo</td>
</tr>
<tr>
<td>January 1975</td>
<td>Opened Overseas Project Office (Overseas Department at present) in the Head Office to increase the number of overseas project orders</td>
</tr>
<tr>
<td>April 1976</td>
<td>Opened Sendai Liaison Office (Tohoku Office at present) in Sendai, Miyagi</td>
</tr>
<tr>
<td>September 1976</td>
<td>Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya</td>
</tr>
<tr>
<td>April 1977</td>
<td>Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima</td>
</tr>
<tr>
<td>July 1980</td>
<td>Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa</td>
</tr>
<tr>
<td>April 1983</td>
<td>Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa</td>
</tr>
<tr>
<td>December 1983</td>
<td>Established “CTI Chousasekkei KK” (CTI AURA Co., Ltd. at present) to be exclusively engaged in construction management projects</td>
</tr>
<tr>
<td>June 1988</td>
<td>Opened Sapporo Liaison Office (Hokkaido Office at present) in Chuo-ku, Sapporo</td>
</tr>
<tr>
<td>July 1989</td>
<td>Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control</td>
</tr>
<tr>
<td>April 1991</td>
<td>Opened Tokyo Office (Tokyo Head Office at present) in Nihombashi-honcho, Chuo-ku, Tokyo in preparation for larger-scale business</td>
</tr>
<tr>
<td>April 1994</td>
<td>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</td>
</tr>
<tr>
<td>June 1994</td>
<td>Registered over-the-counter stock with the Japan Securities Dealers Association</td>
</tr>
<tr>
<td>August 1996</td>
<td>Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaraki</td>
</tr>
<tr>
<td>October 1996</td>
<td>Stock listed on the Second Section of the Tokyo Stock Exchange</td>
</tr>
<tr>
<td>March 1999</td>
<td>Established CTI Engineering International Co., Ltd. to isolate overseas operations making it independent of other operations</td>
</tr>
<tr>
<td>April 1999</td>
<td>Assigned the goodwill of the overseas division to the CTI Engineering International</td>
</tr>
<tr>
<td>June 1999</td>
<td>Stock listed on the First Section of the Tokyo Stock Exchange</td>
</tr>
<tr>
<td>December 1999</td>
<td>Established Management Techno Co., Ltd. to be exclusively engaged in management businesses</td>
</tr>
<tr>
<td>April 2000</td>
<td>Opened Management Business Department to be in charge of management business</td>
</tr>
<tr>
<td>April 2003</td>
<td>CTI Academy Co., Ltd. (CTI Frontier Co., Ltd. at present) was established to specialize in training, the conducting of seminars, and other businesses.</td>
</tr>
<tr>
<td>May 2005</td>
<td>In the company’s 60th year of operations, the head office was relocated to Nihombashi Hamacho, Chuo-ku, Tokyo.</td>
</tr>
<tr>
<td>June 2006</td>
<td>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.)</td>
</tr>
<tr>
<td>January 2008</td>
<td>Established Wuhan CTI-CRSRI Engineering &amp; Environment Co., Ltd. to implement environmental consulting services with Changjiang River Scientific Research Institute</td>
</tr>
<tr>
<td>October 2010</td>
<td>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 &amp; Development Co., Ltd.) and started operations.</td>
</tr>
<tr>
<td>March 2014</td>
<td>Established CTI Myanmar Co., Ltd. to implement engineering consulting services jointly with Duwun Export &amp; Import Co., Ltd.</td>
</tr>
<tr>
<td>June 2015</td>
<td>Environmental Research &amp; Solutions CO., LTD., started its operations as the Company’s wholly owned subsidiary by way of a share transfer from UNITIKA LTD.</td>
</tr>
<tr>
<td>November 2015</td>
<td>NISSOKEN ARCHITECTS &amp; 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.</td>
</tr>
<tr>
<td>June 2017</td>
<td>Waterman Group Plc started operations as the Company’s wholly owned subsidiary by way of a takeover bid.</td>
</tr>
</tbody>
</table>
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 twenty-five 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 consulting engineering business

The Company’s major domestic 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, land readjustment works, geological survey works, and architectural design and supervision. The Company is mainly in charge of all of these operations, except for land readjustment works, geological survey works, and architectural design and supervision. The Company’s subsidiary Japan Urban Engineering Co., Ltd. is in charge of land readjustment works. The Company’s subsidiary Chi-ken Sogo Consultants Co., Ltd. is in charge of geological survey works. The Company’s subsidiary NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. is in charge of architectural design and supervision.

(ii) Overseas consulting engineering business

The Company’s major overseas consulting engineering services include project finding, formulation of master plans, planning, research, feasibility studies, design, construction supervision and management for operation and maintenance for overall public works projects, as well as building-related operations including structural design and facilities and equipment design. The Company is in charge of consulting engineering services together with its subsidiaries CTI Engineering International Co., Ltd. and Waterman Group Plc. The Company’s subsidiaries Waterman Group Plc and Waterman AHW (Victoria) Pty Limited are in charge of building-related operations.

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

<table>
<thead>
<tr>
<th>Company name</th>
<th>Address</th>
<th>Capital</th>
<th>Major business contents</th>
<th>Voting right ratio (indirect ratio) (%)</th>
<th>Relation contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTI Engineering International Co., Ltd.</td>
<td>Koto-ku, Tokyo</td>
<td>100 million yen</td>
<td>Overseas consulting engineering</td>
<td>70.0</td>
<td>Receives orders for engineering consulting services in overseas markets.</td>
</tr>
<tr>
<td>Waterman Group Plc (Note)</td>
<td>London, UK</td>
<td>3.3 million pounds</td>
<td>Overseas consulting engineering</td>
<td>100.0</td>
<td>Mainly receives direct orders for consulting engineering services and building-related operations in the UK.</td>
</tr>
<tr>
<td>Waterman AHW (Victoria) Pty Limited (Note)</td>
<td>Melbourne, Australia</td>
<td>7.6 million Australian dollars</td>
<td>Overseas consulting engineering</td>
<td>51.0 (51.0)</td>
<td>Mainly receives direct orders for building-related operations in Australia.</td>
</tr>
<tr>
<td>Japan Urban Engineering Co., Ltd.</td>
<td>Chuo-ku, Tokyo</td>
<td>100 million yen</td>
<td>Domestic consulting engineering</td>
<td>100.0</td>
<td>Receives orders for engineering consulting services from the Company. In addition, directly receives orders for land readjustment works, from local governments.</td>
</tr>
<tr>
<td>Chi-ken Sogo Consultants Co., Ltd.</td>
<td>Arakawa-ku, Tokyo</td>
<td>100 million yen</td>
<td>Domestic consulting engineering</td>
<td>100.0</td>
<td>Receives orders for engineering consulting services from the Company. In addition, directly receives orders for geological survey works, from local governments.</td>
</tr>
<tr>
<td>NISSOKEN ARCHITECTS &amp; ENGINEERS Co., Ltd.</td>
<td>Shibuya-ku, Tokyo</td>
<td>100 million yen</td>
<td>Domestic consulting engineering</td>
<td>100.0</td>
<td>Directly receives orders for architectural design and supervision.</td>
</tr>
</tbody>
</table>

Note: These companies are specified subsidiaries of the Company.

### 5. Situation of Employees

#### (1) Consolidation basis

As of December 31, 2018

<table>
<thead>
<tr>
<th>Segment name</th>
<th>Number of employees (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic consulting engineering business</td>
<td>1,854 (525)</td>
</tr>
<tr>
<td>Overseas consulting engineering business</td>
<td>1,078 (358)</td>
</tr>
<tr>
<td>Total</td>
<td>2,932 (883)</td>
</tr>
</tbody>
</table>

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, 2018

<table>
<thead>
<tr>
<th>Number of employees (persons)</th>
<th>Age on average (years old)</th>
<th>Average length of employment (years)</th>
<th>Average yearly wage (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,574 (462)</td>
<td>42.91</td>
<td>13.25</td>
<td>8,391,710</td>
</tr>
</tbody>
</table>

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: 929 (as of December 31, 2018)

(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. Management Policy, Business Environment, and Our Tasks Ahead, etc.

Matters related to the future stated herein were decided as of the end of the current consolidated fiscal year.

(1) Basic management policy of the Company

CTI Engineering Co., Ltd. has played its part in enhancing social capital with the company policies of integrity and technology ever since the Civil Engineering Research Institute, the predecessor of the Company, was founded in 1945.

Japan now faces a variety of social issues, including natural disasters, a declining population, and an ageing infrastructure. Overseas, Japan is also expected to contribute to improving infrastructure.

Based on the Group’s business philosophy to “contribute to a progressive, safe, pleasant, and prosperous living environment through the Group’s globally recognized professional expertise and technical capabilities,” the CTI Group will contribute to disaster preparedness, countering global environmental issues, establishing a safe and secure society, and improving global infrastructure while reinforcing the customer trust we have accumulated so far.

(2) Target management indices

The Group targets sales of 62,000 million yen, operating income of 3,550 million yen, ordinary profit of 3,600 million yen, and net income attributable to owners of the parent of 2,250 million yen, as management indices for the fiscal year ending December 31, 2019.

(3) Management strategy

The Group formulated the CTI Group’s medium- to long-term vision “CLA VIS 2025” in 2015 and set the Group’s target business scale at 60,000 million yen. Mainly due to a growing domestic need for building national resilience and an expansion in overseas business with the addition of Waterman Group Plc to the Group in the ensuing three years, the Group recorded orders received of 45,728 million yen for the domestic consulting engineering business, orders received of 14,474 million yen for the overseas consulting engineering business, and consolidated orders received of 60,117 million yen for the fiscal year ended December 31, 2018. Accordingly, the Group early achieved the targets of “CLA VIS 2025.”

Amid ongoing changes to the business environment, the Group partly revised “CLA VIS 2025” in January 2019 to expand domestic business, further promote business on a global scale, set higher targets, and strengthen cooperation with Waterman Group Plc.

1) Basic policy

Strong growth in an age of drastically changing infrastructure with lofty aspirations for society and a commitment to challenges in technology.

2) Targeted business scale (revised in 2019)

Targets for fiscal 2025 are sales of 85,000 million yen (60,000 million yen in Japan and 25,000 million yen overseas) and operating income of 6,000 million yen.

3) Direction

i) Multi-infrastructure company

* Gain an accurate understanding of the demand as infrastructures diversify in the future covering a wide scope of infrastructures ranging from architectural/urban and social/public systems to cater to various
needs including not only research, planning, and design but also management, maintenance and operation, and the provision of information.

ii) Global company

* Further expand overseas operation in order to contribute in a global scale.
* Establish group companies in the major countries of the world where engineers of various nationalities, not to mention those of Japan, can expand their presence globally.

iii) Active company

* Maintain and evolve management that exploits engineers and technology as resources.
* Strengthen technology management (management that links technology to profit efficiently) and thereby enhance the efficiency of management.
* Aim to be a company where employees play active roles towards their targets as a driving force for company growth.

(4) Business environment and our tasks ahead

The Cabinet decided upon the second supplementary budget plan for fiscal 2018 and the main budget plan for fiscal 2019, both of which incorporate the Three-year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience approved by the Cabinet on December 14, 2018 (the second supplementary budget plan for fiscal 2018 was enacted by the Diet). Accordingly, the future business environment is expected to see steady public spending for some time to come. Moreover, the processes for disaster prevention, disaster mitigation, and building national resilience will require construction consultants to play a more important role than ever before.

In light of this business environment, the Group will address the following priority tasks under the slogan of “Envision the Future and Challenge to Reform” in the Business Plan for the 57th Term, the first fiscal year of the New Medium-term Business Plan 2021, to enter a new stage and become a high value-added corporate group.

1) Expanding businesses both quality-wise and quantity-wise through the concerted efforts of the Group
2) Improving productivity using ICT
3) Working style reforms that individuals can feel the benefits
4) Strengthening group governance

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.

2. Business Risks

(Domestic business risks)

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

(Overseas business risks)

In the event of unforeseeable amendments to legal systems or the emergence of unexpected situations in the political and economic environments in the countries and regions where the Group is to develop business in the future, the business performance of the Group may be affected.

(1) Outline of business performance, etc.

The outline of the Group’s financial conditions, business performance and cash flow (hereinafter, “business performance, etc.”) for the current consolidated fiscal year is as follows.

1) Business performance

During the current consolidated fiscal year, the Japanese economy recovered moderately mainly based on a rebound in personal consumption and increased capital investment. The global economy, meanwhile, continued to require a close watch over trade issue trends and fluctuations in financial and capital markets.

The business environment surrounding the Group remained steady, buoyed by supporting factors such as ongoing works for recovery and restoration in areas stricken by a series of natural disasters, and many requests received for infrastructure-related works such as maintenance and administration.

Under these circumstances, the Company has endeavored to aggressively utilize ICT in order to improve productivity through initiatives such as the promotion of i-Construction, establishment of an AI Solution Section, and the automation of processes using Robotic Process Automation (RPA). The Company has concurrently developed a new work system and a telework environment as well as improved project management systems with a view to accelerating working style reforms.

In addition, the Company has accelerated personnel exchange, sales cooperation, collaboration at times of disaster, etc. among the group companies in order to strengthen Group cooperation. Notably, the cooperation among the Company, Waterman Group Plc, and NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. has expanded urban services, including architectural services. The Group has also reinforced its production capacity by constructing CTI Keihanna Bldg. and CTI Okazaki Bldg., the two bases of Environmental Research & Solutions CO., LTD. Through these efforts, both revenue and income increased for the Group as a whole.

As a consequence, orders received of the Group during this consolidated fiscal year were 60,117 million yen, a YoY increase of 13.9%. Meanwhile, income from completed services was 58,443 million yen, a YoY increase of 18.5%, and ordinary profit increased by 26.6% YoY to 3,167 million yen. Net income attributable to owners of the parent increased by 17.3% YoY to 1,893 million yen.

Results by reportable segment of the Group were as follows.

i) Domestic consulting engineering business

Orders received for domestic consulting engineering business increased by 9.0% YoY to 45,728 million yen, sales increased by 3.2% YoY to 40,943 million yen, and segment income increased by 10.2% YoY to 2,759 million yen.

ii) Overseas consulting engineering business

Orders received for overseas consulting engineering business increased by 32.2% YoY to 14,474 million yen, sales increased by 81.0% YoY to 17,610 million yen, and segment income increased by 106.7% YoY to 278 million yen.

2) Financial conditions

At the end of the current consolidated fiscal year, the Group’s total assets totaled 50,873 million yen, an increase of 2.9% compared to the end of the previous fiscal year. The major items were increases in notes receivable and completed work receivables and prepaid expenses for uncompleted services.
Total liabilities at the end of this consolidated fiscal year were 23,062 million yen, an increase of 2.2% compared to the end of the previous fiscal year. The major items were increases in accrued income taxes and short-term borrowings.

At the end of the current consolidated fiscal year, net assets totaled 27,810 million yen, an increase of 3.4% compared to the end of the previous fiscal year. This was mainly because profit surplus increased due to net income attributable to owners of the parent while foreign currency translation adjustment became negative as a result of the consolidation of a subsidiary in the UK.

3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by 207 million yen YoY, to a total of 6,722 million yen.

Net cash provided by operating activities was 1,873 million yen, a YoY decrease of 33.9%. This was mainly because net income before income tax of 3,078 million yen offset an increase in sales account of 1,281 million yen.

Net cash used for investment activities was 1,475 million yen, a YoY decrease of 78.5%. The major items were payments for acquisition of tangible fixed assets of 926 million yen and payments for acquisition of intangible fixed assets of 399 million yen.

Net cash used for financial activities was 76 million yen, a YoY decrease of 89.7%. This was mainly because dividend payments of 310 million yen offset a net increase in short-term borrowings of 370 million yen.
4) Results of production, orders received and sales

1) Production results

<table>
<thead>
<tr>
<th>Segment name</th>
<th>Current consolidated fiscal year (From January 1, 2018 to December 31, 2018) (million yen)</th>
<th>Change from the same term in previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic consulting engineering business</td>
<td>40,871</td>
<td>3.2</td>
</tr>
<tr>
<td>Overseas consulting engineering business</td>
<td>17,572</td>
<td>81.2</td>
</tr>
<tr>
<td>Total</td>
<td>58,443</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Notes: 1. The amounts are calculated according to the sales prices.
2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

2) Order receiving results

<table>
<thead>
<tr>
<th>Segment name</th>
<th>Current consolidated fiscal year (From January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Orders received (million yen)</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Domestic consulting engineering business</td>
<td>45,675</td>
</tr>
<tr>
<td>Overseas consulting engineering business</td>
<td>14,442</td>
</tr>
<tr>
<td>Total</td>
<td>60,117</td>
</tr>
</tbody>
</table>

Notes: 1. The amounts are calculated according to the sales prices.
2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

3) Sales results

Sales results for the current consolidated fiscal year by segment are as follows.

<table>
<thead>
<tr>
<th>Segment name</th>
<th>Current consolidated fiscal year (From January 1, 2018 to December 31, 2018) (million yen)</th>
<th>Change from the same term in previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic consulting engineering business</td>
<td>40,871</td>
<td>3.2</td>
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<tr>
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</tr>
<tr>
<td>Total</td>
<td>58,443</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Notes: 1. The amounts are calculated according to the sales prices.
2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.
3. Sales results by major client and ratios to the total sales results

<table>
<thead>
<tr>
<th>Client</th>
<th>Previous consolidated fiscal year (From January 1, 2017 to December 31, 2017) (million yen)</th>
<th>Current consolidated fiscal year (From January 1, 2018 to December 31, 2018) (million yen)</th>
<th>Ratio (%)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Government of Japan</td>
<td>20,516</td>
<td>19,323</td>
<td>41.6</td>
<td>33.1</td>
</tr>
</tbody>
</table>
(2) Analysis and review of business performance, etc. from the management’s viewpoint

Matters related to the future stated herein were determined by the Group as of the date this report was submitted.

1) Important accounting policies and estimates

The accompanying consolidated financial statements of the Group were prepared on the basis of accounting principles generally accepted in Japan. When preparing the consolidated financial statements, the management is required to select and apply accounting policies and to make estimates that impact the reported amounts and the disclosure of assets/liabilities and revenues/expenses.

Though the management makes these estimates reasonably in consideration of past results and the current status of operations, actual results may differ from these estimates because of uncertainties inevitable in estimates. Important accounting policies applied in the consolidated financial statements of the Group are described in CHAPTER 5: STATUS OF ACCOUNTING, 1. Consolidated Financial Statements and Other Materials, (1) Consolidated Financial Statements, Basic Important Matters for Preparation of Consolidated Financial Statements.

2) Analysis of business performance, etc.


The Group recorded orders received, ordinary profit, sales and net income attributable to owners of the parent of 60,117 million yen, 58,443 million yen, 3,167 million yen and 1,893 million yen, respectively, for the consolidated fiscal year, all of which were the highest ever. The Group early achieved the business scale of 60,000 million yen targeted in the Group’s medium- to long-term vision “CLAVIS 2025” formulated in 2015, and therefore performance for the current consolidated fiscal year is considered to be favorable.

This is mainly credited to two factors: the domestic consulting engineering business remaining steady based on the growing demand for building national resilience in Japan, and the overseas consulting engineering business expanding through the consolidation of Waterman Group Plc in the previous consolidated fiscal year. In the consolidated financial statements of the Group, the performance of Waterman Group Plc for the six months from July 1, 2017 to December 31, 2017 is included in the previous consolidated fiscal year, while the performance for the twelve months from January 1, 2018 to December 31, 2018 is included in the current consolidated fiscal year.

“CLAVIS 2025” was partly revised in January 2019 because the Group had achieved its initial targets. For details, please refer to CHAPTER 2: BUSINESS SITUATION, 1. Management Policy, Business Environment, and Our Tasks Ahead, etc., (3) Management strategy.

3) Analysis of financial conditions

With regard to financial conditions for the current consolidated fiscal year, please refer to CHAPTER 2: BUSINESS SITUATION, 3. Analysis of Financial Conditions, Business Performance and Cash Flow
by the Management, (1) Outline of business performance, etc., 2) Financial conditions.

Total assets totaled 50,873 million yen, an increase of 2.9% compared to the end of the previous fiscal year, total liabilities were 23,062 million yen, an increase of 2.2% compared to the end of the previous fiscal year, and net assets totaled 27,810 million yen, an increase of 3.4% compared to the end of the previous fiscal year.

This was mainly because the Group expanded its business scale through its initiatives to grow into a multi-infrastructure company with a global presence as seen in the addition of Waterman Group Plc.

4) Analysis of capital resources and fund liquidity


Because consignment fee income mostly comprises cash, the Group is considered to have high liquidity on hand.

The main uses of the Group’s working capital are operating expenses such as cost of services and selling, general and administrative expenses. The main uses of funding for investment are mergers and acquisitions and capital investment to achieve medium-to-long-term growth.

Due to the nature of our services, consignment fee income tends to concentrate in the second quarter and the balance of cash on hand tends to drop in the first quarter. Accordingly, the Group may partially procure working capital by short-term borrowings from financial institutions according to funding demand in the first quarter.
4. Important Agreements Related to Management

Not applicable.

5. 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 business development (strategic research, international research, research for business development, and research for the development of new business areas), research in national land and culture, technology development, and human resources development.

During the current consolidated fiscal year, the Group invested a total of 1,026 million yen to carry out research and study on the following major subjects. Research and investigation expenses by segment consisted of 1,019 million yen for domestic consulting engineering business and 7 million yen for overseas consulting engineering business.

1) Strategic research (promotion of CIM)
2) International research (international business promotion)
3) Research for business development (services for the provision of weather information, etc., development of the logistics business, comprehensive entrusted to the private sector, detection of uncontrolled sewage flows, restoration of farmland, analysis of DNA, etc.)
4) Research for the development of new business areas (general urban and architectural business development, business development in urban infrastructure such as large-scale traffic facilities, business development in regional resource circulation models, etc.)
5) Research in national land and culture (study on the effects of changes in socioeconomic systems, study on regional mobility, study for restoring plankton nets, study on green infrastructure, study on landscape design, basic plans for a moon base, etc.)
6) Technological research and development (study on the utilization of deep learning, technology for visualizing river channel management, technology for providing good-tasting water, a cloud-type flood disaster prevention system, identification of cracks using AI, traffic analysis using smartphones, assistance for automated driving, technology to conserve rare species, disaster prevention utilizing SAR, development of methods such as ecological models of earth and soil movements, 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.)
CHAPTER 3: FACILITIES & EQUIPMENT

1. Outline of Investment into Facilities and Equipment

The total amount of capital investment for the current consolidated fiscal year was 926 million yen. The amounts of capital investment by segment were as follows.

(Domestic consulting engineering business)

The major capital investment was committed for the current consolidated fiscal year to move an office building of Environmental Research & Solutions CO., LTD., a subsidiary of the Company, as follows:

- New construction of CTI Keihanna Bldg. 307 million yen
- Acquisition of CTI Okazaki Bldg. 189 million yen

There were no sales or dispositions of major facilities or equipment.

(Overseas consulting engineering business)

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

<table>
<thead>
<tr>
<th>Establishment (location)</th>
<th>Segment name</th>
<th>Business line</th>
<th>Book value (million yen)</th>
<th>Number of employees (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buildings and structures</td>
<td>Machinery and delivery equipment</td>
</tr>
<tr>
<td>Head Office (Chuo-ku, Tokyo)</td>
<td>Domestic consulting engineering business</td>
<td>General administration facilities</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>Tokyo Head Office (Chuo-ku, Tokyo)</td>
<td>Domestic consulting engineering business</td>
<td>Office</td>
<td>53</td>
<td>–</td>
</tr>
<tr>
<td>Tokyo Head Office Saitama Office (Urawa-ku, Saitama)</td>
<td>Domestic consulting engineering business</td>
<td>Office</td>
<td>661</td>
<td>0</td>
</tr>
<tr>
<td>Research Center Tsukuba (Tsukuba-shi, Ibaraki)</td>
<td>Domestic consulting engineering business</td>
<td>Office and laboratory facilities</td>
<td>234</td>
<td>4</td>
</tr>
<tr>
<td>Yono Dormitory (Chuo-ku, Saitama)</td>
<td>Domestic consulting engineering business</td>
<td>Welfare facilities</td>
<td>168</td>
<td>–</td>
</tr>
<tr>
<td>Kyushu Office (Chuo-ku, Fukuoka)</td>
<td>Domestic consulting engineering business</td>
<td>Office</td>
<td>290</td>
<td>0</td>
</tr>
<tr>
<td>Establishment (location)</td>
<td>Segment name</td>
<td>Business line</td>
<td>Book value (million yen)</td>
<td>Number of employees (persons)</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------</td>
<td>---------------</td>
<td>--------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buildings and structures</td>
<td>Machinery and delivery equipment</td>
</tr>
<tr>
<td>CTI Keihanna Bldg.</td>
<td>Domestic consulting engineering business</td>
<td>Office and environmental research and analysis facilities</td>
<td>737</td>
<td>3</td>
</tr>
<tr>
<td>(Seikacho, Souraku-gun,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kyoto)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTI Okazaki Bldg.</td>
<td>Domestic consulting engineering business</td>
<td>Office and environmental research and analysis facilities</td>
<td>217</td>
<td>–</td>
</tr>
<tr>
<td>(Okazaki-shi, Aichi)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 Company leases the CTI Keihanna Bldg. and CTI Okazaki Bldg. to Environmental Research & Solutions CO., LTD., a non-consolidated subsidiary of the Company.
3. 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

(1) Construction of major equipment

There are no plans to construct any major equipment.

(2) Removal of major equipment

There are no plans to remove any major equipment.
CHAPTER 4: STATUS OF THE COMPANY

1. Status of Shares

(1) Total number of shares, etc.

(i) Total number of shares

<table>
<thead>
<tr>
<th>Class</th>
<th>Total number of shares to be issued (shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>40,000,000</td>
</tr>
</tbody>
</table>

(ii) Number of shares issued

<table>
<thead>
<tr>
<th>Class</th>
<th>Issued shares as of the end of the fiscal year (shares) (December 31, 2018)</th>
<th>Issued shares as of the date for submission (shares) (March 27, 2019)</th>
<th>Listed stock exchanges or securities dealers association at which the Company’s stock is registered</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>14,159,086</td>
<td>14,159,086</td>
<td>Tokyo Stock Exchange First Section</td>
<td>Number of shares in one voting unit: 100 shares</td>
</tr>
<tr>
<td>Total</td>
<td>14,159,086</td>
<td>14,159,086</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

(2) New share subscription acquisition rights, etc.

(i) Stock option system
Not applicable.

(ii) Rights plan
Not applicable.

(iii) Other new share subscription acquisition rights, etc.
Not applicable.

(3) Current status of moving strike stock options, etc.
Not applicable.

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

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

Note: Increase due to stock splits at a ratio of 1 for 1.1 shares
### (5) Shareholders

As of December 31, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Distribution of shares (Number of shares per unit: 100 shares)</th>
<th>Shares below a unit (shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government and local public entities</td>
<td>Financial institutions</td>
</tr>
<tr>
<td>Number of shareholders (persons)</td>
<td>–</td>
<td>27</td>
</tr>
<tr>
<td>Number of shares held (units)</td>
<td>–</td>
<td>35,400</td>
</tr>
<tr>
<td>Shareholding ratio (%)</td>
<td>–</td>
<td>25.1</td>
</tr>
</tbody>
</table>

Notes:
1. Among treasury stocks (18,837 stocks), 188 units are counted as “Individuals etc.” and 37 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.
<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Number of shares held (thousand)</th>
<th>Ratio of the number of shares held against the number of shares issued (excluding treasury stock) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTI Engineering Employees’ Stock-sharing Association</td>
<td>21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo</td>
<td>1,231</td>
<td>8.7</td>
</tr>
<tr>
<td>BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)</td>
<td>PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)</td>
<td>550</td>
<td>3.9</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo</td>
<td>494</td>
<td>3.5</td>
</tr>
<tr>
<td>Yasumitsu Shigeta</td>
<td>Minato-ku, Tokyo</td>
<td>396</td>
<td>2.8</td>
</tr>
<tr>
<td>MUFG Bank, Ltd.</td>
<td>7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo</td>
<td>371</td>
<td>2.6</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>8-11, Harumi 1-chome, Chuo-ku, Tokyo</td>
<td>358</td>
<td>2.5</td>
</tr>
<tr>
<td>Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)</td>
<td>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)</td>
<td>354</td>
<td>2.5</td>
</tr>
<tr>
<td>DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)</td>
<td>PALISADES WEST 6300, BEECAVE ROAD BUILDING ONE AUSTIN TX 78746 US (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)</td>
<td>344</td>
<td>2.4</td>
</tr>
<tr>
<td>Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)</td>
<td>18-24, Tsukiji 7-chome, Chuo-ku, Tokyo (8-11, Harumi 1-chome, Chuo-ku, Tokyo)</td>
<td>300</td>
<td>2.1</td>
</tr>
<tr>
<td>Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust &amp; Custody Services Bank, Ltd.)</td>
<td>13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)</td>
<td>269</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>4,672</td>
<td>33.0</td>
</tr>
</tbody>
</table>

Note: 494 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 357 thousand shares held in Japan Trustee Services Bank, Ltd. (trust account) are shares related to trust services.
(7) Voting rights

(i) Issued shares

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of shares (shares)</th>
<th>Number of voting rights (votes)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonvoting shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares with limited voting rights (Treasury stocks, etc.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares with limited voting rights (Other)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares with complete voting rights (Treasury stocks, etc.)</td>
<td>Common stock 18,800</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares with complete voting rights (Other)</td>
<td>Common stock 14,115,800 141,158</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares below a unit</td>
<td>Common stock 24,486</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total number of shares issued</td>
<td>14,159,086</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Voting rights of total shareholders</td>
<td>–</td>
<td>141,158</td>
<td>–</td>
</tr>
</tbody>
</table>

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 37 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

<table>
<thead>
<tr>
<th>Name of owners</th>
<th>Address of owners</th>
<th>Number of shares held in its own name (shares)</th>
<th>Number of shares held disguised ownership (shares)</th>
<th>Total number of shares held (shares)</th>
<th>Ratio of the shares held against the total number of shares issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTI Engineering Co., Ltd.</td>
<td>21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo</td>
<td>18,800</td>
<td>–</td>
<td>18,800</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>18,800</td>
<td>–</td>
<td>18,800</td>
<td>0.1</td>
</tr>
</tbody>
</table>

(8) Contents of shareholding system for executives and employees

The Company approved at the Board of Directors’ meeting held on September 25, 2018 to introduce an incentive plan (hereinafter, the “Plan”) to deliver the Company’s shares to executives and employees (hereinafter, “Employees, etc.”) of its consolidated subsidiary Waterman Group Plc and some of its subsidiaries. This was intended for Waterman Group Plc and some of its subsidiaries to motivate their Employees, etc. to enhance the stock price, business results and their morale. Subsequently, Waterman Group Plc resolved at its Board of Directors’ meeting held on January 8, 2019 to introduce the Plan.

1) Outline of the Plan

Under the Plan, Waterman Group Plc and some of its subsidiaries are to establish a trust using funds they contributed. The trust is to acquire the Company’s shares in securities markets using the entrusted funds and will separately administer the shares as trust assets. The Plan will deliver shares to the Employees, etc. without consideration through the trust, as well as grant them the right to acquire the shares with consideration.

2) Total number of shares that the Employees, etc. of Waterman Group Plc and some of its subsidiaries are to acquire

25,000 shares

3) Scope of persons entitled to receive beneficiary rights and other rights under the Plan

The Employees, etc. of Waterman Group Plc and some of its subsidiaries, provided that they satisfy the beneficiary requirements
2. Acquirement 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Shares</th>
<th>Total Price (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury stock acquired in this fiscal year</td>
<td>271</td>
<td>411,184</td>
</tr>
<tr>
<td>Treasury stock acquired in this period</td>
<td>91</td>
<td>128,401</td>
</tr>
</tbody>
</table>

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2019 to the date of the submission of this Securities Report.

(4) Disposal and holding of acquired treasury stock

<table>
<thead>
<tr>
<th>Category</th>
<th>This Fiscal Year</th>
<th>This Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares</td>
<td>Total Amount Received on Divestiture (Yen)</td>
</tr>
<tr>
<td>Treasury stock acquired by public subscription</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury stock extinguished</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury stock acquired due to transfers from mergers, share swaps and company split-offs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held Treasury Stock</td>
<td>18,837</td>
<td>18,928</td>
</tr>
</tbody>
</table>

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2019 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, 2018, it was resolved at the 56th Ordinary General Shareholders Meeting held on March 26, 2019 to pay a dividend of 25 yen per share (total dividend payment amount: 353 million yen).

4. **Change in Stock Price**

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

<table>
<thead>
<tr>
<th>Fiscal year end</th>
<th>52nd term</th>
<th>53rd term</th>
<th>54th term</th>
<th>55th term</th>
<th>56th term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest (yen)</td>
<td>1,942</td>
<td>1,576</td>
<td>1,240</td>
<td>1,238</td>
<td>1,758</td>
</tr>
<tr>
<td>Lowest (yen)</td>
<td>958</td>
<td>1,055</td>
<td>753</td>
<td>983</td>
<td>1,134</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Month</th>
<th>July 2018</th>
<th>August 2018</th>
<th>September 2018</th>
<th>October 2018</th>
<th>November 2018</th>
<th>December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest (yen)</td>
<td>1,527</td>
<td>1,564</td>
<td>1,758</td>
<td>1,740</td>
<td>1,618</td>
<td>1,599</td>
</tr>
<tr>
<td>Lowest (yen)</td>
<td>1,380</td>
<td>1,362</td>
<td>1,467</td>
<td>1,423</td>
<td>1,434</td>
<td>1,406</td>
</tr>
</tbody>
</table>

Note: The highest and lowest stock prices are those marked on the First Section of the Tokyo Stock Exchange.
5. Executive Management
Male: 15 persons  Female: 1 person  (Ratio of female Directors and Auditors: 6.3 %)

<table>
<thead>
<tr>
<th>Board member position</th>
<th>Company position</th>
<th>Name</th>
<th>Date of birth</th>
<th>Career</th>
<th>Term of office (Note no.)</th>
<th>Number of shares held (thousand)</th>
</tr>
</thead>
</table>
| Chairman & Managing Director |                  | Kazuo Murata | September 26, 1951 | April 1978 Joined CTI Engineering  
April 1999 Chief, Water Resources Div., 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 & Managing Director  
March 2019 Chairman & Managing Director (present post) | 1 60            |                |
| Vice Chairman & Managing Director |                  | 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 General Manager, Management Planning Dept.  
March 2006 Principal, Chubu Office Executive Officer  
March 2010 Director, Managing Executive Officer, Principal, Osaka Head Office  
March 2011 Senior Managing Executive Officer  
March 2013 Principal, Tokyo Head Office Executive Officer & Vice President  
March 2016 Executive Officer & Vice President Managing Director (present post) & Chief, Corporate Planning Dept.  
March 2019 Vice Chairman (present post) | 1 33            |                |
| President & Managing Director |                | Tetsumi Nakamura | March 4, 1957     | April 1979 Joined CTI Engineering  
April 2002 General Manager, Water Resources Dept., Tokyo Head Office  
April 2006 Deputy Branch Administrator, Tokyo Head Office  
April 2009 Deputy Administrator, Tokyo Head Office  
March 2010 Executive Officer  
April 2011 Principal, Tohoku Office Director  
March 2013 Principal, Kyushu Office and Okinawa Office Managing Executive Officer  
March 2015 Principal, Tokyo Head Office Senior Managing Executive Officer  
March 2017 President & Managing Director (present post) | 1 23            |                |
<table>
<thead>
<tr>
<th>Board member position</th>
<th>Company position</th>
<th>Name</th>
<th>Date of birth</th>
<th>Career</th>
<th>Term of office</th>
<th>Number of shares held (thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Officer, Vice President &amp; Managing Director</td>
<td>Principal, Osaka Head Office</td>
<td>Kazuhiro Terai</td>
<td>February 28, 1956</td>
<td>Joined CTI Engineering General Manager, Environmental Measures Div., Headquarters Environment Dept., Osaka Office April 1981&lt;br&gt;April 1999&lt;br&gt;April 2003&lt;br&gt;April 2007&lt;br&gt;March 2012&lt;br&gt;April 2012&lt;br&gt;March 2013&lt;br&gt;April 2013&lt;br&gt;March 2016&lt;br&gt;April 2017&lt;br&gt;March 2018&lt;br&gt;March 2019</td>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>Senior Managing Executive Officer &amp; Director</td>
<td>Principal, Tohoku Office</td>
<td>Futsuya Nishimura</td>
<td>August 9, 1959</td>
<td>Joined CTI Engineering General Manager, Water Management &amp; Research Div., Tokyo Head Office April 1985&lt;br&gt;April 2004&lt;br&gt;April 2010&lt;br&gt;March 2015&lt;br&gt;April 2015&lt;br&gt;March 2017&lt;br&gt;April 2017&lt;br&gt;March 2019</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Managing Executive Officer &amp; Director</td>
<td>Principal, Chubu Office</td>
<td>Jun Hirosawa</td>
<td>December 10, 1956</td>
<td>Joined CTI Engineering General Manager, Water Resources Div., Chubu Office April 1980&lt;br&gt;April 2005&lt;br&gt;April 2008&lt;br&gt;March 2013&lt;br&gt;April 2013&lt;br&gt;March 2014&lt;br&gt;March 2017&lt;br&gt;April 2017&lt;br&gt;March 2019</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Managing Executive Officer &amp; Director</td>
<td>Principal, Kyushu Office and Okinawa Office</td>
<td>Tsutomu Akiba</td>
<td>July 7, 1957</td>
<td>Joined CTI Engineering General Manager, Road &amp; Transportation Engineering Div., Tokyo Head Office April 1980&lt;br&gt;April 2004&lt;br&gt;April 2006&lt;br&gt;April 2010&lt;br&gt;March 2013&lt;br&gt;April 2013&lt;br&gt;March 2015&lt;br&gt;March 2017&lt;br&gt;April 2017&lt;br&gt;March 2019</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Board member position</td>
<td>Company position</td>
<td>Name</td>
<td>Date of birth</td>
<td>Career</td>
<td>Term of office (Note no.)</td>
<td>Number of shares held (thousand)</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------</td>
<td>------</td>
<td>---------------</td>
<td>--------</td>
<td>--------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Managing Executive Officer &amp; Director</td>
<td></td>
<td>Hiroshi Kiuchi</td>
<td>July 9, 1958</td>
<td>April 1981 Joined CTI Engineering, April 2005 General Manager, Water Resources Div., Osaka Head Office, April 2011 Deputy Branch Administrator, Osaka Head Office, March 2015 Executive Officer, April 2015 Deputy Administrator, Tokyo Head Office, November 2015 President &amp; Managing Director, NISSOKEN ARCHITECTS &amp; ENGINEERS Co., Ltd. (present post), March 2017 Managing Executive Officer, CTI Engineering (present post), April 2019 Director (present post)</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Managing Executive Officer &amp; Director</td>
<td>Chief, Headquarters Engineering Dept.</td>
<td>Yoshiaki Nanami</td>
<td>January 2, 1960</td>
<td>July 2017 Retired from Director-General, Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism, November 2017 Joined CTI Engineering, Executive Manager, March 2018 Executive Officer, Deputy Chief, Headquarters Engineering Dept., April 2017 Director, Managing Executive Officer, Chief, Headquarters Engineering Dept. (present post)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Director</td>
<td></td>
<td>Shuichi Ikebuchi</td>
<td>July 5, 1943</td>
<td>February 1979 Professor, Disaster Prevention Research Institute, Kyoto University, April 1996 Chief, Water Resources Research Center, Disaster Prevention Research Institute, Kyoto University, May 1999 Director, Disaster Prevention Research Institute, Kyoto University, October 2004 Director and General Manager, Research Institute, Meteorological Engineering Center, Inc., April 2007 Professor Emeritus, Kyoto University; Research Advisor, Foundation of River &amp; Watershed Environment Management, April 2013 Research Fellow, The River Foundation (present post), March 2017 Director, CTI Engineering (present post)</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Director</td>
<td></td>
<td>Fumiko Kosao</td>
<td>April 17, 1954</td>
<td>April 1973 Employed by National Tax Agency, July 1997 Teacher, Tokyo Training Center, National Tax College, July 2011 District Director, Gyoda Tax Office, Kantoshimetsu Regional Taxation Bureau, July 2014 District Director, Nihonbashi Tax Office, August 2015 Registered as Certified Public Tax Accountant (present post), June 2016 Auditor, TOBISHIMA CORPORATION (present post), March 2017 Director, CTI Engineering (present post), June 2017 Outside Director, METAWATER Co., Ltd. (present post)</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Board member position</td>
<td>Company position</td>
<td>Name</td>
<td>Date of birth</td>
<td>Career</td>
<td>Term of office (Note no.)</td>
<td>Number of shares held (thousand)</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------</td>
<td>-----------------</td>
<td>---------------</td>
<td>------------------------------------------------------------------------</td>
<td>---------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Auditor</td>
<td></td>
<td>Yasuro Tanaka</td>
<td>February 9, 1946</td>
<td>April 1971: Appointed as Assistant Judge of Tokyo District Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>April 1981: Judge of Tokyo District Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>April 1994: General Judge of Tokyo District Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>February 2003: Director of Morioka District and Domestic Relations Courts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>February 2005: General Judge of Tokyo High Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>March 2009: Director of Sapporo High Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>February 2011: Registered as attorney (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>April 2011: Professor at the Meiji University Graduate School of Law</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>March 2015: Auditor, CTI Engineering (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td></td>
<td>Go Ishikawa</td>
<td>July 8, 1968</td>
<td>April 1995: Registered as attorney (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>July 1998: Partner, Kakimoto Law Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>September 2008: Partner, Kasumigaseki Law &amp; Accounting Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>February 2012: Outside Auditor, ALTECH CO., LTD. (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>March 2015: Senior Partner, SAKURADADORI PARTNERS (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>March 2016: External Director, Mediaflag Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>April 2016: Deputy Chairman, Dai-Ichi Tokyo Bar Association</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>March 2019: Auditor, CTI Engineering (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total: 240</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1 From March 27, 2018 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2019.
2 From March 26, 2019 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2019.
3 From March 26, 2019 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2022.
4 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.
5 The number of the Company’s shares held by Auditor, Koichi Saito, includes equities in the Employees’ Stock-sharing Association.
6 Directors, Shuichi Ikebuchi and Fumiko Kosao, are External Directors.
7 Auditors, Yasuro Tanaka and Go Ishikawa, are External Auditors.
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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Birth</th>
<th>History</th>
<th>Term of office (Note no.)</th>
<th>No. of shares held (Thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setsuko Yufu</td>
<td>March 28, 1952</td>
<td>April 1981: Registered as attorney (present post)</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>January 2002: Senior Partner, Atsumi &amp; Usui Law Office (currently Atsumi &amp; Sakai) (present post)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>September 2016: Member of the 16th Council on Antimonopoly Policy of the Japan Fair Trade Commission (JFTC) (present post)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1 From March 26, 2019 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2022.
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

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...
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. Shuichi Ikebuchi, Ms. Fumiko Kosao, and Mr. Yasuro Tanaka as independent directors/auditors 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, legal practitioners other than the company’s legal counsel have 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 Yasunori Kusaka and Katsumi Takizawa have been jointly responsible for audits for the consolidated fiscal year. The CPA Yasunori Kusaka has been in charge since January 2018 and the CPA Katsumi Takizawa has been in charge since March 2013. The auditors’ support staff consists of 17 persons, including 4 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

<table>
<thead>
<tr>
<th>Category of executive</th>
<th>Total amount of compensation, etc. (million yen)</th>
<th>Amount of compensation, etc. by classification (million yen)</th>
<th>The number of covered executives (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding External Directors)</td>
<td>255</td>
<td>228</td>
<td>27</td>
</tr>
<tr>
<td>Auditors (excluding External Auditors)</td>
<td>27</td>
<td>27</td>
<td>–</td>
</tr>
<tr>
<td>External Directors and Auditors</td>
<td>27</td>
<td>27</td>
<td>–</td>
</tr>
</tbody>
</table>

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

Not applicable.

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

Compensation for Directors other than External Directors consists of fixed compensation (monthly compensation) as a consideration for the execution of their duties and bonuses linked to the consolidated results for the relevant fiscal year. Compensation for External Directors consists of fixed compensation (monthly compensation) only, from the viewpoint of their roles and independence. With regard to the fixed compensation for Directors, the Company appropriately calculates monthly compensation according to a predetermined table of executive monthly compensation standards. With regard to the performance-linked compensation (bonus), the Company sets a standard amount according to the consolidated results for the relevant fiscal year and sets a specific amount for each Director within the compensation limit after the President & Managing Director evaluates each Director’s contributions, and thereupon the Board of Directors makes a resolution through deliberations at the Nomination & Compensation Advisory Committee.
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: 38 issues
   Total book value on the balance sheet: 2,067 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

<table>
<thead>
<tr>
<th>Issuer name</th>
<th>Number of shares (shares)</th>
<th>Book value on balance sheet (million yen)</th>
<th>Purpose of holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAITO KOGYO CO., LTD.</td>
<td>265,100</td>
<td>341</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>SHO-BOND Holdings Co., Ltd.</td>
<td>23,500</td>
<td>188</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>OYO Corporation</td>
<td>98,500</td>
<td>142</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Mitsubishi UFJ Financial Group, Inc.</td>
<td>145,000</td>
<td>119</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>ACK G Limited</td>
<td>57,200</td>
<td>116</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>CHOJAI CO., LTD.</td>
<td>105,000</td>
<td>98</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>OHBA CO., LTD.</td>
<td>186,000</td>
<td>95</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>E・J Holdings Inc.</td>
<td>60,340</td>
<td>89</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>NJS CO., LTD.</td>
<td>50,000</td>
<td>79</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>KAWADA technologies, inc.</td>
<td>12,000</td>
<td>76</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>T&amp;D Holdings, Inc.</td>
<td>38,400</td>
<td>73</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>ASIA AIR SURVEY CO., LTD.</td>
<td>102,000</td>
<td>73</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Wesco Holdings Inc.</td>
<td>180,000</td>
<td>71</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>IDEA Consultants, Inc.</td>
<td>54,800</td>
<td>63</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Ube Industries, Ltd.</td>
<td>19,040</td>
<td>63</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>JAPAN FOUNDATION ENGINEERING CO., LTD.</td>
<td>134,000</td>
<td>55</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>NIPPON ENGINEERING CONSULTANTS CO., LTD.</td>
<td>100,000</td>
<td>53</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>NITTOC CONSTRUCTION CO., LTD.</td>
<td>68,200</td>
<td>48</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>Maezawa Kasei Industries Co., Ltd.</td>
<td>36,000</td>
<td>44</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>SYSKEN Corporation</td>
<td>14,800</td>
<td>31</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>Founder’s Consultants Holdings Inc.</td>
<td>34,100</td>
<td>28</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>The Chiba Bank, Ltd.</td>
<td>30,000</td>
<td>28</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>Kawasaki Geological Engineering Co., Ltd.</td>
<td>47,000</td>
<td>23</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>ARIAKE JAPAN Co., Ltd.</td>
<td>1,829</td>
<td>17</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>Kuwayama Corporation</td>
<td>26,400</td>
<td>16</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>Mizuho Financial Group, Inc.</td>
<td>81,000</td>
<td>16</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>UCHIDA YOKO CO., LTD.</td>
<td>3,200</td>
<td>10</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>Dai-ichi Life Holdings, Inc.</td>
<td>2,600</td>
<td>6</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>ICHINEN HOLDINGS Co., Ltd.</td>
<td>1,800</td>
<td>2</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>NIPPON KOEI CO., LTD.</td>
<td>231</td>
<td>0</td>
<td>To maintain a good relationship</td>
</tr>
</tbody>
</table>
### Specified Investment Stock

<table>
<thead>
<tr>
<th>Issuer name</th>
<th>Number of shares (shares)</th>
<th>Book value on balance sheet (million yen)</th>
<th>Purpose of holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAITO KOGYO CO., LTD.</td>
<td>265,100</td>
<td>387</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>SHO-BOND Holdings Co., Ltd.</td>
<td>23,500</td>
<td>191</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>OHBA CO., LTD.</td>
<td>186,000</td>
<td>120</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>OYO Corporation</td>
<td>98,500</td>
<td>109</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Oriental Consultants Holdings Co., Ltd.</td>
<td>57,200</td>
<td>106</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>KAWADA technologies, inc.</td>
<td>12,000</td>
<td>85</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>IDEA Consultants, Inc.</td>
<td>81,900</td>
<td>79</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>NJS CO., LTD.</td>
<td>50,000</td>
<td>79</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Mitsubishi UFJ Financial Group, Inc.</td>
<td>145,000</td>
<td>77</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>ASIA AIR SURVEY CO., LTD.</td>
<td>102,000</td>
<td>76</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>CHODAI CO., LTD.</td>
<td>105,000</td>
<td>72</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>E・J Holdings Inc.</td>
<td>60,340</td>
<td>60</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Wesco Holdings Inc.</td>
<td>180,000</td>
<td>59</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>NIPPON ENGINEERING CONSULTANTS CO., LTD.</td>
<td>100,000</td>
<td>56</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>T&amp;D Holdings, Inc.</td>
<td>38,400</td>
<td>49</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>NITTOC CONSTRUCTION CO., LTD.</td>
<td>68,200</td>
<td>43</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>Ube Industries, Ltd.</td>
<td>19,040</td>
<td>42</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>JAPAN FOUNDATION ENGINEERING CO., LTD</td>
<td>134,000</td>
<td>42</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>COMSYS Holdings Corporation</td>
<td>15,392</td>
<td>41</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>Maezawa Kasei Industries Co., Ltd.</td>
<td>36,000</td>
<td>38</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>Yokogawa Bridge Holdings Corp.</td>
<td>21,700</td>
<td>35</td>
<td>To expand business fields</td>
</tr>
<tr>
<td>Founder’s Consultants Holdings Inc.</td>
<td>34,100</td>
<td>22</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>The Chiba Bank, Ltd.</td>
<td>30,000</td>
<td>18</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>Kawasaki Geological Engineering Co., Ltd.</td>
<td>9,400</td>
<td>18</td>
<td>To maintain a good relationship</td>
</tr>
<tr>
<td>Mizuho Financial Group, Inc.</td>
<td>81,000</td>
<td>13</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>ARIAKE JAPAN Co., Ltd.</td>
<td>1,829</td>
<td>13</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>UCHIDA YOKO CO., LTD.</td>
<td>3,200</td>
<td>8</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>Dai-ichi Life Holdings, Inc.</td>
<td>2,600</td>
<td>4</td>
<td>To maintain and continue stable business relations</td>
</tr>
<tr>
<td>ICHINEN HOLDINGS Co., Ltd.</td>
<td>1,800</td>
<td>2</td>
<td>To smoothly perform business operations</td>
</tr>
<tr>
<td>NIPPON KOEI CO., LTD.</td>
<td>231</td>
<td>0</td>
<td>To maintain a good relationship</td>
</tr>
</tbody>
</table>

**Notes:**
1. Oriental Consultants Holdings Co., Ltd. was renamed from ACK G Limited on December 25, 2018.
2. COMSYS Holdings Corporation is listed above as a result of a share exchange on October 1, 2018 with the shares of SYSKEN Corporation previously held by the Company.
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 2018, 14 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Previous consolidated fiscal year</th>
<th>Current consolidated fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Compensation for auditing services (million yen)</td>
<td>Compensation for non-auditing services (million yen)</td>
</tr>
<tr>
<td>The Company</td>
<td>47</td>
<td>12</td>
</tr>
<tr>
<td>Consolidated subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>47</td>
<td>12</td>
</tr>
</tbody>
</table>

2) Other important compensation
   Not applicable.

3) Description of non-auditing services provided by auditing CPAs, etc. to the Company
   (Previous consolidated fiscal year)
   The Company entrusted the Accounting Auditor with guidance and advice on the early implementation of accounting settlement of overseas subsidiaries and internal control over financial reporting, services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountant Act.
   (Current consolidated fiscal year)
   The Company entrusted the Accounting Auditor with guidance and advice on the early implementation of accounting settlement of overseas subsidiaries and internal control over financial reporting, services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountant Act.

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, 2018 to December 31, 2018) and the non-consolidated financial statements for the current fiscal year (from January 1, 2018 to December 31, 2018) 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.
### Consolidated Financial Statements and Other Materials

#### (1) Consolidated Financial Statements

#### (i) Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank deposits</td>
<td>6,618</td>
<td>6,722</td>
</tr>
<tr>
<td>Notes receivable and completed work receivables</td>
<td>6,051</td>
<td>7,042</td>
</tr>
<tr>
<td>Prepaid expenses for uncompleted services</td>
<td>15,792</td>
<td>16,323</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>413</td>
<td>439</td>
</tr>
<tr>
<td>Other</td>
<td>1,217</td>
<td>974</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-397</td>
<td>-378</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>29,695</td>
<td>31,123</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tangible fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>4,802</td>
<td>5,809</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-3,061</td>
<td>-3,148</td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>1,740</td>
<td>2,661</td>
</tr>
<tr>
<td>Machinery and transportation equipment</td>
<td>1,372</td>
<td>1,361</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-1,192</td>
<td>-1,197</td>
</tr>
<tr>
<td>Machinery and transportation equipment, net</td>
<td>179</td>
<td>164</td>
</tr>
<tr>
<td>Land</td>
<td>4,816</td>
<td>4,816</td>
</tr>
<tr>
<td>Lease assets</td>
<td>233</td>
<td>288</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-136</td>
<td>-133</td>
</tr>
<tr>
<td>Lease assets, net</td>
<td>96</td>
<td>155</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>384</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>1,602</td>
<td>1,699</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-1,249</td>
<td>-1,297</td>
</tr>
<tr>
<td>Other, net</td>
<td>352</td>
<td>402</td>
</tr>
<tr>
<td><strong>Total tangible fixed assets</strong></td>
<td>7,570</td>
<td>8,200</td>
</tr>
<tr>
<td><strong>Intangible fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease assets</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Goodwill</td>
<td>5,182</td>
<td>4,545</td>
</tr>
<tr>
<td>Other</td>
<td>499</td>
<td>768</td>
</tr>
<tr>
<td><strong>Total intangible fixed assets</strong></td>
<td>5,697</td>
<td>5,325</td>
</tr>
<tr>
<td><strong>Investments and other assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>*1 3,739</td>
<td>*1 3,631</td>
</tr>
<tr>
<td>Long-term loans receivable from subsidiaries and affiliates</td>
<td>511</td>
<td>625</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>307</td>
<td>385</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>724</td>
<td>498</td>
</tr>
<tr>
<td>Other</td>
<td>*1 1,216</td>
<td>*1 1,188</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-17</td>
<td>-105</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>6,481</td>
<td>6,223</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>19,748</td>
<td>19,749</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>49,444</td>
<td>50,873</td>
</tr>
</tbody>
</table>
### Liabilities

#### Current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>2,158</td>
<td>2,292</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>487</td>
<td>759</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>54</td>
<td>63</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>626</td>
<td>955</td>
</tr>
<tr>
<td>Advances received from uncompleted services</td>
<td>12,442</td>
<td>11,776</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>874</td>
<td>1,056</td>
</tr>
<tr>
<td>Reserve for bonuses to directors</td>
<td>97</td>
<td>194</td>
</tr>
<tr>
<td>Allowance for losses in operations</td>
<td>82</td>
<td>88</td>
</tr>
<tr>
<td>Other</td>
<td>4,091</td>
<td>4,216</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>20,917</strong></td>
<td><strong>21,403</strong></td>
</tr>
</tbody>
</table>

#### Fixed liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term borrowings</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Long-term accounts payable</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>61</td>
<td>110</td>
</tr>
<tr>
<td>Provision for warranties for completed operation</td>
<td>301</td>
<td>373</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>78</td>
<td>61</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>976</td>
<td>925</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>145</td>
<td>163</td>
</tr>
<tr>
<td>Other</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total fixed liabilities</strong></td>
<td><strong>1,641</strong></td>
<td><strong>1,659</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>22,558</strong></td>
<td><strong>23,062</strong></td>
</tr>
</tbody>
</table>

### Net assets

#### Shareholders’ equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>3,025</td>
<td>3,025</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>4,122</td>
<td>4,122</td>
</tr>
<tr>
<td>Profit surplus</td>
<td>19,068</td>
<td>20,650</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>-12</td>
<td>-12</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>26,203</strong></td>
<td><strong>27,786</strong></td>
</tr>
</tbody>
</table>

#### Accumulated other comprehensive income

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td>943</td>
<td>800</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>344</td>
<td>-217</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>-893</td>
<td>-788</td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive income</strong></td>
<td><strong>394</strong></td>
<td><strong>-205</strong></td>
</tr>
</tbody>
</table>

#### Non-controlling interests

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests</td>
<td>287</td>
<td>229</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>26,885</strong></td>
<td><strong>27,810</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>49,444</strong></td>
<td><strong>50,873</strong></td>
</tr>
</tbody>
</table>
## (ii) Consolidated Profit and Loss Account and Consolidated Statements of Comprehensive Income

### Consolidated Profit and Loss Account

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>49,301</td>
<td>58,443</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>35,992</td>
<td>43,049</td>
</tr>
<tr>
<td>Gross profit</td>
<td>13,309</td>
<td>15,393</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>*1 *2 10,888</td>
<td>*1 *2 12,347</td>
</tr>
<tr>
<td>Operating income</td>
<td>2,420</td>
<td>3,046</td>
</tr>
<tr>
<td>Non-operating revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>Dividend earned</td>
<td>44</td>
<td>58</td>
</tr>
<tr>
<td>House rent earned</td>
<td>34</td>
<td>50</td>
</tr>
<tr>
<td>Insurance dividends earned</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>Total non-operating revenues</td>
<td>131</td>
<td>192</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Commission paid</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Total non-operating expenses</td>
<td>51</td>
<td>71</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>2,500</td>
<td>3,167</td>
</tr>
<tr>
<td>Extraordinary gain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidy income</td>
<td>-</td>
<td>75</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Total extraordinary gain</td>
<td>0</td>
<td>92</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from fixed assets disposal</td>
<td>*3 1</td>
<td>*3 18</td>
</tr>
<tr>
<td>Unrealized loss on investment securities</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td>Loss on valuation of investments in capital of subsidiaries and affiliates</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Loss on valuation of golf club membership</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>*4 34</td>
<td>-</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-</td>
<td>88</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Total extraordinary loss</td>
<td>55</td>
<td>180</td>
</tr>
<tr>
<td>Net income before income tax</td>
<td>2,444</td>
<td>3,078</td>
</tr>
<tr>
<td>Corporation tax, inhabitants taxes and enterprise tax</td>
<td>870</td>
<td>1,294</td>
</tr>
<tr>
<td>Deferred income taxes etc.</td>
<td>-84</td>
<td>-144</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>786</td>
<td>1,150</td>
</tr>
<tr>
<td>Net income</td>
<td>1,658</td>
<td>1,928</td>
</tr>
<tr>
<td>Net income attributable to non-controlling interests</td>
<td>43</td>
<td>34</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>1,615</td>
<td>1,893</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>1,658</td>
<td>1,928</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td>278</td>
<td>-143</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>343</td>
<td>-585</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans, net of tax</td>
<td>-42</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>* 1</td>
<td>* 1</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>2,237</td>
<td>1,299</td>
</tr>
<tr>
<td><strong>(Comprehensive income attributable to)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income attributable to owners of the parent</td>
<td>2,187</td>
<td>1,294</td>
</tr>
<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>50</td>
<td>5</td>
</tr>
</tbody>
</table>
(iii) Statement of Fluctuations in Consolidated Shareholders’ Equity

Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)  

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Capital</th>
<th>Capital surplus</th>
<th>Profit surplus</th>
<th>Treasury stock</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of current period</td>
<td>3,025</td>
<td>4,122</td>
<td>17,735</td>
<td>-12</td>
<td>24,871</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td>-282</td>
<td></td>
<td>-282</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
<td></td>
<td>1,615</td>
<td></td>
<td>1,615</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td>-0</td>
<td>-0</td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td></td>
<td></td>
<td>1,332</td>
<td>0</td>
<td>1,332</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>3,025</td>
<td>4,122</td>
<td>19,068</td>
<td>-12</td>
<td>26,203</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(million yen)</th>
<th>Accumulated other comprehensive income</th>
<th>Other valuation difference on available-for-sale securities</th>
<th>Foreign currency translation adjustment</th>
<th>Remeasurements of defined benefit plans</th>
<th>Total accumulated other comprehensive income</th>
<th>Non-controlling interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of current period</td>
<td>664</td>
<td>-</td>
<td>-842</td>
<td>-177</td>
<td>99</td>
<td>24,793</td>
<td></td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-282</td>
<td></td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,615</td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0</td>
<td></td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td>278</td>
<td>344</td>
<td>-50</td>
<td>572</td>
<td>188</td>
<td>760</td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>278</td>
<td>344</td>
<td>-50</td>
<td>572</td>
<td>188</td>
<td>2,092</td>
<td></td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>943</td>
<td>344</td>
<td>-893</td>
<td>394</td>
<td>287</td>
<td>26,885</td>
<td></td>
</tr>
</tbody>
</table>
### Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018) (million yen)

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Capital</th>
<th>Capital surplus</th>
<th>Profit surplus</th>
<th>Treasury stock</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of current period</td>
<td>3,025</td>
<td>4,122</td>
<td>19,068</td>
<td>-12</td>
<td>26,203</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td>-311</td>
<td></td>
<td>-311</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
<td></td>
<td>1,893</td>
<td></td>
<td>1,893</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td>-0</td>
<td>-0</td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td></td>
<td></td>
<td>1,582</td>
<td></td>
<td>1,582</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>3,025</td>
<td>4,122</td>
<td>20,650</td>
<td>-12</td>
<td>27,786</td>
</tr>
</tbody>
</table>

### Accumulated other comprehensive income (million yen)

<table>
<thead>
<tr>
<th></th>
<th>Other valuation difference on available-for-sale securities</th>
<th>Foreign currency translation adjustment</th>
<th>Remeasurements of defined benefit plans</th>
<th>Total accumulated other comprehensive income</th>
<th>Non-controlling interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of current period</td>
<td>943</td>
<td>344</td>
<td>-893</td>
<td>394</td>
<td>287</td>
<td>26,858</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-311</td>
<td></td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,893</td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0</td>
<td></td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td>-143</td>
<td>-561</td>
<td>104</td>
<td>-599</td>
<td>-58</td>
<td>-658</td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>-143</td>
<td>-561</td>
<td>104</td>
<td>-599</td>
<td>-58</td>
<td>924</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>800</td>
<td>-217</td>
<td>-788</td>
<td>-205</td>
<td>229</td>
<td>27,810</td>
</tr>
</tbody>
</table>
(iv) Consolidated Cash Flow Statement

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income before income tax</td>
<td>2,444</td>
<td>3,078</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>464</td>
<td>590</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>174</td>
<td>257</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>29</td>
<td>100</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liability</td>
<td>102</td>
<td>124</td>
</tr>
<tr>
<td>Decrease (increase) in net defined benefit asset</td>
<td>76</td>
<td>202</td>
</tr>
<tr>
<td>Increase (decrease) in reserve for bonuses</td>
<td>-63</td>
<td>187</td>
</tr>
<tr>
<td>Increase (decrease) in reserve for bonuses to directors</td>
<td>-42</td>
<td>107</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for losses in operations</td>
<td>-10</td>
<td>5</td>
</tr>
<tr>
<td>Increase (decrease) in provision for warranties for completed operation</td>
<td>25</td>
<td>99</td>
</tr>
<tr>
<td>Increase (decrease) in long-term accounts payable</td>
<td>-51</td>
<td>-</td>
</tr>
<tr>
<td>Interest and dividend earned</td>
<td>-60</td>
<td>-102</td>
</tr>
<tr>
<td>Interest payable</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Foreign exchange loss (gain)</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Unrealized loss (gain) on investment securities</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td>Loss (gain) on sales of investment securities</td>
<td>-0</td>
<td>-17</td>
</tr>
<tr>
<td>Loss on valuation of investments in capital of subsidiaries and affiliates</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Loss (gain) from fixed assets disposal</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td>Loss on valuation of golf club membership</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Decrease (increase) in sales account</td>
<td>610</td>
<td>-1,281</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses for uncompleted services</td>
<td>-619</td>
<td>-607</td>
</tr>
<tr>
<td>Decrease (increase) in other current assets</td>
<td>-316</td>
<td>91</td>
</tr>
<tr>
<td>Increase (decrease) in account payable</td>
<td>87</td>
<td>152</td>
</tr>
<tr>
<td>Increase (decrease) in advances received from uncompleted services</td>
<td>852</td>
<td>-537</td>
</tr>
<tr>
<td>Increase (decrease) in other current liabilities</td>
<td>-57</td>
<td>198</td>
</tr>
<tr>
<td>Increase (decrease) in other fixed liabilities</td>
<td>-1</td>
<td>-44</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>3,680</td>
<td>2,731</td>
</tr>
<tr>
<td>Received interest and dividend</td>
<td>72</td>
<td>105</td>
</tr>
<tr>
<td>Interest payment</td>
<td>-7</td>
<td>-10</td>
</tr>
<tr>
<td>Payment of corporation income tax etc.</td>
<td>-910</td>
<td>-952</td>
</tr>
<tr>
<td><strong>Cash flow provided by operating activities</strong></td>
<td><strong>2,834</strong></td>
<td><strong>1,873</strong></td>
</tr>
<tr>
<td>Cash flow from investment activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for acquisition of tangible fixed assets</td>
<td>-775</td>
<td>-926</td>
</tr>
<tr>
<td>Payments for acquisition of intangible fixed assets</td>
<td>-141</td>
<td>-399</td>
</tr>
<tr>
<td>Payments for acquisition of investment securities</td>
<td>-100</td>
<td>-111</td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Repayments for loans</td>
<td>-198</td>
<td>-110</td>
</tr>
<tr>
<td>Income from loan collection</td>
<td>131</td>
<td>108</td>
</tr>
<tr>
<td>Purchase of shares in subsidiaries resulting in change in scope of consolidation</td>
<td>-5,675</td>
<td>-</td>
</tr>
<tr>
<td>Other payments</td>
<td>-141</td>
<td>-74</td>
</tr>
<tr>
<td>Other proceeds</td>
<td>45</td>
<td>17</td>
</tr>
<tr>
<td>Cash flow used for investment activities</td>
<td>-6,857</td>
<td>-1,475</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flow from financial activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in short-term borrowings</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
</tr>
<tr>
<td>Repayments of lease obligations</td>
</tr>
<tr>
<td>Dividend payments</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
</tr>
<tr>
<td>Purchase of shares in subsidiaries not resulting in change in scope of consolidation</td>
</tr>
<tr>
<td>Cash flow used for financial activity</td>
</tr>
<tr>
<td>Effect in fluctuation of exchange rate for cash and cash equivalents</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
</tr>
<tr>
<td>Opening balance of cash and cash equivalents</td>
</tr>
<tr>
<td>Closing balance of cash and cash equivalents</td>
</tr>
</tbody>
</table>

*(million yen)*
Notes:
Basic Important Matters for Preparation of Consolidated Financial Statements

1. Consolidation range
   (1) Number of consolidated subsidiaries: 25
      Names of the major consolidated subsidiaries:
      CTI Engineering International Co., Ltd.
      Waterman Group Plc
      Waterman AHW (Victoria) Pty Limited
      Japan Urban Engineering Co., Ltd.
      Chi-ken Sogo Consultants Co., Ltd.
      NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.

   (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.

   (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.
      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 some consolidated subsidiaries of Waterman Group Plc ends on either March 31 or June 30.
   In preparing the consolidated financial statements, the financial statements of the above-mentioned consolidated
   subsidiaries based on the provisional settlement of accounts implemented as of December 31, the consolidated
   closing date, have been used.
The fiscal year of the other consolidated subsidiaries ends on the consolidated closing date.

4. Accounting standard for application of accounting policies to foreign subsidiaries
The Revised Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18 issued on September 14, 2018) has been applied, and necessary adjustment has been made to the overseas subsidiaries upon the settlement of consolidated accounts.

5. 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) Standards for translation of assets and liabilities denominated in foreign currencies into yen
   Monetary debts and credits denominated in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, and the foreign exchange gains and losses resulting from the translation are recognized in the consolidated profit and loss account.
   Assets and liabilities of overseas consolidated subsidiaries are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, while revenue and expenses are translated into yen based on the average exchange rate for the consolidated fiscal year. The differences resulting from the translation are included in foreign currency translation adjustment and non-controlling interests under net assets.
(4) 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.

5) Allowance for compensation for completed work
Calculated according to the forecasted compensation for completed work at the end of current consolidated fiscal year in preparation for future payment of compensation related to completed work.

(5) 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.

(6) 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).

(7) Method and period for amortization of goodwill
Goodwill is amortized equally over a certain number of years within a maximum period of 20 years based on an estimation of the duration of the effect of goodwill.
(8) 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, and overdrafts (negative cash equivalents) used in a similar way to cash equivalents in fund management.

(9) Other important matters for preparation of the consolidated financial statements
Accounting treatment of consumption tax
Tax exclusion method is adopted.

(New Accounting Pronouncements)
The establishment or amendment of major accounting standards, etc. issued up to December 31, 2018 but not yet applied are as follows.
1. Accounting standards, etc. for revenue recognition
   * “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018)
   * “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)
(1) Outline
   These accounting standards, etc. are comprehensive accounting standards for revenue recognition. Revenue is to be recognized by applying the five steps below.
   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
(2) Planned date for application
   The Company plans to apply these accounting standards, etc. from the beginning of the consolidated fiscal year ending December 31, 2022.
(3) Effect of the application of these accounting standards, etc. on financial statements
   The effect is under examination at the time of preparation of the consolidated financial statements for the current consolidated fiscal year.

2. Accounting standards for overseas consolidated subsidiaries

<table>
<thead>
<tr>
<th>Name of Accounting Standard</th>
<th>Outline</th>
<th>Planned date for application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Contracts with Customers (IFRS 15)</td>
<td>Amendment of accounting treatment related to revenue recognition</td>
<td>Consolidated fiscal year ending December 31, 2019</td>
</tr>
<tr>
<td>Financial Instruments (IFRS 9)</td>
<td>Amendment in relation to classification, measurement, and impairment, etc. of financial instruments</td>
<td>Consolidated fiscal year ending December 31, 2019</td>
</tr>
<tr>
<td>Lease (IFRS 16)</td>
<td>Amendment of accounting treatment with respect to lease accounting</td>
<td>Consolidated fiscal year ending December 31, 2019</td>
</tr>
</tbody>
</table>

The effect of the application of “Revenue from Contracts with Customers” (IFRS 15) and “Financial Instruments” (IFRS 9) is under examination at the time of preparation of the consolidated financial statements for the current consolidated fiscal year. The effect of the application of “Lease” (IFRS 16) on the consolidated financial statements at the beginning of the consolidated fiscal year ending December 31, 2019 is an increase in right-of-use assets by 1,452 million yen, an increase in lease obligations by 1,569 million yen, and a decrease in profit surplus by 117 million yen.
The Company approved at the Board of Directors’ meeting held on September 25, 2018 to introduce an incentive plan (hereinafter, the “Plan”) to deliver the Company’s shares to executives and employees (hereinafter, “Employees, etc.”) of its consolidated subsidiary Waterman Group Plc and some of its subsidiaries. This was intended for Waterman Group Plc and some of its subsidiaries to motivate their Employees, etc. to enhance the stock price, business results and their morale. Subsequently, Waterman Group Plc resolved at its Board of Directors’ meeting held on January 8, 2019 to introduce the Plan.

Outline of the Plan

Under the Plan, Waterman Group Plc and some of its subsidiaries are to establish a trust using funds they contributed. The trust is to acquire the Company’s shares in securities markets using the entrusted funds and will separately administer the shares as trust assets. The Plan will deliver shares to the Employees, etc. without consideration through the trust, as well as grant them the right to acquire the shares with consideration.
(Notes on Consolidated Balance Sheet)

*1 For non-consolidated subsidiaries and affiliates:

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment securities (stock)</td>
<td>843 million yen</td>
<td>827 million yen</td>
</tr>
<tr>
<td>“Other” in investments and other assets</td>
<td>50 million yen</td>
<td>0 million yen</td>
</tr>
</tbody>
</table>

*2 Warranty for liabilities

Warranty for liabilities of the Group’s employees borrowed from financial institutions:

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>31 million yen</td>
<td>21 million yen</td>
</tr>
<tr>
<td>Overseas subsidiary</td>
<td>51 million yen</td>
<td>- million yen</td>
</tr>
<tr>
<td>Total</td>
<td>82 million yen</td>
<td>21 million yen</td>
</tr>
</tbody>
</table>

(Notes on Consolidated Profit and Loss Account)

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and allowances</td>
<td>3,779 million yen</td>
<td>4,215 million yen</td>
</tr>
<tr>
<td>Bonuses</td>
<td>591 million yen</td>
<td>639 million yen</td>
</tr>
<tr>
<td>Transferred reserve for bonuses</td>
<td>228 million yen</td>
<td>253 million yen</td>
</tr>
<tr>
<td>Reserve for bonuses to directors</td>
<td>68 million yen</td>
<td>73 million yen</td>
</tr>
<tr>
<td>Retirement benefits expenses</td>
<td>201 million yen</td>
<td>277 million yen</td>
</tr>
<tr>
<td>Research and investigation expenses</td>
<td>1,052 million yen</td>
<td>1,026 million yen</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>36 million yen</td>
<td>27 million yen</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,052 million yen</td>
<td>1,026 million yen</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures in tangible fixed assets</td>
<td>0 million yen</td>
<td>11 million yen</td>
</tr>
<tr>
<td>Other tangible fixed assets</td>
<td>1 million yen</td>
<td>5 million yen</td>
</tr>
<tr>
<td>Other intangible fixed assets</td>
<td>0 million yen</td>
<td>1 million yen</td>
</tr>
<tr>
<td>Total</td>
<td>1 million yen</td>
<td>18 million yen</td>
</tr>
</tbody>
</table>

*4 Details of the amortization of goodwill included in extraordinary loss are as follows:

Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)

Goodwill was amortized in a lump sum pursuant to the provisions of Paragraph 32 of the Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements (JICPA Accounting Systems Committee Report No.7 issued on November 28, 2014).
(Notes on Consolidated Statements of Comprehensive Income)

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount recognized in the period</td>
<td>396 million yen</td>
<td>-201 million yen</td>
</tr>
<tr>
<td>Reclassification adjustments to net income</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Before tax-effect adjustment</td>
<td>396</td>
<td>-189</td>
</tr>
<tr>
<td>Amount of tax effects</td>
<td>-117</td>
<td>46</td>
</tr>
<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td>278</td>
<td>-143</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount recognized in the period</td>
<td>343</td>
<td>-585</td>
</tr>
<tr>
<td>Before tax-effect adjustment</td>
<td>343</td>
<td>-585</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>343</td>
<td>-585</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans, net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount recognized in the period</td>
<td>-387</td>
<td>-295</td>
</tr>
<tr>
<td>Reclassification adjustments to net income</td>
<td>327</td>
<td>446</td>
</tr>
<tr>
<td>Before tax-effect adjustment</td>
<td>-59</td>
<td>151</td>
</tr>
<tr>
<td>Amount of tax effects</td>
<td>16</td>
<td>-52</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans, net of tax</td>
<td>-42</td>
<td>99</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>579</td>
<td>-629</td>
</tr>
</tbody>
</table>
(Statement of Fluctuations in Consolidated Shareholders’ Equity)

Previous Consolidated Fiscal Year (From January 1, 2017 to December 31, 2017)

1. Issued shares

<table>
<thead>
<tr>
<th>Type of Share</th>
<th>As of the beginning of the consolidated fiscal year</th>
<th>Increase</th>
<th>Decrease</th>
<th>As of the end of the consolidated fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>14,159,086</td>
<td>–</td>
<td>–</td>
<td>14,159,086</td>
</tr>
</tbody>
</table>

2. Treasury stock

<table>
<thead>
<tr>
<th>Type of Share</th>
<th>As of the beginning of the consolidated fiscal year</th>
<th>Increase</th>
<th>Decrease</th>
<th>As of the end of the consolidated fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>18,456</td>
<td>110</td>
<td>–</td>
<td>18,566</td>
</tr>
</tbody>
</table>

Note: The increase in the amount of treasury stock of 110 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

<table>
<thead>
<tr>
<th>Resolution Type of Share</th>
<th>Total Dividend Amount (million yen)</th>
<th>Dividend Per Share (Yen)</th>
<th>Record Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary General Meeting of Shareholders March 24, 2017</td>
<td>Common stock</td>
<td>282</td>
<td>20</td>
<td>December 31, 2016</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Resolution Type of Share</th>
<th>Source of Dividends</th>
<th>Total Dividend Amount (million yen)</th>
<th>Dividend Per Share (Yen)</th>
<th>Record Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary General Meeting of Shareholders March 27, 2018</td>
<td>Common stock</td>
<td>Profit surplus</td>
<td>311</td>
<td>22</td>
<td>December 31, 2018</td>
</tr>
</tbody>
</table>

Current Consolidated Fiscal Year (From January 1, 2018 to December 31, 2018)

1. Issued shares

<table>
<thead>
<tr>
<th>Type of Share</th>
<th>As of the beginning of the consolidated fiscal year</th>
<th>Increase</th>
<th>Decrease</th>
<th>As of the end of the consolidated fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>14,159,086</td>
<td>–</td>
<td>–</td>
<td>14,159,086</td>
</tr>
</tbody>
</table>

2. Treasury stock

<table>
<thead>
<tr>
<th>Type of Share</th>
<th>As of the beginning of the consolidated fiscal year</th>
<th>Increase</th>
<th>Decrease</th>
<th>As of the end of the consolidated fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>18,566</td>
<td>271</td>
<td>–</td>
<td>18,837</td>
</tr>
</tbody>
</table>

Note: The increase in the amount of treasury stock of 271 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

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Type of Share</th>
<th>Total Dividend Amount (million yen)</th>
<th>Dividend Per Share (Yen)</th>
<th>Record Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary General Meeting of Shareholders March 27, 2018</td>
<td>Common stock</td>
<td>311</td>
<td>22</td>
<td>December 31, 2017</td>
<td>March 28, 2018</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Type of Share</th>
<th>Source of Dividends</th>
<th>Total Dividend Amount (million yen)</th>
<th>Dividend Per Share (Yen)</th>
<th>Record Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary General Meeting of Shareholders March 26, 2019</td>
<td>Common stock</td>
<td>Profit surplus</td>
<td>353</td>
<td>25</td>
<td>December 31, 2018</td>
<td>March 27, 2019</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank deposit account 6,618 million yen</td>
<td>6,722 million yen</td>
</tr>
<tr>
<td>Overdrafts as negative cash equivalents -103</td>
<td>-</td>
</tr>
<tr>
<td>Total 6,515</td>
<td>6,722</td>
</tr>
</tbody>
</table>

(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 5. Accounting policy” in Basic Important Matters for Preparation of Consolidated Financial Statements.
(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, 2017 to December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Book value on the consolidated balance sheet (million yen)</th>
<th>Fair value (million yen)</th>
<th>Difference (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and bank deposits</td>
<td>6,618</td>
<td>6,618</td>
<td>–</td>
</tr>
<tr>
<td>(2) Notes receivable and completed work receivables</td>
<td>6,051</td>
<td>6,051</td>
<td>–</td>
</tr>
<tr>
<td>(3) Investment securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Held-to-maturity securities</td>
<td>722</td>
<td>709</td>
<td>-12</td>
</tr>
<tr>
<td>2) Available-for-sale securities</td>
<td>2,077</td>
<td>2,077</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>15,470</td>
<td>15,457</td>
<td>-12</td>
</tr>
</tbody>
</table>

   Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)

<table>
<thead>
<tr>
<th></th>
<th>Book value on the consolidated balance sheet (million yen)</th>
<th>Fair value (million yen)</th>
<th>Difference (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and bank deposits</td>
<td>6,722</td>
<td>6,722</td>
<td>–</td>
</tr>
<tr>
<td>(2) Notes receivable and completed work receivables</td>
<td>7,042</td>
<td>7,042</td>
<td>–</td>
</tr>
<tr>
<td>(3) Investment securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Held-to-maturity securities</td>
<td>719</td>
<td>692</td>
<td>-27</td>
</tr>
<tr>
<td>2) Available-for-sale securities</td>
<td>1,959</td>
<td>1,959</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>16,444</td>
<td>16,417</td>
<td>-27</td>
</tr>
</tbody>
</table>
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) Investment securities
With regard to the fair value of 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.

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

<table>
<thead>
<tr>
<th>Account title</th>
<th>Previous Consolidated Fiscal Year</th>
<th>Current Consolidated Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of December 31, 2017</td>
<td>As of December 31, 2018</td>
</tr>
<tr>
<td>Non-listed shares</td>
<td>938</td>
<td>952</td>
</tr>
</tbody>
</table>

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) 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, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year (million yen)</th>
<th>Over 1 year but within 5 years (million yen)</th>
<th>Over 5 years but within 10 years (million yen)</th>
<th>Over 10 years (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank deposits</td>
<td>6,618</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Notes receivable and completed work receivables</td>
<td>6,051</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investment securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>–</td>
<td>–</td>
<td>222</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>12,669</td>
<td>–</td>
<td>222</td>
<td>500</td>
</tr>
</tbody>
</table>

Current Consolidated Fiscal Year (as of December 31, 2018)

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year (million yen)</th>
<th>Over 1 year but within 5 years (million yen)</th>
<th>Over 5 years but within 10 years (million yen)</th>
<th>Over 10 years (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank deposits</td>
<td>6,722</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Notes receivable and completed work receivables</td>
<td>7,042</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investment securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>–</td>
<td>–</td>
<td>219</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>13,765</td>
<td>–</td>
<td>219</td>
<td>500</td>
</tr>
</tbody>
</table>
(Notes on Marketable Securities)

1. Held-to-maturity securities

Previous Consolidated Fiscal Year (as of December 31, 2017)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Type</th>
<th>Book value on the consolidated balance sheet (million yen)</th>
<th>Fair value (million yen)</th>
<th>Difference (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those whose fair value exceeds the amount recorded</td>
<td>(1) Government bonds</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(2) Corporate bonds</td>
<td>222</td>
<td>225</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td>222</td>
<td>225</td>
<td>2</td>
</tr>
<tr>
<td>Those whose fair value does not exceed the amount</td>
<td>(1) Government bonds</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>recorded on the consolidated balance sheet</td>
<td>(2) Corporate bonds</td>
<td>500</td>
<td>484</td>
<td>-15</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td>500</td>
<td>484</td>
<td>-15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>722</td>
<td>709</td>
<td>-12</td>
</tr>
</tbody>
</table>

Current Consolidated Fiscal Year (as of December 31, 2018)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Type</th>
<th>Book value on the consolidated balance sheet (million yen)</th>
<th>Fair value (million yen)</th>
<th>Difference (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those whose fair value exceeds the amount recorded</td>
<td>(1) Government bonds</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(2) Corporate bonds</td>
<td>219</td>
<td>223</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td>219</td>
<td>223</td>
<td>3</td>
</tr>
<tr>
<td>Those whose fair value does not exceed the amount</td>
<td>(1) Government bonds</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>recorded on the consolidated balance sheet</td>
<td>(2) Corporate bonds</td>
<td>500</td>
<td>468</td>
<td>-31</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td>500</td>
<td>468</td>
<td>-31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>719</td>
<td>692</td>
<td>-27</td>
</tr>
</tbody>
</table>
2. Available-for-sale securities

### Previous Consolidated Fiscal Year (as of December 31, 2017)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Type</th>
<th>Book value on the consolidated balance sheet (million yen)</th>
<th>Acquisition Cost (million yen)</th>
<th>Difference (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost</td>
<td>(1) Shares</td>
<td>2,028</td>
<td>759</td>
<td>1,269</td>
</tr>
<tr>
<td></td>
<td>(2) Bonds and Notes</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>2,028</td>
<td>759</td>
<td>1,269</td>
</tr>
<tr>
<td>Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost</td>
<td>(1) Shares</td>
<td>48</td>
<td>50</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td>(2) Bonds and Notes</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>48</td>
<td>50</td>
<td>-1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,077</td>
<td>809</td>
<td>1,268</td>
</tr>
</tbody>
</table>

### Current Consolidated Fiscal Year (as of December 31, 2018)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Type</th>
<th>Book value on the consolidated balance sheet (million yen)</th>
<th>Acquisition Cost (million yen)</th>
<th>Difference (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost</td>
<td>(1) Shares</td>
<td>1,740</td>
<td>625</td>
<td>1,114</td>
</tr>
<tr>
<td></td>
<td>(2) Bonds and Notes</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>1,740</td>
<td>625</td>
<td>1,114</td>
</tr>
<tr>
<td>Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost</td>
<td>(1) Shares</td>
<td>219</td>
<td>255</td>
<td>-36</td>
</tr>
<tr>
<td></td>
<td>(2) Bonds and Notes</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(3) Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>219</td>
<td>255</td>
<td>-36</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,959</td>
<td>880</td>
<td>1,078</td>
</tr>
</tbody>
</table>
3. Held-to-maturity securities sold during the consolidated fiscal year
Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)
   Not applicable.

Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
   Not applicable.

4. Available-for-sale securities sold during the consolidated fiscal year
Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)

<table>
<thead>
<tr>
<th>Sales amount (million yen)</th>
<th>Total gain on sales (million yen)</th>
<th>Total loss on sales (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)

<table>
<thead>
<tr>
<th>Sales amount (million yen)</th>
<th>Total gain on sales (million yen)</th>
<th>Total loss on sales (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>22</td>
<td>17</td>
</tr>
</tbody>
</table>

5. Securities written down
Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)
   In the current consolidated fiscal year, the Group wrote down 20 million yen in investment securities.

Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
   In the current consolidated fiscal year, the Group wrote down 23 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 adopt funded and unfunded defined benefit systems or a defined contribution system in order to appropriate them for employees’ retirement benefits.

The Company and some consolidated subsidiaries joined the defined benefit-type corporate pension fund (jointly established). Because the fund is a multi-employer system and thus 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.

The system was transferred from a former employees’ pension fund after approval was received for the return of past obligations for a part of an employees’ pension fund administered on behalf of the government. An additional amount to be borne resulting from the return 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 not subject to net defined benefit liability is paid.

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of retirement benefit obligations at the beginning of year</td>
<td>12,420</td>
<td>13,267</td>
</tr>
<tr>
<td>Labor costs</td>
<td>882</td>
<td>940</td>
</tr>
<tr>
<td>Interest costs</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>Accounting disparity</td>
<td>523</td>
<td>99</td>
</tr>
<tr>
<td>Retirement benefits paid</td>
<td>-597</td>
<td>-620</td>
</tr>
<tr>
<td>Balance of the retirement benefit obligations at the end of year</td>
<td>13,267</td>
<td>13,728</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of pension assets at the beginning of year</td>
<td>12,723</td>
<td>13,253</td>
</tr>
<tr>
<td>Expected operating profit</td>
<td>254</td>
<td>265</td>
</tr>
<tr>
<td>Accounting disparity</td>
<td>136</td>
<td>-195</td>
</tr>
<tr>
<td>Contribution from employer</td>
<td>659</td>
<td>697</td>
</tr>
<tr>
<td>Retirement benefits paid</td>
<td>-519</td>
<td>-530</td>
</tr>
<tr>
<td>Balance of the pension assets at the end of year</td>
<td>13,253</td>
<td>13,490</td>
</tr>
</tbody>
</table>
(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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded retirement benefits obligations</td>
<td>12,538</td>
<td>13,001</td>
</tr>
<tr>
<td>Pension assets</td>
<td>-13,253</td>
<td>-13,490</td>
</tr>
<tr>
<td>Unfunded retirement benefits obligations</td>
<td>-715</td>
<td>-488</td>
</tr>
<tr>
<td>Net amount of relevant liabilities and assets on the consolidated balance sheets</td>
<td>13</td>
<td>238</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>729</td>
<td>727</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>-715</td>
<td>-488</td>
</tr>
<tr>
<td>Net amount of relevant liabilities and assets on the consolidated balance sheets</td>
<td>13</td>
<td>238</td>
</tr>
</tbody>
</table>

(4) Retirement benefits costs and related accounting items

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs</td>
<td>882</td>
<td>940</td>
</tr>
<tr>
<td>Interest costs</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>Expected operating profit</td>
<td>-254</td>
<td>-265</td>
</tr>
<tr>
<td>Cost disposal amount arising from accounting disparity</td>
<td>327</td>
<td>446</td>
</tr>
<tr>
<td>Retirement benefits costs under the defined benefit system</td>
<td>994</td>
<td>1,163</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting disparities</td>
<td>-59</td>
<td>151</td>
</tr>
<tr>
<td>Total</td>
<td>-59</td>
<td>151</td>
</tr>
</tbody>
</table>

(6) Remeasurements of defined benefit plans

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previously unrecognized accounting disparities</td>
<td>-1,303</td>
<td>-1,152</td>
</tr>
<tr>
<td>Total</td>
<td>-1,303</td>
<td>-1,152</td>
</tr>
</tbody>
</table>
(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:

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic bonds</td>
<td>11 %</td>
<td>11 %</td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Foreign stocks</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Life insurance general accounts</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Other</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (10% for the previous and current consolidated fiscal years).

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount percentage</td>
<td>Primarily 0.3%</td>
<td>Primarily 0.3%</td>
</tr>
<tr>
<td>Long-term expected operating profit percentage</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

3. Defined Benefit System using the Simplified Method

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of net defined benefit liability at the beginning of year</td>
<td>316</td>
<td>238</td>
</tr>
<tr>
<td>Retirement benefits costs</td>
<td>63</td>
<td>83</td>
</tr>
<tr>
<td>Retirement benefits paid</td>
<td>-14</td>
<td>-20</td>
</tr>
<tr>
<td>Contribution to systems</td>
<td>-127</td>
<td>-113</td>
</tr>
<tr>
<td>Net amount of relevant benefit liability and asset</td>
<td>238</td>
<td>188</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>247</td>
<td>198</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>-9</td>
<td>-9</td>
</tr>
<tr>
<td>Net amount of relevant benefit liability and asset</td>
<td>238</td>
<td>188</td>
</tr>
</tbody>
</table>
(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

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded retirement benefits obligations</td>
<td>862</td>
<td>838</td>
</tr>
<tr>
<td>Pension assets</td>
<td>-624</td>
<td>-649</td>
</tr>
<tr>
<td>Unfunded retirement benefits obligations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net amount of relevant liabilities and assets on the consolidated balance sheets</td>
<td>238</td>
<td>188</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>247</td>
<td>198</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>-9</td>
<td>-9</td>
</tr>
<tr>
<td>Net amount of relevant liabilities and assets on the consolidated balance sheets</td>
<td>238</td>
<td>188</td>
</tr>
</tbody>
</table>

(3) Retirement benefit costs

Retirement benefit costs calculated using the simplified method

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year</th>
<th>Current Consolidated Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Consolidated Fiscal Year</td>
<td>63 million yen</td>
<td>83 million yen</td>
</tr>
<tr>
<td>Current Consolidated Fiscal Year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Defined Contribution System

The required amounts of contribution to the defined contribution system of consolidated subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year</th>
<th>Current Consolidated Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Consolidated Fiscal Year</td>
<td>51 million yen</td>
<td>143 million yen</td>
</tr>
<tr>
<td>Current Consolidated Fiscal Year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Multi-employer System

The required amounts of contribution to the multi-employer system, a system whose accounting treatment is carried out in the same manner as the defined contribution system, were 307 million yen for the previous consolidated fiscal year and 330 million yen for the current consolidated fiscal year.

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

1) Japan Civil Engineering Consultants Corporate Pension Fund

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of March 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of March 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension assets</td>
<td>75,025</td>
<td>79,656</td>
</tr>
<tr>
<td>Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation</td>
<td>62,371</td>
<td>63,109</td>
</tr>
<tr>
<td>Balance</td>
<td>12,654</td>
<td>16,547</td>
</tr>
</tbody>
</table>

2) Surveying & Design Enterprises Multi Employers Pension Fund

<table>
<thead>
<tr>
<th></th>
<th>Previous Consolidated Fiscal Year (as of March 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of March 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension assets</td>
<td>188,590</td>
<td>62,253</td>
</tr>
<tr>
<td>Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation</td>
<td>176,831</td>
<td>47,292</td>
</tr>
<tr>
<td>Balance</td>
<td>11,759</td>
<td>14,961</td>
</tr>
</tbody>
</table>
(2) Percentage of total salaries of the Group to the overall system under the multi-employer system

1) Japan Civil Engineering Consultants Corporate Pension Fund
   Previous Consolidated Fiscal Year 7.93% (from April 1, 2016 to March 31, 2017)
   Current Consolidated Fiscal Year 7.93% (from April 1, 2017 to March 31, 2018)

2) Surveying & Design Enterprises Multi Employers Pension Fund
   Previous Consolidated Fiscal Year 0.44% (from April 1, 2016 to March 31, 2017)
   Current Consolidated Fiscal Year 0.42% (from April 1, 2017 to March 31, 2018)

(3) Supplementary explanation

1) Japan Civil Engineering Consultants Corporate 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 (10,222 million yen for the previous consolidated fiscal year and 7,900 million yen for the current consolidated fiscal year) and surplus brought forward (-22,877 million yen for the previous consolidated fiscal year and -24,447 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 (214 million yen for the previous consolidated fiscal year and 220 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) Surveying & Design 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 (7,490 million yen for the previous consolidated fiscal year and -19,249 million yen for the current consolidated fiscal year) and surplus brought forward (-14,961 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 (0 million yen for the previous consolidated fiscal year and -14,961 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.
(Stock Options)
Not applicable.

(Tax Effect Accounting)
1. Breakdown by major cause of deferred tax assets and deferred tax liabilities generation

<table>
<thead>
<tr>
<th>Description</th>
<th>Previous Consolidated Fiscal Year</th>
<th>Current Consolidated Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(as of December 31, 2017)</td>
<td>(as of December 31, 2018)</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued enterprise tax</td>
<td>57 million yen</td>
<td>70 million yen</td>
</tr>
<tr>
<td>Allowance for losses in operations</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>264</td>
<td>299</td>
</tr>
<tr>
<td>Social insurance premiums for bonuses</td>
<td>38</td>
<td>43</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>430</td>
<td>530</td>
</tr>
<tr>
<td>Long-term accounts payable</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Unrealized loss on securities</td>
<td>63</td>
<td>62</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Loss brought forward</td>
<td>351</td>
<td>281</td>
</tr>
<tr>
<td>Other</td>
<td>206</td>
<td>347</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,497</td>
<td>1,723</td>
</tr>
<tr>
<td>Allowance account</td>
<td>-416</td>
<td>-583</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>1,081</td>
<td>1,140</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>40 million yen</td>
<td>37 million yen</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td>324</td>
<td>278</td>
</tr>
<tr>
<td>Liability adjustment account</td>
<td>44</td>
<td>28</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>439</td>
<td>376</td>
</tr>
<tr>
<td>Net of deferred tax assets</td>
<td>641 million yen</td>
<td>763 million yen</td>
</tr>
</tbody>
</table>

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.

| Description                                                   | Previous Consolidated Fiscal Year | Current Consolidated Fiscal Year |
|                                                             | (as of December 31, 2017)         | (as of December 31, 2018)        |
| Current assets - Deferred tax assets                         | 413 million yen                   | 439 million yen                  |
| Fixed assets - Deferred tax assets                           | 307                               | 385                              |
| Fixed liabilities - Deferred tax liabilities                 | 78                                | 61                               |
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

<table>
<thead>
<tr>
<th>Legal effective tax rate (Adjustment)</th>
<th>Previous Consolidated Fiscal Year (as of December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No entry of loss from entertainment expense etc.</td>
<td>0.61</td>
<td>0.94</td>
</tr>
<tr>
<td>Per capita inhabitant tax</td>
<td>3.88</td>
<td>3.11</td>
</tr>
<tr>
<td>No entry of profit from dividends earned, etc.</td>
<td>-0.14</td>
<td>-0.15</td>
</tr>
<tr>
<td>Special tax credit of experiment and research expenses</td>
<td>-0.89</td>
<td>-0.71</td>
</tr>
<tr>
<td>Tax credit under the Income Growth Promotion Tax System</td>
<td>-2.55</td>
<td>—</td>
</tr>
<tr>
<td>No entry of loss from bonuses to directors</td>
<td>0.42</td>
<td>0.28</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>2.20</td>
<td>2.59</td>
</tr>
<tr>
<td>Acquisition cost of shares of consolidated subsidiaries</td>
<td>2.70</td>
<td>—</td>
</tr>
<tr>
<td>Allowance account</td>
<td>-2.83</td>
<td>2.21</td>
</tr>
<tr>
<td>Other</td>
<td>-2.10</td>
<td>-1.77</td>
</tr>
<tr>
<td>Bearing rate of corporation tax or the like after application of tax effect accounting</td>
<td>32.16</td>
<td>37.36</td>
</tr>
</tbody>
</table>
(Segment Information)

Segment Information

1. Outline of reportable segments

The reportable segments of the Group are defined as operating segments within the Group whose discrete financial information is available and is reviewed by the Board of Directors regularly in order to decide the allocation of management resources and assess results.

The Group assesses results by each company constituting the Group, and the Group companies are classified into those that mainly engage in operations in Japan and those that mainly engage in operations overseas. Accordingly, the two reportable segments of the Group are “Domestic consulting engineering business” and “Overseas consulting engineering business.”

2. Method for computing the amounts of sales, profit (loss), assets and other items by reportable segments

The accounting method for the reported business segments conforms to the accounting policies applied for preparation of the consolidated financial statements.

Income by reportable segment is based on operating income. Inter-segment revenue and transfers are based on prevailing market prices.

3. Information on the amounts of sales, profit (loss), assets and other items by reportable segments

Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Domestic consulting engineering business</th>
<th>Overseas consulting engineering business</th>
<th>Total</th>
<th>Adjustments (Note 1)</th>
<th>Book value on the consolidated financial statements (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to outside customers</td>
<td>39,603</td>
<td>9,697</td>
<td>49,301</td>
<td>-</td>
<td>49,301</td>
</tr>
<tr>
<td>Inter-segment sales or transfers</td>
<td>61</td>
<td>30</td>
<td>92</td>
<td>-92</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>39,665</td>
<td>9,728</td>
<td>49,394</td>
<td>-92</td>
<td>49,301</td>
</tr>
<tr>
<td>Segment income</td>
<td>2,505</td>
<td>134</td>
<td>2,640</td>
<td>-219</td>
<td>2,420</td>
</tr>
<tr>
<td>Segment assets</td>
<td>35,566</td>
<td>14,508</td>
<td>50,074</td>
<td>-630</td>
<td>49,444</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>380</td>
<td>80</td>
<td>461</td>
<td>-</td>
<td>461</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>45</td>
<td>129</td>
<td>174</td>
<td>-</td>
<td>174</td>
</tr>
</tbody>
</table>

Notes: 
1. Adjustments to inter-segment sales or transfers (-92 million yen) are attributable to inter-segment eliminations.
2. Adjustments to segment income (-219 million yen) are attributable to costs related to the acquisition of shares of subsidiaries (-214 million yen) and inter-segment eliminations (-5 million yen). Adjustments to segment assets (-630 million yen) are attributable to inter-segment eliminations.
3. Segment income is reconciled with operating income in the consolidated profit and loss account.
4. Amortization of goodwill for domestic consulting engineering business includes amortization of goodwill (34 million yen) included in extraordinary loss.
5. The amounts of sales and segment income of overseas consulting engineering business for the current consolidated fiscal year include the results of Waterman Group Plc, a subsidiary newly included in the scope of consolidation for the period of July 1, 2017 through December 31, 2017.
### Current consolidated fiscal year (from January 1, 2018 to December 31, 2018) (million yen)

<table>
<thead>
<tr>
<th></th>
<th>Domestic consulting engineering business</th>
<th>Overseas consulting engineering business</th>
<th>Total</th>
<th>Adjustments (Note 1)</th>
<th>Book value on the consolidated financial statements (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to outside customers</td>
<td>40,871</td>
<td>17,572</td>
<td>58,443</td>
<td></td>
<td>58,443</td>
</tr>
<tr>
<td>Inter-segment sales or transfers</td>
<td>72</td>
<td>38</td>
<td>110</td>
<td>-110</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>58,554</td>
<td>-110</td>
<td>58,443</td>
</tr>
<tr>
<td>Segment income</td>
<td>2,759</td>
<td>278</td>
<td>3,038</td>
<td>8</td>
<td>3,046</td>
</tr>
<tr>
<td>Segment assets</td>
<td>38,055</td>
<td>13,484</td>
<td>51,539</td>
<td>-666</td>
<td>50,873</td>
</tr>
<tr>
<td><strong>Other items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>445</td>
<td>145</td>
<td>590</td>
<td></td>
<td>590</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>—</td>
<td>257</td>
<td>257</td>
<td></td>
<td>257</td>
</tr>
</tbody>
</table>

Notes:  
1. Adjustments to inter-segment sales or transfers (-110 million yen), adjustments to segment income (8 million yen), and adjustments to segment assets (-666 million yen) are attributable to inter-segment eliminations.  
2. Segment income is reconciled with operating income in the consolidated profit and loss account.
Relevant Information

Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)

1. Information by products and services
   The same information is disclosed in Segment Information, and is omitted here.

2. Information by areas
   (1) Sales
   (million yen)

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Asia</th>
<th>Europe</th>
<th>Other than UK</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39,543</td>
<td>2,047</td>
<td>5,701</td>
<td>610</td>
<td>1,398</td>
<td>49,301</td>
</tr>
</tbody>
</table>

   Notes: 1. Sales are classified based on areas in which the Group renders its services.
   2. Method of classification of country or region, and major countries or regions that belong to each region
   1) Method of classification of country or region: based on geographic proximity
   2) Countries or regions that belong to classifications other than Japan
       Asia: Philippines, China, Myanmar, etc.
       Europe other than UK: Ireland, etc.
       Other: Australia, etc.

   (2) Tangible Fixed Assets
   The amounts of tangible fixed assets located in Japan make up over 90% of the amount of tangible fixed assets in the Consolidated Balance Sheet, and are omitted here.

3. Information by major customers
   (million yen)

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Sales</th>
<th>Name of the relevant segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>National government of Japan</td>
<td>20,516</td>
<td>Domestic consulting engineering business</td>
</tr>
</tbody>
</table>

Current consolidated fiscal year (from January 1, 2018 to December 31, 2018)

1. Information by products and services
   The same information is disclosed in Segment Information, and is omitted here.

2. Information by areas
   (1) Sales
   (million yen)

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Asia</th>
<th>Europe</th>
<th>Other than UK</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40,808</td>
<td>2,268</td>
<td>12,239</td>
<td>1,195</td>
<td>1,931</td>
<td>58,443</td>
</tr>
</tbody>
</table>

   Notes: 1. Sales are classified based on areas in which the Group renders its services.
   2. Method of classification of country or region, and major countries or regions that belong to each region
   1) Method of classification of country or region: based on geographic proximity
   2) Countries or regions that belong to classifications other than Japan
       Asia: Philippines, China, Myanmar, etc.
       Europe other than UK: Ireland, etc.
       Other: Australia, etc.

   (2) Tangible Fixed Assets
   The amounts of tangible fixed assets located in Japan make up over 90% of the amount of tangible fixed assets in the Consolidated Balance Sheet, and are omitted here.

3. Information by major customers
   (million yen)

<table>
<thead>
<tr>
<th>Name of customer</th>
<th>Sales</th>
<th>Name of the relevant segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>National government of Japan</td>
<td>19,323</td>
<td>Domestic consulting engineering business</td>
</tr>
</tbody>
</table>
Impairment losses on fixed assets by reportable segments
Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017) and current consolidated fiscal year (from January 1, 2018 to December 31, 2018)
Not applicable.

Amortized amount and unamortized balance of goodwill by reportable segments
Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Domestic consulting engineering business</th>
<th>Overseas consulting engineering business</th>
<th>Corporate/elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of goodwill</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the current period</td>
<td></td>
<td></td>
<td></td>
<td>174</td>
</tr>
<tr>
<td>Balance at the end of</td>
<td></td>
<td></td>
<td></td>
<td>5,182</td>
</tr>
<tr>
<td>the current period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Amortization of goodwill in the current period for domestic consulting engineering business includes amortization of goodwill (34 million yen) under extraordinary loss.

Current consolidated fiscal year (from January 1, 2018 to December 31, 2018)

<table>
<thead>
<tr>
<th></th>
<th>Domestic consulting engineering business</th>
<th>Overseas consulting engineering business</th>
<th>Corporate/elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of goodwill</td>
<td></td>
<td></td>
<td></td>
<td>257</td>
</tr>
<tr>
<td>in the current period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the end of</td>
<td></td>
<td></td>
<td></td>
<td>4,545</td>
</tr>
<tr>
<td>the current period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gain on negative goodwill by reportable segments
Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)
Not applicable.

Current consolidated fiscal year (from January 1, 2018 to December 31, 2018)
Not applicable.

Information on related parties
Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017)
(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

<table>
<thead>
<tr>
<th>Type</th>
<th>Name of company, etc.</th>
<th>Location</th>
<th>Paid-in capital or investment in capital (million yen)</th>
<th>Business outline</th>
<th>Ratio of voting rights holding (held) (%)</th>
<th>Relationship with related party</th>
<th>Summary of transactions</th>
<th>Amount of transaction (million yen)</th>
<th>Item</th>
<th>Balance at end of fiscal year (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-consolidated subsidiary</td>
<td>Kamaishi Naranokidaira Solar Power Generation Co., Ltd.</td>
<td>Kamaishi, Iwate</td>
<td>5 Solar power generation</td>
<td>100</td>
<td>Outsourcing of a part of the Company’s services</td>
<td>Loan of funds</td>
<td>–</td>
<td>Short-term loans</td>
<td>–</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Collection of loans</td>
<td>48</td>
<td>Long-term loans</td>
<td>477</td>
<td></td>
</tr>
</tbody>
</table>

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, 2018 to December 31, 2018)
(1) Transaction between the company submitting consolidated financial statements and the related parties
Not applicable.
(Notes on Investment and Rental Property)

Previous consolidated fiscal year (from January 1, 2017 to December 31, 2017) and current consolidated fiscal year (from January 1, 2018 to December 31, 2018)

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

(Information per Share)

<table>
<thead>
<tr>
<th>Item</th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets per share</td>
<td>1,881.01 yen</td>
<td>1,950.54 yen</td>
</tr>
<tr>
<td>Net income per share</td>
<td>114.22 yen</td>
<td>133.94 yen</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to owners of the parent in the consolidated profit and loss account (million yen)</td>
<td>1,615</td>
<td>1,893</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent related to common shares (million yen)</td>
<td>1,615</td>
<td>1,893</td>
</tr>
<tr>
<td>Amounts not belonging to ordinary shareholders (million yen)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Average number of common shares for the entire fiscal year (shares)</td>
<td>14,140,591</td>
<td>14,140,442</td>
</tr>
</tbody>
</table>

(Significant Subsequent Event)

Not applicable.
(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

<table>
<thead>
<tr>
<th>Category</th>
<th>Current term opening balance (million yen)</th>
<th>Current term closing balance (million yen)</th>
<th>Average rate (%)</th>
<th>Repayment deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowings</td>
<td>453</td>
<td>750</td>
<td>0.5</td>
<td>–</td>
</tr>
<tr>
<td>Long-term borrowings to be repaid within 1 year</td>
<td>34</td>
<td>9</td>
<td>4.5</td>
<td>–</td>
</tr>
<tr>
<td>Lease obligations to be repaid within 1 year</td>
<td>54</td>
<td>63</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Long-term borrowings except those to be repaid within 1 year</td>
<td>6</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Lease obligations except those to be repaid within 1 year</td>
<td>61</td>
<td>110</td>
<td>–</td>
<td>2020 to 2024</td>
</tr>
<tr>
<td>Other Interest-bearing Liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>609</td>
<td>932</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Over 1 year but within 2 years (million yen)</th>
<th>Over 2 years but within 3 years (million yen)</th>
<th>Over 3 years but within 4 years (million yen)</th>
<th>Over 4 years but within 5 years (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease obligations</td>
<td>44</td>
<td>31</td>
<td>22</td>
<td>11</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(Cumulative period)</th>
<th>Three months ended March 31, 2018</th>
<th>First half ended June 30, 2018</th>
<th>Nine months ended September 30, 2018</th>
<th>Current consolidated fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (million yen)</td>
<td>10,896</td>
<td>31,187</td>
<td>44,027</td>
<td>58,443</td>
</tr>
<tr>
<td>Net income (loss) before income tax (million yen)</td>
<td>-188</td>
<td>2,088</td>
<td>2,190</td>
<td>3,078</td>
</tr>
<tr>
<td>Net income (loss) attributable to owners of the parent (million yen)</td>
<td>-141</td>
<td>1,301</td>
<td>1,312</td>
<td>1,893</td>
</tr>
<tr>
<td>Net income (loss) per share (yen)</td>
<td>-9.99</td>
<td>92.05</td>
<td>92.85</td>
<td>133.94</td>
</tr>
<tr>
<td>(Fiscal period)</td>
<td>First quarter from January 1, 2018 to March 31, 2018</td>
<td>Second quarter from April 1, 2018 to June 30, 2018</td>
<td>Third quarter from July 1, 2018 to September 30, 2018</td>
<td>Fourth quarter from October 1, 2018 to December 31, 2018</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Net income (loss) per share (yen)</td>
<td>-9.99</td>
<td>102.04</td>
<td>0.80</td>
<td>41.09</td>
</tr>
</tbody>
</table>
### 2. Non-consolidated Financial Statements and Other Materials

#### (1) Non-consolidated Financial Statements

**(i) Non-consolidated Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year (as of December 31, 2017)</th>
<th>Current Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank deposits</td>
<td>4,330</td>
<td>4,530</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>Completed work receivables</td>
<td>1,597</td>
<td>2,017</td>
</tr>
<tr>
<td>Prepaid expenses for uncompleted services</td>
<td>11,558</td>
<td>12,796</td>
</tr>
<tr>
<td>Advance payment</td>
<td>143</td>
<td>148</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>349</td>
<td>409</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>*1 1,755</td>
<td>*1 1,493</td>
</tr>
<tr>
<td>Other</td>
<td>174</td>
<td>202</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>19,909</td>
<td>21,612</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tangible fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>3,794</td>
<td>4,810</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-2,393</td>
<td>-2,461</td>
</tr>
<tr>
<td>Buildings, net</td>
<td>1,400</td>
<td>2,349</td>
</tr>
<tr>
<td>Structures</td>
<td>717</td>
<td>757</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-582</td>
<td>-592</td>
</tr>
<tr>
<td>Structures, net</td>
<td>135</td>
<td>165</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>238</td>
<td>242</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-231</td>
<td>-233</td>
</tr>
<tr>
<td>Machinery and equipment, net</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,037</td>
<td>1,154</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-807</td>
<td>-855</td>
</tr>
<tr>
<td>Furniture and fixtures, net</td>
<td>230</td>
<td>299</td>
</tr>
<tr>
<td>Land</td>
<td>4,787</td>
<td>4,787</td>
</tr>
<tr>
<td>Lease assets</td>
<td>130</td>
<td>195</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-78</td>
<td>-85</td>
</tr>
<tr>
<td>Lease assets, net</td>
<td>52</td>
<td>109</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>409</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total tangible fixed assets</strong></td>
<td>7,024</td>
<td>7,721</td>
</tr>
<tr>
<td><strong>Intangible fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Software</td>
<td>411</td>
<td>690</td>
</tr>
<tr>
<td>Telephone rights</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Right of using special facilities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lease assets</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total intangible fixed assets</strong></td>
<td>452</td>
<td>730</td>
</tr>
<tr>
<td><strong>Investments and other assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>2,878</td>
<td>2,787</td>
</tr>
<tr>
<td>Shares in subsidiaries and affiliates</td>
<td>7,922</td>
<td>7,905</td>
</tr>
<tr>
<td>Investments in capital of subsidiaries and affiliates</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Investments</td>
<td>68</td>
<td>89</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>*1 511</td>
<td>*1 625</td>
</tr>
<tr>
<td>Long-term prepaid expenses</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Lease and guarantee deposit</td>
<td>813</td>
<td>819</td>
</tr>
<tr>
<td>Membership</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Prepaid pension cost</td>
<td>1,728</td>
<td>1,539</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-88</td>
<td>-88</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>13,999</td>
<td>13,710</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>21,477</td>
<td>22,162</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>41,386</td>
<td>43,774</td>
</tr>
<tr>
<td>Liabilities</td>
<td>Previous Fiscal Year (as of December 31, 2017)</td>
<td>Current Fiscal Year (as of December 31, 2018)</td>
</tr>
<tr>
<td>-------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable for services</td>
<td>*1 1,684</td>
<td>*1 1,944</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>419</td>
<td>374</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>581</td>
<td>860</td>
</tr>
<tr>
<td>Accrued consumption taxes</td>
<td>304</td>
<td>227</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>861</td>
<td>901</td>
</tr>
<tr>
<td>Advances received from uncompleted services</td>
<td>8,539</td>
<td>8,812</td>
</tr>
<tr>
<td>Deposits received</td>
<td>648</td>
<td>817</td>
</tr>
<tr>
<td>Revenue received in advance</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>769</td>
<td>900</td>
</tr>
<tr>
<td>Reserve for bonuses to directors</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Allowance for losses in operations</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>16</td>
<td>-</td>
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<tr>
<td>Other</td>
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</tr>
<tr>
<td>Total current liabilities</td>
<td>13,903</td>
<td>14,936</td>
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<td>Long-term accounts payable</td>
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<tr>
<td>Lease obligations</td>
<td>26</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>272</td>
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<tr>
<td>Reserve for retirement benefits</td>
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<td>668</td>
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<tr>
<td>Asset retirement obligations</td>
<td>93</td>
<td>116</td>
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<td>Other</td>
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<td>Total fixed liabilities</td>
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<td>985</td>
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<tr>
<td>Total liabilities</td>
<td>14,858</td>
<td>15,922</td>
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<tr>
<td>Net assets</td>
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<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
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<tr>
<td>Capital</td>
<td>3,025</td>
<td>3,025</td>
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<tr>
<td>Capital surplus</td>
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<tr>
<td>Capital reserve</td>
<td>4,122</td>
<td>4,122</td>
</tr>
<tr>
<td>Total capital surplus</td>
<td>4,122</td>
<td>4,122</td>
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<tr>
<td>Profit surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit reserve</td>
<td>176</td>
<td>176</td>
</tr>
<tr>
<td>Other profit surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve</td>
<td>8,700</td>
<td>8,700</td>
</tr>
<tr>
<td>Profit surplus brought forward</td>
<td>9,572</td>
<td>11,039</td>
</tr>
<tr>
<td>Total profit surplus</td>
<td>18,449</td>
<td>19,916</td>
</tr>
<tr>
<td>Treasury stock</td>
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<td>-12</td>
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<tr>
<td>Total shareholders’ equity</td>
<td>25,585</td>
<td>27,051</td>
</tr>
<tr>
<td>Valuation and translation differences</td>
<td></td>
<td></td>
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<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td>943</td>
<td>800</td>
</tr>
<tr>
<td>Total valuation and translation adjustment</td>
<td>943</td>
<td>800</td>
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<tr>
<td>Total net assets</td>
<td>26,528</td>
<td>27,852</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>41,386</td>
<td>43,774</td>
</tr>
</tbody>
</table>
## (ii) Non-consolidated Profit and Loss Account

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year (from January 1, 2017 to December 31, 2017)</th>
<th>Current Fiscal Year (from January 1, 2018 to December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>*1 35,440</td>
<td>*1 36,768</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>*1 25,178</td>
<td>*1 25,997</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>10,261</td>
<td>10,771</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>*2 7,750</td>
<td>*2 8,090</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>2,511</td>
<td>2,681</td>
</tr>
<tr>
<td><strong>Non-operating revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned</td>
<td>*1 18</td>
<td>*1 18</td>
</tr>
<tr>
<td>Dividend earned</td>
<td>*1 50</td>
<td>*1 61</td>
</tr>
<tr>
<td>Interest from securities</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Rent earned</td>
<td>*1 34</td>
<td>*1 52</td>
</tr>
<tr>
<td>Insurance dividends earned</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total non-operating revenues</strong></td>
<td>142</td>
<td>171</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Commissions paid</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>10</td>
<td>31</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>2,643</td>
<td>2,821</td>
</tr>
<tr>
<td><strong>Extraordinary gain</strong></td>
<td></td>
<td></td>
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<tr>
<td>Subsidy income</td>
<td>-</td>
<td>75</td>
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<tr>
<td>Gain on sales of investment securities</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total extraordinary gain</strong></td>
<td>0</td>
<td>93</td>
</tr>
<tr>
<td><strong>Extraordinary loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from fixed assets disposal</td>
<td>*3 1</td>
<td>*3 14</td>
</tr>
<tr>
<td>Unrealized loss on shares in subsidiaries and affiliates</td>
<td>219</td>
<td>23</td>
</tr>
<tr>
<td>Loss on valuation of investments in capital of subsidiaries and affiliates</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-</td>
<td>88</td>
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<tr>
<td>Loss on valuation of golf club membership</td>
<td>0</td>
<td>-</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total extraordinary loss</strong></td>
<td>220</td>
<td>177</td>
</tr>
<tr>
<td><strong>Net income before income tax</strong></td>
<td>2,422</td>
<td>2,737</td>
</tr>
<tr>
<td>Corporation tax, inhabitants tax and enterprise tax</td>
<td>835</td>
<td>1,138</td>
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<tr>
<td>Deferred income taxes etc.</td>
<td>-21</td>
<td>-179</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>813</td>
<td>959</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1,609</td>
<td>1,778</td>
</tr>
</tbody>
</table>
Cost Specifications for Completed Services

<table>
<thead>
<tr>
<th>Category</th>
<th>Note No.</th>
<th>Amount (million yen)</th>
<th>Ratio (%)</th>
<th>Amount (million yen)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Labor cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Salaries</td>
<td></td>
<td>8,381</td>
<td></td>
<td>8,777</td>
<td></td>
</tr>
<tr>
<td>2. Bonuses</td>
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<td>1,596</td>
<td></td>
<td>1,691</td>
<td></td>
</tr>
<tr>
<td>3. Provision of reserve for</td>
<td></td>
<td>526</td>
<td></td>
<td>640</td>
<td></td>
</tr>
<tr>
<td>bonuses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Retirement benefits expense</td>
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<td>735</td>
<td></td>
<td>872</td>
<td></td>
</tr>
<tr>
<td>5. Other</td>
<td></td>
<td>1,961</td>
<td>51.4</td>
<td>2,073</td>
<td>51.6</td>
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<tr>
<td>II Amount paid to subcontractors</td>
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<td>8,576</td>
<td>33.4</td>
<td>9,353</td>
<td>34.3</td>
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<tr>
<td>III Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Traveling expenses</td>
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<td>1,043</td>
<td></td>
<td>1,043</td>
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<tr>
<td>2. Printing and copying</td>
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<td>362</td>
<td></td>
<td>365</td>
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<tr>
<td>expenses</td>
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</tr>
<tr>
<td>3. Expendables cost</td>
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<td>295</td>
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<td>368</td>
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</tr>
<tr>
<td>4. Rents</td>
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<td>1,070</td>
<td></td>
</tr>
<tr>
<td>5. Depreciation</td>
<td></td>
<td>133</td>
<td></td>
<td>157</td>
<td></td>
</tr>
<tr>
<td>6. Provision of allowance for</td>
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<td>-13</td>
<td></td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>losses in operations</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>7. Other</td>
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<td>938</td>
<td>15.2</td>
<td>813</td>
<td>14.1</td>
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<td>27,235</td>
<td>100.0</td>
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<td>expenses</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Opening prepaid expenses</td>
<td></td>
<td>11,048</td>
<td></td>
<td>11,558</td>
<td></td>
</tr>
<tr>
<td>for uncompleted services</td>
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<tr>
<td>Total</td>
<td></td>
<td>36,736</td>
<td></td>
<td>38,794</td>
<td></td>
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<tr>
<td>Closing prepaid expenses</td>
<td></td>
<td>11,558</td>
<td></td>
<td>12,796</td>
<td></td>
</tr>
<tr>
<td>for uncompleted services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current cost of completed</td>
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<td>25,178</td>
<td></td>
<td>25,997</td>
<td></td>
</tr>
<tr>
<td>services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Footnote) Cost accounting is according to the job order costing method.
(iii) Statement of Fluctuations in Shareholders’ Equity
Previous Fiscal Year (from January 1, 2017 to December 31, 2017)

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Capital surplus</th>
<th>Profit surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>reserve</td>
<td>capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td>surplus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of current period</td>
<td>3,025</td>
<td>4,122</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>-282</td>
<td>-282</td>
</tr>
<tr>
<td>Net income</td>
<td>1,609</td>
<td>1,609</td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>3,025</td>
<td>4,122</td>
</tr>
</tbody>
</table>

(million yen)

Shareholders’ equity Valuation and translation differences

<table>
<thead>
<tr>
<th></th>
<th>Shareholders’ equity</th>
<th>Valuation and translation differences</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Treasury stock</td>
<td>Total shareholders’ equity</td>
<td>Other valuation differences on available-for-sale securities</td>
</tr>
<tr>
<td>Balance at the beginning of current period</td>
<td>-12</td>
<td>24,258</td>
<td>664</td>
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<tr>
<td>Changes of items during the period</td>
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<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>-282</td>
<td>-282</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,609</td>
<td>1,609</td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>-0</td>
<td>-0</td>
<td></td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td></td>
<td>278</td>
<td>278</td>
</tr>
<tr>
<td>Total changes of items during the period</td>
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<td>1,326</td>
<td>278</td>
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<tr>
<td>Balance at the end of current period</td>
<td>-12</td>
<td>25,585</td>
<td>943</td>
</tr>
</tbody>
</table>
Current Fiscal Year (from January 1, 2018 to December 31, 2018)

### Shareholders’ equity

<table>
<thead>
<tr>
<th></th>
<th>Capital surplus</th>
<th></th>
<th>Profit surplus</th>
<th></th>
<th>Total profit surplus</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital reserve</td>
<td>Total capital surplus</td>
<td>Profit reserve</td>
<td>General reserve</td>
<td>Profit surplus brought forward</td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of current period</td>
<td>3,025</td>
<td>4,122</td>
<td>176</td>
<td>8,700</td>
<td>9,572</td>
<td>18,449</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>-311</td>
<td>-311</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,778</td>
<td>1,778</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>3,025</td>
<td>4,122</td>
<td>176</td>
<td>8,700</td>
<td>11,039</td>
<td>19,916</td>
</tr>
</tbody>
</table>

### Valuation and translation differences

<table>
<thead>
<tr>
<th></th>
<th>Shareholders’ equity</th>
<th>Valuation and translation differences</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Treasury stock</td>
<td>Total shareholders’ equity</td>
<td>Other valuation differences on available-for-sale securities</td>
</tr>
<tr>
<td>Balance at the beginning of current period</td>
<td>-12</td>
<td>25,585</td>
<td>943</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>-311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,778</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>-0</td>
<td>-0</td>
<td></td>
</tr>
<tr>
<td>Fluctuations during this fiscal year for items other than shareholders’ equity (Net amount)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>-0</td>
<td>1,466</td>
<td>-143</td>
</tr>
<tr>
<td>Balance at the end of current period</td>
<td>-12</td>
<td>27,051</td>
<td>800</td>
</tr>
</tbody>
</table>
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. Standards for translation of assets and liabilities denominated in foreign currencies into yen
   Monetary debts and credits denominated in foreign currencies are translated into yen based on the spot
   exchange rate in the foreign exchange market on the balance sheet date, and the foreign exchange gains and
   losses resulting from the translation are recognized in the profit and loss account.

5. 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.

6. 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).

7. 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 Presentation Method)
(Notes on Profit and Loss Account)
“Foreign exchange losses,” an item included in “Other” under “Non-operating expenses” in the previous fiscal year, is presented separately effective from the current fiscal year because the amount of “Foreign exchange losses” exceeds 10% of the total amount of non-operating expenses. To reflect this change in the presentation method, the financial statements for the previous fiscal year have been reclassified. As a result, 2 million yen presented in “Other” under “Non-operating expenses” of the Non-consolidated Profit and Loss Account for the previous fiscal year has been reclassified to 1 million yen presented in “Foreign exchange losses” and 0 million yen presented in “Other.”
(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:

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year</th>
<th>Current Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(as of December 31, 2017)</td>
<td>(as of December 31, 2018)</td>
</tr>
<tr>
<td>Shot-term monetary claims</td>
<td>1,771 million yen</td>
<td>1,518 million yen</td>
</tr>
<tr>
<td>Shot-term monetary debts</td>
<td>221</td>
<td>308</td>
</tr>
<tr>
<td>Long-term monetary claims</td>
<td>512</td>
<td>625</td>
</tr>
<tr>
<td>Long-term monetary debts</td>
<td>44</td>
<td>-</td>
</tr>
</tbody>
</table>

2 Warranty for liabilities

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year</th>
<th>Current Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(as of December 31, 2017)</td>
<td>(as of December 31, 2018)</td>
</tr>
<tr>
<td>Employees of the Company</td>
<td>30 million yen</td>
<td>20 million yen</td>
</tr>
<tr>
<td>Employees of CTI Engineering International Co., Ltd.</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Wuhan CTI-CRSRI Engineering &amp; Environment Co., Ltd</td>
<td>51</td>
<td>-</td>
</tr>
</tbody>
</table>

(Notes on Profit and Loss Account)

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year</th>
<th>Current Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(from January 1, 2017 to December 31, 2017)</td>
<td>(from January 1, 2018 to December 31, 2018)</td>
</tr>
<tr>
<td>Turnover of operating transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>15 million yen</td>
<td>37 million yen</td>
</tr>
<tr>
<td>Subcontractor cost</td>
<td>1,552</td>
<td>1,851</td>
</tr>
<tr>
<td>Other operating transactions</td>
<td>129</td>
<td>155</td>
</tr>
<tr>
<td>Turnover of transactions other than operating transactions</td>
<td>60</td>
<td>80</td>
</tr>
</tbody>
</table>

*2 The percentage of expenses included in selling expenses is approximately 33% for the previous and current fiscal years, and the percentage of expenses included in general and administrative expenses is 67% for the previous and current fiscal years.

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year</th>
<th>Current Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(from January 1, 2017 to December 31, 2017)</td>
<td>(from January 1, 2018 to December 31, 2018)</td>
</tr>
<tr>
<td>Wages and allowances</td>
<td>2,745 million yen</td>
<td>2,772 million yen</td>
</tr>
<tr>
<td>Transferred reserve for bonuses</td>
<td>205</td>
<td>219</td>
</tr>
<tr>
<td>Reserve for bonuses to directors</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Retirement benefits expenses</td>
<td>173</td>
<td>212</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>95</td>
<td>124</td>
</tr>
<tr>
<td>Research and investigation expenses</td>
<td>1,038</td>
<td>1,007</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year</th>
<th>Current Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(from January 1, 2017 to December 31, 2017)</td>
<td>(from January 1, 2018 to December 31, 2018)</td>
</tr>
<tr>
<td>Buildings</td>
<td>0 million yen</td>
<td>7 million yen</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Software</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>14</td>
</tr>
</tbody>
</table>
(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.

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year (as of December 31, 2017)</th>
<th>Current Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in subsidiaries</td>
<td>7,922 million yen</td>
<td>7,905 million yen</td>
</tr>
<tr>
<td>Total</td>
<td>7,922</td>
<td>7,905</td>
</tr>
</tbody>
</table>

(Notes on Tax Effect Accounting)

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

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year (as of December 31, 2017)</th>
<th>Current Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued enterprise tax</td>
<td>57 million yen</td>
<td>67 million yen</td>
</tr>
<tr>
<td>Allowance for losses in operations</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>237</td>
<td>275</td>
</tr>
<tr>
<td>Social insurance premiums for bonuses</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>Reserve for retirement benefits</td>
<td>152</td>
<td>204</td>
</tr>
<tr>
<td>Long-term accounts payable</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Unrealized loss of securities</td>
<td>63</td>
<td>62</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>Other</td>
<td>105</td>
<td>168</td>
</tr>
<tr>
<td>Subtotal</td>
<td>692</td>
<td>864</td>
</tr>
<tr>
<td>Allowance account</td>
<td>-149</td>
<td>-197</td>
</tr>
<tr>
<td>Total</td>
<td>543</td>
<td>667</td>
</tr>
</tbody>
</table>

Deferred tax liabilities

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year (as of December 31, 2017)</th>
<th>Current Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid pension cost</td>
<td>121</td>
<td>62</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td>Other valuation difference on available-for-sale securities</td>
<td>324</td>
<td>278</td>
</tr>
<tr>
<td>Total</td>
<td>466</td>
<td>365</td>
</tr>
</tbody>
</table>

Net of deferred tax assets

<table>
<thead>
<tr>
<th></th>
<th>Previous Fiscal Year (as of December 31, 2017)</th>
<th>Current Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>76 million yen</td>
<td>302 million yen</td>
</tr>
</tbody>
</table>
2. Breakdown by major item of causes leading to any material difference between the legal effective tax rate and the bearing rate of corporation tax or the like after adoption of tax effect accounting

<table>
<thead>
<tr>
<th>Item</th>
<th>Previous Fiscal Year (as of December 31, 2017)</th>
<th>Current Fiscal Year (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal effective tax rate</td>
<td>30.86 %</td>
<td>30.86 %</td>
</tr>
<tr>
<td>(Adjustment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No entry of loss from entertainment expense etc.</td>
<td>0.25</td>
<td>0.23</td>
</tr>
<tr>
<td>Per capita inhabitant tax</td>
<td>3.40</td>
<td>3.05</td>
</tr>
<tr>
<td>No entry of profit from dividend earned etc.</td>
<td>-0.21</td>
<td>-0.22</td>
</tr>
<tr>
<td>Special tax credit of experiment and research expenses</td>
<td>-0.90</td>
<td>-0.79</td>
</tr>
<tr>
<td>Tax credit under the Income Growth Promotion</td>
<td>-2.58</td>
<td>–</td>
</tr>
<tr>
<td>No entry of loss from bonuses to directors</td>
<td>0.42</td>
<td>0.31</td>
</tr>
<tr>
<td>Allowance account</td>
<td>2.80</td>
<td>1.78</td>
</tr>
<tr>
<td>Other</td>
<td>-0.47</td>
<td>-0.18</td>
</tr>
<tr>
<td>Bearing rate of corporation tax or the like after application of tax effect accounting</td>
<td>33.57</td>
<td>35.04</td>
</tr>
</tbody>
</table>

(Significant Subsequent Event)
Not applicable.
### Specifications of tangible fixed assets and other

<table>
<thead>
<tr>
<th>Type of assets</th>
<th>Opening balance (million yen)</th>
<th>Increase during the year (million yen)</th>
<th>Decrease during the year (million yen)</th>
<th>Depreciation or amortization in the current term (million yen)</th>
<th>Closing balance (million yen)</th>
<th>Accumulated depreciation or amortization (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>1,400</td>
<td>1,050</td>
<td>7</td>
<td>94</td>
<td>2,349</td>
<td>2,461</td>
</tr>
<tr>
<td>Structures</td>
<td>135</td>
<td>40</td>
<td>0</td>
<td>10</td>
<td>165</td>
<td>592</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>7</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>9</td>
<td>233</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>230</td>
<td>184</td>
<td>5</td>
<td>109</td>
<td>299</td>
<td>855</td>
</tr>
<tr>
<td>Land</td>
<td>4,787</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,787</td>
<td>–</td>
</tr>
<tr>
<td>Lease assets</td>
<td>52</td>
<td>97</td>
<td>0</td>
<td>40</td>
<td>109</td>
<td>85</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>409</td>
<td>469</td>
<td>879</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total tangible fixed assets</strong></td>
<td>7,024</td>
<td>1,845</td>
<td>892</td>
<td>256</td>
<td>7,721</td>
<td>4,228</td>
</tr>
<tr>
<td><strong>Intangible fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold</td>
<td>16</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>16</td>
<td>–</td>
</tr>
<tr>
<td>Software</td>
<td>411</td>
<td>412</td>
<td>1</td>
<td>132</td>
<td>690</td>
<td>–</td>
</tr>
<tr>
<td>Telephone rights</td>
<td>22</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>22</td>
<td>–</td>
</tr>
<tr>
<td>Right of using special facilities</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td>0</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>Lease assets</td>
<td>2</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td>0</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total intangible fixed assets</strong></td>
<td>452</td>
<td>412</td>
<td>1</td>
<td>133</td>
<td>730</td>
<td>–</td>
</tr>
</tbody>
</table>

### Specifications of allowances and reserves

<table>
<thead>
<tr>
<th>Category</th>
<th>Opening balance (million yen)</th>
<th>Increase during the year (million yen)</th>
<th>Decrease during the year (million yen)</th>
<th>Closing balance (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts</td>
<td>0</td>
<td>88</td>
<td>0</td>
<td>88</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>769</td>
<td>900</td>
<td>769</td>
<td>900</td>
</tr>
<tr>
<td>Reserve for bonuses to directors</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Allowance for losses in operations</td>
<td>11</td>
<td>18</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Reserve for retirement benefits</td>
<td>498</td>
<td>252</td>
<td>82</td>
<td>668</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>January 1 to December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary general meeting of shareholders</td>
<td>In March</td>
</tr>
<tr>
<td>Record date</td>
<td>December 31</td>
</tr>
<tr>
<td>Record date of dividends from surplus</td>
<td>June 30, December 31</td>
</tr>
<tr>
<td>Unit of shares</td>
<td>100 shares</td>
</tr>
</tbody>
</table>

### Purchase of shares below one unit of shares

<table>
<thead>
<tr>
<th>Place of purchase</th>
<th>(Special Account) Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer agent</td>
<td>Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo</td>
</tr>
<tr>
<td>Service office</td>
<td>–</td>
</tr>
<tr>
<td>Service charge for purchase</td>
<td>Free of charge</td>
</tr>
</tbody>
</table>

### 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 (55th fiscal year) (from January 1, 2017 to December 31, 2017)
       Submitted to the director of the Kanto Local Finance Bureau on March 28, 2018.

   (2) Internal Control Report
       Submitted to the director of the Kanto Local Finance Bureau on March 28, 2018.

   (3) Quarterly Report and confirmation note
       (First quarter of 56th fiscal year) (from January 1, 2018 to March 31, 2018)
       Submitted to the director of the Kanto Local Finance Bureau on June 8, 2018.
       (Second quarter of 56th fiscal year) (from April 1, 2018 to June 30, 2018)
       Submitted to the director of the Kanto Local Finance Bureau on August 13, 2018.
       (Third quarter of 56th fiscal year) (from July 1, 2018 to September 30, 2018)
       Submitted to the director of the Kanto Local Finance Bureau on November 14, 2018.

   (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, 2019.
Part 2: SURETY COMPANY INFORMATION

Not applicable.