

# SECURITIES REPORT

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

**Fiscal Year (51st Term)**

(from January 1, 2013 to December 31, 2013)

**CTI Engineering Co., Ltd.**

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

(941-172)

51st Term (from January 1, 2013 to December 31, 2013)

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# SECURITIES REPORT

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

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

CTI Engineering Co., Ltd.

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## Cover

Document submitted	Securities report
Legal basis	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Recipient of document	Director of the Kanto Local Finance Bureau
Date of submission	March 28, 2014
Fiscal Year	51st term (from January 1, 2013 to December 31, 2013)
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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

Fiscal year		47th term	48th term	49th term	50th term	51st term
Fiscal year-end		December 2009	December 2010	December 2011	December 2012	December 2013
Sales amount	(million yen)	31,374	30,939	33,646	32,515	36,435
Ordinary profit	(million yen)	1,281	1,279	1,129	1,076	1,638
Net income	(million yen)	630	634	421	550	982
Comprehensive income	(million yen)	–	–	507	701	1,270
Net assets	(million yen)	19,196	19,658	19,876	20,350	21,392
Total assets	(million yen)	29,970	32,243	30,332	32,319	37,132
Net assets per share	(yen)	1,352.78	1,383.80	1,397.99	1,429.83	1,504.86
Net income per share	(yen)	44.56	44.84	29.83	38.91	69.46
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	63.8	60.7	65.2	62.6	57.3
Profit ratio of net worth	(%)	3.3	3.3	2.1	2.8	4.7
Price earnings ratio	(times)	10.39	10.12	17.60	15.50	15.22
Cash flow from operating business activities	(million yen)	-760	3,025	-1,005	921	3,012
Cash flow from investment activities	(million yen)	-536	-1,483	683	-167	-962
Cash flow from financial activities	(million yen)	-402	-696	-238	-476	89
Closing balance of cash and cash equivalents	(million yen)	5,717	6,559	6,163	6,448	8,592
Number of employees (plus average number of temporary employees)	(persons)	1,423 (509)	1,452 (535)	1,557 (495)	1,588 (510)	1,633 (492)

- 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

Fiscal year		47th term	48th term	49th term	50th term	51st term
Fiscal year-end		December 2009	December 2010	December 2011	December 2012	December 2013
Sales amount	(million yen)	28,050	27,220	28,416	27,040	30,059
Ordinary profit	(million yen)	1,079	1,121	946	878	1,619
Net income	(million yen)	510	541	363	463	969
Capital stock	(million yen)	3,025	3,025	3,025	3,025	3,025
Number of outstanding shares	(shares)	14,159,086	14,159,086	14,159,086	14,159,086	14,159,086
Net assets	(million yen)	18,880	19,225	19,428	19,792	20,840
Total assets	(million yen)	27,195	29,905	27,373	28,228	32,553
Net assets per share	(yen)	1,334.97	1,359.42	1,373.83	1,399.57	1,473.74
Cash Dividend per share (Interim dividend per share)	(yen)	16.00 (-)	16.00 (-)	16.00 (-)	16.00 (-)	18.00 (-)
Net income per share	(yen)	36.08	38.27	25.68	32.81	68.59
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	69.4	64.3	71.0	70.1	64.0
Profit ratio of net worth	(%)	2.7	2.8	1.9	2.4	4.7
Price earnings ratio	(times)	12.83	11.86	20.45	18.38	15.41
Dividend Payout ratio	(%)	44.3	41.8	62.3	48.8	26.2
Number of employees (plus average number of temporary employees)	(persons)	1,238 (474)	1,255 (504)	1,269 (466)	1,270 (475)	1,295 (441)

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

## 2. Chronology

Date	Outline
April 1963	Established “Kensetsu Giken KK” in Ginza-nishi (Ginza 3-chome at present), Chuo-ku, Tokyo to conduct engineering consulting business
April 1963	Started business at the Head Office and Osaka Office in Minami-ku (Chuo-ku at present), Osaka at the same time as company establishment
February 1964	Changed trading name to “KK Kensetsu Gijutsu Kenkyujo (= CTI Engineering Co., Ltd.)”
December 1964	Registered at the Ministry of Construction as a construction consultant (No. 39-133)
June 1967	Opened Fukuoka Liaison Office (Fukuoka Office at present) in Fukuoka-shi, Fukuoka
April 1969	Moved the Head Office to Nihombashi-koamicho, Chuo-ku, Tokyo
September 1973	Moved the Head Office to Nihombashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (Overseas Department at present) in the Head Office to increase the number of overseas project orders
April 1976	Opened Sendai Liaison Office (Tohoku Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekai KK” (CTI AURA Co., Ltd. at present) to be exclusively engaged in construction management projects
June 1988	Opened Sapporo Liaison Office (Hokkaido Office at present) in Chuo-ku, Sapporo
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
April 1991	Opened Tokyo Office (Tokyo Head Office at present) in Nihombashi-honcho, Chuo-ku, Tokyo in preparation for larger-scale business
April 1994	Opened CM Headquarters in the Head Office to participate in “Construction Management (CM)” business acting as an agent in construction projects ranging from planning and design through to selection of constructor and construction control
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaraki
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
September 1997	Constructed the Company’s own building, which focuses on environment-consciousness, in Chuo-ku, Fukuoka as the first base-isolated building in Kyushu
March 1999	Established CTI Engineering International Co., Ltd. to isolate overseas operations making it independent of other operations
April 1999	Assigned the goodwill of the overseas division to the CTI Engineering International
June 1999	Stock listed on the First Section of the Tokyo Stock Exchange
December 1999	Established Management Techno Co., Ltd. to be exclusively engaged in management businesses
April 2000	Opened Management Business Department to be in charge of management business
April 2001	Construction of the Company’s own environmentally friendly headquarters in Urawa City (presently Urawa Ward, Saitama City), Saitama Prefecture.
April 2003	CTI Academy Co., Ltd. (CTI Frontier Co., Ltd. at present) was established to specialize in training, the conducting of seminars, and other businesses.
May 2005	In the company’s 60th year of operations, the head office was relocated to Nihombashi Hamacho, Chuo-ku, Tokyo.
June 2006	On June 1, 2006, the Fukuoka Association of Land Readjustment transferred its commercial operations to the Company’s wholly owned subsidiary, Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006) (presently Fukuoka Urban Engineering Co., Ltd.)
January 2008	Established Wuhan CTI-CRSRI Engineering & Environment Co., Ltd. to implement environmental consulting services with Changjiang River Scientific Research Institute
October 2010	The Company’s wholly owned subsidiary, Chi-ken Sogo Consultants Co., Ltd., absorbed the construction consultant business of SUMIKO CONSULTANTS CO., LTD. (presently Sumiko Resources Exploration & Development Co., Ltd.) and started operations.

### 3. Business Contents

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

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

#### (i) Domestic operations

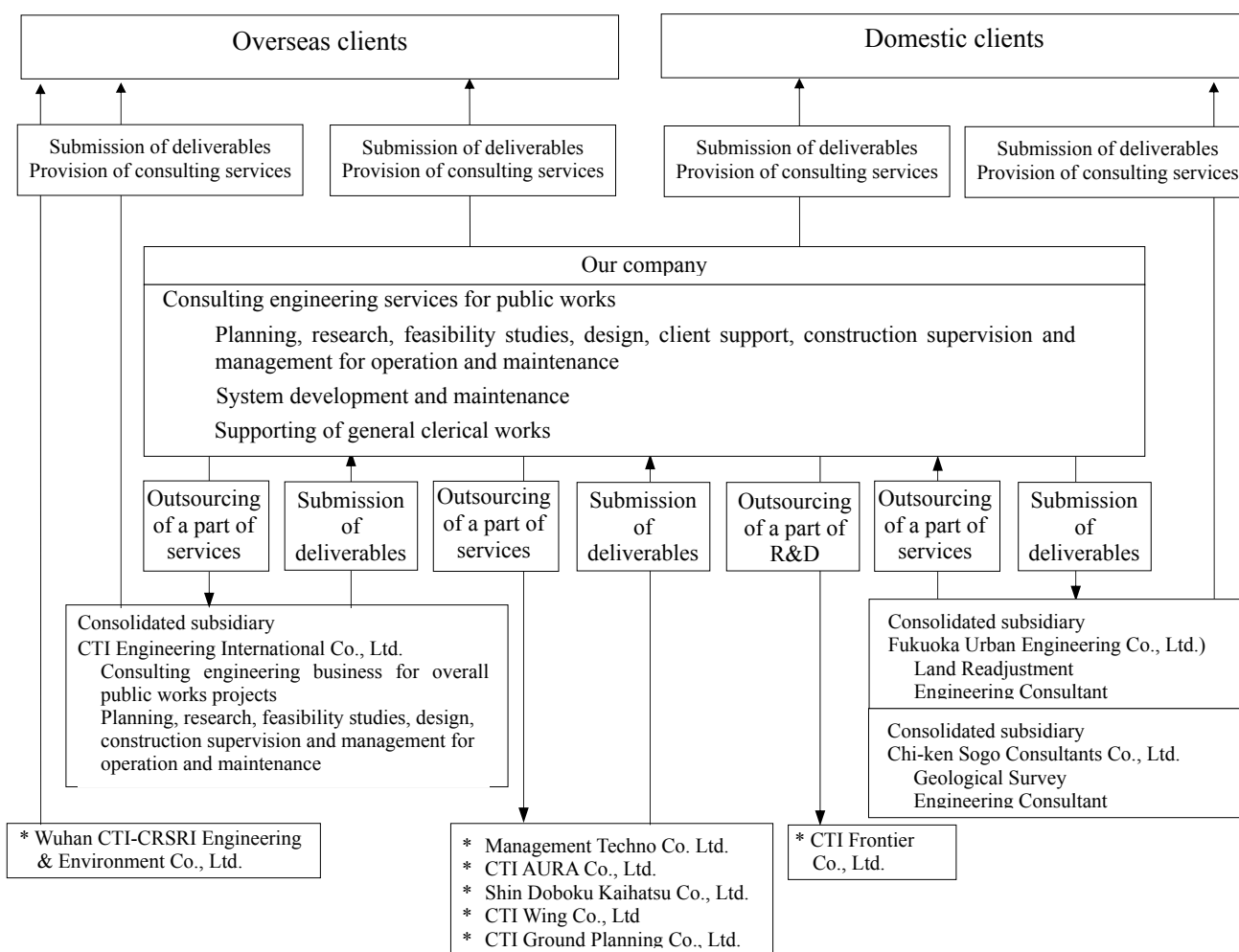
The Company's major consulting engineering services include planning, research, feasibility studies, design, client support, construction supervision, management for operation and maintenance for public works in Japan as well as incidental system development, maintenance and supporting of general clerical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

#### (ii) Overseas operations

The Company's major overseas business operations are consulting engineering services for overall public works projects including project finding, formulation of master plans, planning, research, feasibility studies, design, construction supervision and management for operation and maintenance. The Company is in charge of these services together with its subsidiary CTI Engineering International Co., Ltd.

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

The above description is shown in the business chart below.



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



#### 4. Situation of Consolidated Subsidiaries

Company name	Address	Capital (million yen)	Major business contents	Voting right ratio (%)	Relation contents
CTI Engineering International Co., Ltd.	Koto-ku, Tokyo	100	Engineering consulting for overseas market	70.0	Receives orders for engineering consulting services in overseas markets. The Company guarantees some debts.
Fukuoka Urban Engineering Co., Ltd.)	Chuo-ku, Tokyo	100	Land readjustment Engineering consulting	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for land readjustment works, from local governments.
Chi-ken Sogo Consultants Co., Ltd.	Arakawa-ku, Tokyo	100	Geological survey Engineering consulting	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for geological survey works, from local governments.

#### 5. Situation of Employees

##### (1) Consolidation basis

As of December 31, 2013

Number of employees (persons)	1,633 (492)
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Note: "Number of employees" shows the number of regular workers. For temporary employees, the average number of additional temporary workers during the year is shown in ( ).

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

As of December 31, 2013

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
1,295 (441)	42.61	13.37	7,898,115

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: 780 (as of December 31, 2013)

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

## CHAPTER 2: BUSINESS SITUATION

### 1. Outline of Results

#### (1) Results

With regard to construction consultancy, the industry in which the Group is involved, the business environment surrounding the Group remained strong as the national government significantly increased budgetary measures for public works spending in 2013 under its policies to promote a national economic growth strategy, accelerate recovery from the damages of the Great East Japan Earthquake, and develop legal systems toward national resilience. Local governments also slightly increased their budgetary measures for non-subsidized works, including the establishment of an emergency budget to cover expenses for disaster prevention and mitigation, compared to the previous year.

Under these circumstances, the Group has committed all of its strengths and resources to contribute to restoration from the Great East Japan Earthquake by promoting infrastructure recovery, urban reconstruction design, and CM business for reconstruction on behalf of the governing administrative agencies and offices, as planned in accordance with the mid-year business plan 2014, which entered its second year in 2013. The Group has also responded to disaster-prevention-related works nationwide, including projects to shore up protections against earthquakes and liquefaction. To better deal with the maintenance, management, and renewal of social infrastructure, tasks expected to increase in the future, the Group has taken steps to strengthen the structure of the Asset Management Service Section of the Tokyo Head Office by reorganizing / expanding it and renaming it the Infrastructure Management Center.

For orders received, the Group used its comprehensive technical strengths and nationwide sales capability with good success under the “Proposal System” and related systems for selecting companies based on their technical strengths. The Group demonstrated its top competitive capacity while promoting effective production.

Among our consolidated subsidiaries, CTI Engineering International Co., Ltd., an internationally active company, sought to expand into water supply and electric power areas while maintaining its share of existing disaster-prevention and road works centering on ODA orders. Fukuoka Land Readjustment Co., Ltd., a subsidiary specializing in land readjustment and urban redevelopment, expanded its earthquake recovery businesses and saw signs of recovery in existing markets. Chi-ken Sogo Consultants Co., Ltd., a company specialized in erosion control and soil research, aggressively promoted business related to earthquake recovery, disaster prevention and disaster mitigation. All three of these companies brought in steady orders through the activities described above.

As a consequence, orders received during this consolidated fiscal year were 43,082 million yen, a YoY increase of 14.3%. Meanwhile, income from completed services was 36,435 million yen, a YoY increase of 12.1% reflecting increased orders received, and ordinary profit was 1,638 million yen, increased by 52.2% YoY mainly due to an improved cost ratio attributable to effective production. Current net income was 982 million yen, increased by 78.5% YoY, mainly due to gain from the sale of the former Urawa Dormitory.

#### (2) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by 2,143 million yen YoY, to a total of 8,592 million yen.

Net cash provided by operating activities was 3,012 million yen, a YoY increase of 227.0%. The major items were net income before income tax of 1,712 million yen, a 2,250 million yen increase in advances received from uncompleted services, and a ¥1,106 million yen increase in prepaid expenses for uncompleted services.

Net cash used for investment activities was 962 million yen, a YoY increase of 473.3%. The major item was net payments into time deposits of 800 million yen.

Net cash provided by financial activities was 89 million yen. The major items were dividend payments of 226 million yen and income from short-term borrowing of 450 million yen.

## 2. Production, Orders Received and Sales

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

### (1) Production results

Category	Current consolidated fiscal year (From January 1, 2013 to December 31, 2013) (million yen)	Change from the same term in previous year (%)
Engineering consulting	36,435	12.1
Total	36,435	12.1

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

### (2) Order receiving situation

Category	Current consolidated fiscal year (From January 1, 2013 to December 31, 2013)			
	Orders received (million yen)	Change from the same term in previous year (%)	Orders in hand (million yen)	Change from the same term in previous year (%)
Engineering consulting	43,082	14.3	41,779	18.9
Total	43,082	14.3	41,779	18.9

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

### (3) Sales results

#### 1) Sales results

Category	Current consolidated fiscal year (From January 1, 2013 to December 31, 2013) (million yen)	Change from the same term in previous year (%)
Engineering consulting	36,435	12.1
Total	36,435	12.1

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

#### 2) Sales results by client

In the current consolidated fiscal year, the clients representing at least 10% of the total sales results are as follows:

Client	Previous consolidated fiscal year (From January 1, 2012 to December 31, 2012)		Current consolidated fiscal year (From January 1, 2013 to December 31, 2013)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government	16,018	49.3	16,983	46.6

### **3. Our Tasks Ahead**

We expect that the budget for public works relating to restoration from the Great East Japan Earthquake and national land toughening will be included in a supplementary budget for fiscal 2013. Apart from the budget for fiscal 2014, which increased substantially by 1.9% YoY, the decision to host the 2020 Olympic and Paralympic Games in Tokyo is expected to expand market opportunities for our Group, though management will have to consider mid- and long-term fiscal constraints in public works projects for fiscal consolidation.

Fiscal 2014 is the last year of the mid-year business plan 2014 based on the Group's third mid- and long-term vision (PH00S2015). To steadily bring the plan to a successful close and secure a promising future, the Group will promote the strategies listed below.

- 1) Maximum contribution to earthquake restoration
- 2) Strengthening our efforts to maintain, manage, and renew disaster prevention and disaster mitigation, CM, and social infrastructures
- 3) Investing in businesses that play important roles in the future, such as energy, logistics, PFI and PPP
- 4) Providing high-quality services by strengthening our efforts to secure quality
- 5) Strengthening our production capabilities by securing and training various human resources
- 6) Redeveloping our management system for strengthened production management and internal control

We also plan, in the current fiscal year, to draw up a new vision and mid-year business plan aiming for a new future in order to establish a new stage.

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

### **4. Business Risks**

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

### **5. Important Agreement Related to the Management**

Not applicable.

## 6. Research and Development

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

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

During the current consolidated fiscal year, the Group invested a total of 443 million yen to carry out research and development on the following major subjects:

- 1) Strategic research (research in international business and research in urban business)
- 2) Restoration support (urban design considering disaster prevention, etc.)
- 3) New business model research (project for introducing renewable energy to Kamaishi-shi, Iwate Prefecture, study on the commercialization of business development for harbor areas, study on the commercialization of business development in water supply and industrial water supply areas, study on the commercialization of small hydroelectric power generation, study on the commercialization of railways, study on the commercialization of logistics, business development in infrastructure management, business development in next-generation disaster prevention information, and business development in CM for reconstruction)
- 4) Research in national land and culture (a think tank, fund management for operation and maintenance, a compact city, benefits from investment in social infrastructure, measures for adapting temperature variability, a mental health city, cooperation bases for waterside restoration, realization of the "*machi-niwa*" concept (making a town like a garden by fusing public and private resources), collaborative value creation, empirical research on methods for evaluating the hollowing-out phenomenon, agricultural technology, support for disaster prevention of cultural properties, and research and countermeasures against hollowing out)
- 5) Technological research and development (reconstruction in urban road spaces, tsunami-resistant bridge design and 3D data conversion, development of logistics analysis systems, PG acceleration, weather prediction, estimation of the movements of physical organisms in tidal mud flats, CTI-ITS development, use of space information of local government, introduction of CIM, study for improving flowing-water dams, management and study of dam risk, study of large-scale landslide disasters, application of biological gene analysis, vegetation prosperity and decay stochastic model)
- 6) Human resources development (training inside or outside of the company, dispatch to graduate school for employees with full-time jobs, dispatch overseas for training, etc.)

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

### (1) Financial conditions

#### (Assets)

At the end of the current consolidated fiscal year, the Group's total assets totaled 37,132 million yen, for an increase of 14.9% compared to the previous year. The major items were an increase in marketable securities and an increase in prepaid expenses for uncompleted services.

#### (Liabilities)

Total liabilities at the end of this consolidated fiscal year were 15,740 million yen, for an increase of 31.5% compared to the end of the previous year. The major item was an increase in advances received from uncompleted services.

(Net Assets)

At the end of the current consolidated fiscal year, net assets totaled 21,392 million yen, for an increase of 5.1% over a year earlier. The major item was current net income.

(2) Business performance

As of the end of this consolidated fiscal year, orders received amounted to 43,082 million yen, a YoY increase of 14.3%. Income from completed services was 36,435 million yen, a YoY increase of 12.1%. Ordinary profit increased by 52.2% YoY to 1,638 million yen, and current net income for this consolidated fiscal year increased by 78.5% YoY to 982 million yen.

(3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by 2,143 million yen compared to the end of the previous year, totaling 8,592 million yen.

Net cash provided by operating activities was 3,012 million yen, a YoY increase of 227.0%. The major items were net income before income tax of 1,712 million yen, a 2,250 million yen increase in advances received from uncompleted services, and a 1,106 million yen increase in prepaid expenses for uncompleted services.

Net cash used for investment activities was 962 million yen, a YoY increase of 473.3%. The major item was net payments into time deposits of 800 million yen.

Net cash provided by financial activities was 89 million yen. The major items were dividend payments of 226 million yen and income from short-term borrowing of 450 million yen.

## CHAPTER 3: FACILITIES & EQUIPMENT

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

The Group committed 114 million yen in capital investment chiefly to perform repair work for improving working conditions at offices.

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

### 2. Major Facilities and Equipment

Major facilities and equipment of the Company's group are as shown below.

(1) Company submitting the report

As of December 31, 2013

Establishment (location)	Business line	Book value (million yen)						Number of employees (persons)
		Buildings and structures	Machinery and delivery equipment	Land (area: m <sup>2</sup> )	Lease assets	Other	Total	
Head Office (Chuo-ku, Tokyo)	General administration facilities	9	–	–	11	35	57	100 (2)
Tokyo Head Office (Chuo-ku, Tokyo)	Office	81	0	–	14	46	142	378 (114)
Tokyo Head Office Saitama Office (Urawa-ku, Saitama)	Office	742	0	772 (1,978)	24	10	1,549	136 (72)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Office and laboratory facilities	288	10	1,937 (50,605)	2	4	2,244	41 (14)
Yono Dormitory (Chuo-ku, Saitama)	Welfare facilities	223	–	820 (1,565)	–	0	1,043	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Office	349	1	1,025 (1,136)	36	4	1,418	125 (27)

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

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

(2) Subsidiaries in Japan

Not applicable.

(3) Subsidiaries out of Japan

Not applicable.

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

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



## CHAPTER 4: STATUS OF THE COMPANY

### 1. Status of Shares

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Number of shares issued

Class	Issued shares as of the end of the fiscal year (shares) (December 31, 2013)	Issued shares as of the date for submission (shares) (March 28, 2014)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	14,159,086	14,159,086	Tokyo Stock Exchange First Section	Number of shares in one voting unit: 100 shares
Total	14,159,086	14,159,086	–	–

(2) Stock options, etc.

Not applicable.

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

Not applicable.

(4) Rights plan

Not applicable.

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

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

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

## (6) Shareholders

As of December 31, 2013

Category	Distribution of shares (Number of shares per unit: 100 shares)								Shares below a unit (shares)
	Government and local public entities	Financial institutions	Financial instruments firm	Other corporations	Foreign corporations etc.		Individuals etc.	Total	
					Other than Individuals	Individuals			
Number of shareholders (persons)	–	29	58	84	79	4	2,752	2,973	–
Number of shares held (units)	–	32,059	4,062	15,825	11,108	194	78,020	141,268	32,286
Shareholding ratio (%)	–	22.7	2.9	11.2	7.9	0.1	55.2	100.0	–

- Notes: 1. Among treasury stocks (17,737 stocks), 177 units are counted as “Individuals etc.” and 37 stocks are counted as “Shares below a unit” in the table above.
2. “Other corporations” and “Shares below a unit” in the table above include 41 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

## (7) Major shareholders

As of December 31, 2013

Name	Address	Number of shares held (thousand)	Ratio of the number of shares held against the number of shares issued (%)
CTI Engineering Employees' Stock-sharing Association	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	1,722	12.16
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	415	2.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	371	2.62
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	354	2.50
Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	18-24, Tsukiji 7-chome, Chuo-ku, Tokyo (8-11, Harumi 1-chome, Chuo-ku, Tokyo)	300	2.12
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	388 GREENWICH STREET, NY, NY 10013, USA (3-14, Higashishinagawa 2-chome, Shinagawa-ku, Tokyo)	277	1.95
Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	269	1.90
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	229	1.61
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	223	1.58
Daido Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	2-1, Edobori 1-chome, Nishi-ku, Osaka (8-11, Harumi 1-chome, Chuo-ku, Tokyo)	174	1.23
Total	—	4,338	30.64

Note: 413 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 221 thousand shares held in Japan Trustee Services Bank, Ltd. (trust account) are shares related to trust services.

## (8) Voting rights

## (i) Issued shares

As of December 31, 2013

Category	Number of shares (shares)	Number of voting rights (votes)	Details
Nonvoting shares	–	–	–
Shares with limited voting rights (Treasury stocks, etc.)	–	–	–
Shares with limited voting rights (Other)	–	–	–
Shares with complete voting rights (Treasury stocks, etc.)	(Treasury stock) Common stock 17,700	–	–
Shares with complete voting rights (Other)	Common stock 14,109,100	141,091	–
Shares below a unit	Common stock 32,286	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	141,091	–

- 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.

As of December 31, 2013

Name of owners	Address of owners	Number of shares held in its own name (shares)	Number of shares held disguised ownership (shares)	Total number of shares held (shares)	Ratio of the shares held against the total number of shares issued (%)
CTI Engineering Co., Ltd.	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	17,700	–	17,700	0.1
Total	–	17,700	–	17,700	0.1

## (9) Contents of the stock option system

Not applicable.

## 2. Acquisition of Treasury Stocks

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

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

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

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

Category	Number of Shares	Total Price (Yen)
Treasury stock acquired in this fiscal year	339	275,540
Treasury stock acquired in this period	50	54,986

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2014 to the date of the submission of this Securities Report.

(4) Disposal and holding of acquired treasury stock

Category	This Fiscal Year		This Period	
	Number of Shares	Total Amount Received on Divestiture (Yen)	Number of Shares	Total Amount Received on Divestiture (Yen)
Treasury stock acquired by public subscription	—	—	—	—
Treasury stock extinguished	—	—	—	—
Treasury stock acquired due to transfers from mergers, share swaps and company split-offs	—	—	—	—
Other	—	—	—	—
Held Treasury Stock	17,737	—	17,787	—

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2014 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 by taking into account the dividend payment ratio.

Note: In respect of the dividend for the record date, December 31, 2013, at the 51st Ordinary General Shareholders Meeting held on March 27, 2014, it was resolved to pay a dividend of 18 yen per share (consisting of an ordinary dividend of 16 yen of and a commemorative dividend of 2 yen to commemorate the 50th anniversary of founding as a stock company; total dividend payment amount: 254 million yen).

### 4. Change in Stock Price

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

Fiscal year	47th term	48th term	49th term	50th term	51st term
Fiscal year end	December 2009	December 2010	December 2011	December 2012	December 2013
Highest (yen)	706	515	670	644	1,080
Lowest (yen)	424	388	399	445	564

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

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

Month	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013
Highest (yen)	810	765	840	1,010	949	1,080
Lowest (yen)	705	710	700	775	845	900

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

## 5. Executive Management

Board member position	Company position	Name	Date of birth	Career	Term of office (Note no.)	Number of shares held (thousand)
Chairman & Representative Director		Kazuya Oshima	July 8, 1946	<p>April 1969 April 1991 April 1994 March 1995 April 1997 March 1998 April 1999 March 2000 March 2001 March 2002 March 2003 March 2013</p> <p>Joined CTI Engineering General Manager, Water Resources Div. V, Tokyo Office Chief, Human Intelligence Dept., Tokyo Office Director &amp; Member of the Board Deputy Branch Administrator, Tokyo Office Managing Director Tokyo Office Branch Administrator Senior Managing Director Vice President &amp; Director Vice President &amp; Representative Director President &amp; Representative Director Chairman &amp; Representative Director (present post)</p>	1	97
President & Representative Director		Kazuo Murata	September 26, 1951	<p>April 1978 April 1997 April 1999 April 2001 March 2003 April 2004 March 2006 April 2009 March 2010 March 2011 April 2011 March 2013</p> <p>Joined CTI Engineering General Manager, Water Resources Div. V, Water Resources Dept. Tokyo Office Chief, Water Resources Dept., Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director, Member of the Board and Chief of Headquarters Quality Management Dept. General Manager of Management Planning Dept. and Deputy Chief of Management Div. Managing Director, General Manager of Management Dept. Principal, Kyushu Office and Okinawa Office Director, Managing Executive Officer Senior Managing Executive Officer Principal, Tokyo Head Office President &amp; Representative Director (present post)</p>	1	41
Executive Officer, Vice President & Representative Director		Reiichi Abe	November 4, 1949	<p>April 1974 April 1994 April 1997 April 1999 March 2000 March 2003 April 2009 March 2010 March 2011</p> <p>Joined CTI Engineering General Manager, Water Resources Div. III, Water Resources Dept., Tokyo Office Chief, Water Resources Dept., Tokyo Office Deputy Branch Administrator, Osaka Office Director &amp; Member of the Board Managing Director and Chief of Headquarters Business Development Dept. Chief, Corporate Planning Dept. Senior Managing Executive Officer &amp; Director Executive Officer, Vice President &amp; Representative Director (present post)</p>	1	45

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Executive Officer, Vice President & Representative Director		Konomu Uchimura	March 11, 1950	April 1974 April 1994 April 1997 April 1999 March 2000 April 2001 March 2003 March 2006 April 2009 March 2010 March 2011 April 2011	Joined CTI Engineering General Manager, Water Resources Div. V, Water Resources Dept., Tokyo Office Chief, Human Intelligence Dept., Tokyo Office Deputy Branch Administrator, Tokyo Office Director & Member of the Board Chief, Headquarters Management Dept. Managing Director Principal, Kyushu Office and Okinawa Office Principal, Tokyo Head Office Senior Managing Executive Officer & Director Executive Officer, Vice President & Representative Director (present post) Chief, Headquarters Engineering Dept.	1	39
Executive Officer, Vice President & Director	Chief, Corporate Planning Dept.	Yasuki Komatsu	October 15, 1951	April 1976 April 1998 April 1999 April 2001 March 2003 April 2003 March 2006 April 2009 March 2010 March 2011 March 2013 April 2013	Joined CTI Engineering General Manager, Road Planning Div., Road and Traffic Dept., Tokyo Office Chief, Road and Traffic Dept., Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director & Member of the Board Deputy Administrator, Tokyo Head Office Managing Director, Principal of Chubu Office Chief of Headquarters Business Development Dept. Director (present post), Managing Executive Officer Senior Managing Executive Officer Executive Officer & Vice President (present post) Chief, Corporate Planning Dept. (present post)	1	42
Senior Managing Executive Officer & Director	Principal, Tokyo Head Office	Asao Yu	January 17, 1955	April 1979 April 1997 March 2003 March 2005 April 2005 March 2006 April 2009 March 2010 March 2011 March 2013 April 2013	Joined CTI Engineering General Manager Technology Div., Nagoya Branch Office, Tokyo Office Deputy Branch Administrator, Tokyo Head Office Director & Member of the Board Deputy Administrator, Tokyo Head Office General Manager, Management Planning Dept. Principal, Chubu Office Executive Officer Director (present post), Managing Executive Officer, Principal, Osaka Head Office Senior Managing Executive Officer (present post) Principal, Tokyo Head Office (present post)	1	26
Senior Managing Executive Officer & Director	Chief, Headquarters Engineering Dept.	Michio Tanahashi	July 27, 1952	October 2012 November 2012 March 2013 April 2013 March 2014	Resigned from Statutory Director, Water Resource Environment Center Joined CTI Engineering, Executive Manager Director (present post), Managing Executive Officer Chief, Headquarters Engineering Dept. (present post) Senior Managing Executive Officer (present post)	1	4



Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Managing Executive Officer & Director	Chief, Headquarters Business Development Dept.	Norio Tomonaga	September 15, 1953	April 1979 April 1998 April 2004 March 2006 March 2010 March 2011 March 2013 April 2013	Joined CTI Engineering General Manager, Technology Div. IV, Road and Traffic Dept., Tokyo Office Deputy Branch Administrator, Tokyo Head Office Deputy Administrator, Tokyo Head Office, Director & Member of the Board Executive Officer Director (present post), Principal, Chubu Office Managing Executive Officer (present post) Chief, Headquarters Business Development Dept. (present post)	1	33
Managing Executive Officer & Director	Principal, Osaka Head Office	Hideaki Kurita	January 1, 1954	April 1980 April 1998 April 2004 April 2005 March 2006 April 2009 March 2010 March 2011 March 2013 April 2013	Joined CTI Engineering General Manager, Technology Div., Hiroshima Branch Office, Osaka Office Deputy Branch Administrator, Osaka Office Deputy Administrator, Osaka Head Office Director & Member of the Board Chief, Headquarters Management Dept. Executive Officer Director (present post) Managing Executive Officer (present post) Principal, Osaka Head Office (present post)	1	26
Executive Officer & Director	Chief, Headquarters Management Dept.	Kazuhiro Terai	February 28, 1956	April 1981 April 1999 April 2003 April 2007 March 2012 April 2012 March 2013 April 2013	Joined CTI Engineering General Manager, Environmental Measures Div., Headquarters Environment Dept., Osaka Office General Manager, Management Business Division Deputy Branch Administrator, Tokyo Head Office Executive Officer (present post) Deputy Administrator, Tokyo Head Office Director (present post) Chief, Headquarters Management Dept. (present post)	1	14
Executive Officer & Director	Principal, Tohoku Office	Tetsumi Nakamura	March 4, 1957	April 1977 April 2002 April 2006 April 2009 March 2010 April 2011 March 2013	Joined CTI Engineering General Manager, Water Resources Dept., Tokyo Head Office Deputy Branch Administrator, Tokyo Head Office Deputy Administrator, Tokyo Head Office Executive Officer (present post) Principal, Tohoku Office (present post) Director (present post)	1	16
Statutory Auditor		Kazuhiro Tani	February 27, 1953	April 1977 April 2000 April 2008 April 2011 March 2013	Joined CTI Engineering General Manager, Technology Div. II, Road and Traffic Dept., Tokyo Office General Manager, Secretariat Office, Headquarters Management Dept. General Manager, Development and Planning Div., Headquarters Management Dept. Statutory Auditor (present post)	2	19

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)	
Auditor		Mikio Wasaku	February 14, 1951	April 1974 April 1994 April 2002 April 2004 April 2008 March 2011 March 2013	Joined CTI Engineering General Manager, Technology Div. I, Dam Water Construction Dept., Tokyo Office Manager, Planning Office, Research Center For Sustainable Communities General Manager, Development and Planning Div., Headquarters Engineering Dept. Manager, Human Resources Development Office, Headquarters Management Dept. Statutory Auditor Auditor (present post)	3	34	
Auditor		Kunihiro Horiuchi	April 24, 1943	April 1968 April 1992 April 1996 June 1997 April 1999 March 2000 April 2010	Appointed as Public Prosecutor Public Prosecutor of Tokyo High Public Prosecutor's Office Public Prosecutor of the Supreme Public Prosecutor's Office Opened Horiuchi General Law Office (present post) Professor at the Law Department, Tokai University Auditor, CTI Engineering (present post) Professor at the Law Department, Ryutsu Keizai University (present post)	3	—	
Auditor		Tomoo Araki	January 1, 1936	April 1965 April 1974 April 1981 April 1989 June 1993 March 1996 February 1998 January 2001 March 2001 April 2001 April 2010	Appointed as Assistant Judge Prosecutor of Tokyo District Public Prosecutor's Office Judge of Tokyo District Court Judge of Tokyo High Court Director of Tokyo Legal Affairs Bureau Director of Toyama District and Domestic Relations Courts General Judge of Tokyo High Court Registered as attorney (Tokyo Daiichi Law Office) (present post) Auditor, CTI Engineering (present post) Professor at the Law Department, Ryutsu Keizai University Member, Chiba Area Third Party Committee for Pension Record Confirmation, Ministry of Internal Affairs and Communications	3	—	
Total								439

- Notes: 1 From March 27, 2014 until the conclusion of the Ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2015.
- 2 From March 27, 2013 until the conclusion of the Ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2016.
- 3 From March 24, 2011 until the conclusion of the Ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2014.
- 4 Auditors, Kunihiro Horiuchi and Tomoo Araki, are external auditors.

- 5 To ensure that the Company fully satisfies all conditions set forth under applicable laws a reserve auditor was appointed pursuant to Article 329-2 of the Companies Act. The history of that auditor is as stated below.

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

- Notes: 1 From March 24, 2011 until the conclusion of the Ordinary General Meeting of Shareholders Meeting held in respect of the fiscal year ending December 31, 2014.
- 2 The reserve auditor, Kyoko Kikuchi, 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

Board of Directors Meetings, as a general rule, are held once a month. The Board, in addition to passing resolutions on important business matters and other items also required under law, is also responsible for the overall supervision of the conduct of the Company's business. Further, the Board thoroughly discusses both internal and external issues.

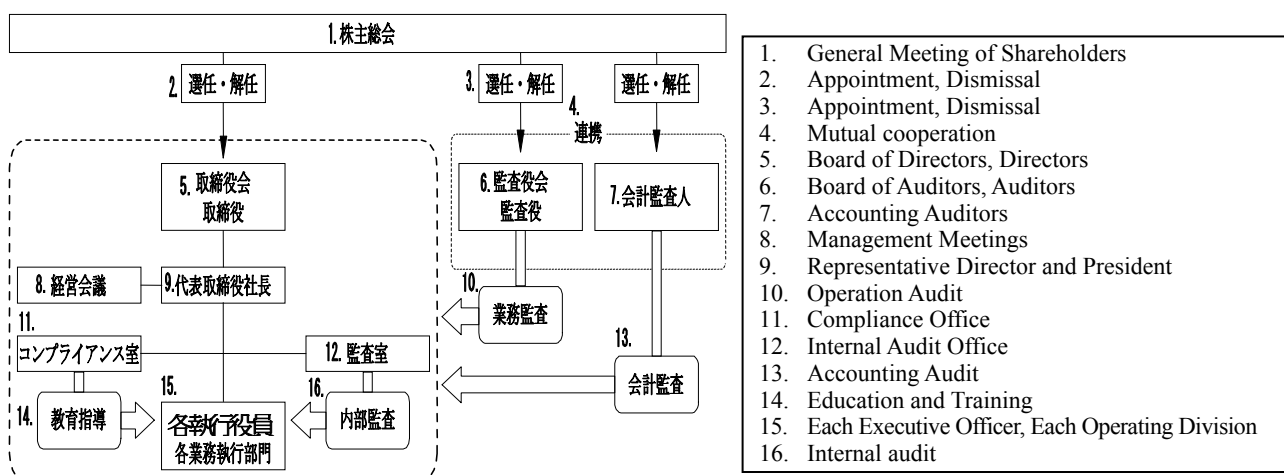
The Company has appointed Auditors. The Auditors, in addition to attendance at Board of Directors Meetings and other important meetings within the Company, audit corporate conduct as an independent body. At present 2 of the 4 Auditors are legal practitioners who have been appointed as external Auditors.

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, 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.



## 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 relationship, or other interests between the 2 External Auditors and the Company.

At present 2 Auditors are legal practitioners who have been appointed as external Auditors. The appointment of legal practitioners, with their high level of expertise and professional ethics, means that advice can be actively provided at an early stage of the decision-making process and ensures that the audit process is extremely thorough. In addition, the External Auditors supervise the Company's management from an independent position and objective point of view, give appropriate advice and opinions inside and outside the Board of Directors, and thereby appropriately perform their duties. Accordingly, the Company believes that the independence of these External Auditors is steadfastly maintained. In addition, the Company concluded a corporate lawyer agreement with one of the External Auditors.

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

The Company does not elect any External Directors. The introduction of the Executive Officers system reinforces the Board of Directors' functions of decision-making and supervision of the execution of duties. 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. Tomoo Araki as an independent auditor to the exchange.

## 4. Internal control system

A Compliance Office and Internal Audit Office under the direct control of the President have been established, as has a corporate framework that ensures legal compliance by strengthening internal control systems. In addition, one of the legal practitioners appointed as an External Auditor has been requested to provide independent advice to staff members with concerns, as a means of further strengthening the company's in-house operations monitoring system. The Internal Audit Office and Compliance Office, 2 departments responsible for internal control, regularly hold discussions and work in close cooperation with the Board of Auditors, a body whose meetings are also attended by the External Auditors.

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

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

#### 5. Internal, external and financial audits

Internal audits are performed by the Internal Audit Office that has the authority to request additional personnel as required. At present, the Internal Audit Office staff is comprised of 2 Audit officers and 3 assisting staff members. Specifically, planned internal comprehensive operational audits are performed annually on all divisions and departments within the Company.

Based on directives from the Board of Auditors, the Auditor performs the audit with his/her assisting staff. The Auditors, including External Auditors, actively contribute to the decision-making process in its early stages to ensure thorough implementation of the Company's auditing system. In addition, the Board of Auditors, a body whose meetings are also attended by the External Auditors, holds discussions as required and works in close cooperation with the Accounting Auditor to ensure that the operation audit function and accounting audit function are mutually strengthened. With regard to internal control, the Auditors attend the Board of Directors Meeting and other internally important meetings to receive reports and request explanations, as necessary, to ensure that the operational duties are properly executed.

The Company has concluded an auditing agreement with Deloitte Touche Tohmatsu LLC as the Accounting Auditor. The CPAs Hiroki Kitakata and Katsumi Takizawa have been jointly responsible for audits for the consolidated fiscal year. The CPAs Hiroki Kitakata and Katsumi Takizawa have been in charge since March 2013. The auditors' support staff consists of 13 persons, including 6 CPAs.

#### 6. Executives' compensation, etc.

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

Category of executive	Total amount of compensation, etc. (million yen)	Amount of compensation, etc. by classification (million yen)			The number of covered executives (persons)
		Basic compensation	Bonuses	Retirement benefits	
Directors (excluding External Directors)	301	264	21	15	14
Auditors (excluding External Auditors)	27	27	—	—	3
External Directors and Auditors	10	10	—	—	2

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

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

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

Total amount (million yen)	The number of applicable executives (persons)	Details
21	2	To concurrently serve as Directors

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

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

#### 7. Holding of shares

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

Number of issues: 36 issues

Total book value on the balance sheet: 1,409 million yen

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

(Previous consolidated fiscal year)

Specified Investment Stock

Issuer name	Number of shares (shares)	Book value on balance sheet (million yen)	Purpose of holding
RAITO KOGYO CO., LTD.	265,100	131	To ensure stable shareholders
OYO Corporation	98,500	103	To ensure stable shareholders
Mitsubishi UFJ Financial Group, Inc.	145,000	66	To maintain and continue stable business relations
NIPPON JOGESUIDO SEKKEI CO., LTD.	50,000	58	To ensure stable shareholders
SHO-BOND Holdings Co., Ltd.	12,800	41	To ensure stable shareholders
T&D Holdings, Inc.	38,400	39	To maintain and continue stable business relations
WESCO Inc.	200,072	35	To ensure stable shareholders
CHODAI CO., LTD.	105,000	34	To ensure stable shareholders
Ube Material Industries, Ltd.	136,000	32	To ensure stable shareholders
Maezawa Kasei Industries Co., Ltd.	36,000	31	To ensure stable shareholders
E・J Holdings Inc.	60,340	30	To ensure stable shareholders
NIPPON ENGINEERING CONSULTANTS CO., LTD.	100,000	29	To ensure stable shareholders
ASIA AIR SURVEY CO., LTD.	102,000	28	To ensure stable shareholders
ACK G Limited	57,200	23	To ensure stable shareholders
Kawasaki Geological Engineering Co., Ltd.	47,000	21	To ensure stable shareholders
NISHINIPPON SYSTEM INSTALLATIONS AND CONSTRUCTION CO., LTD.	74,000	18	To ensure stable shareholders
Japan Asia Group Limited	7,248	15	To ensure stable shareholders
The Chiba Bank, Ltd.	30,000	15	To maintain and continue stable business relations
Mizuho Financial Group, Inc.	81,000	12	To maintain and continue stable business relations
Kuwayama Corporation	26,400	11	To ensure stable shareholders
IDEA Consultants, Inc.	17,000	11	To ensure stable shareholders
FUKUYAMA CONSULTANTS CO., LTD.	34,100	9	To ensure stable shareholders
UCHIDA YOKO CO., LTD.	16,000	3	To ensure stable shareholders
The Dai-ichi Life Insurance Company, Limited	26	3	To maintain and continue stable business relations
ARIAKE JAPAN Co., Ltd.	1,829	2	To ensure stable shareholders
ICHINEN HOLDINGS Co., Ltd.	1,844	0	To ensure stable shareholders
NIPPON KOEI CO., LTD.	1,155	0	To ensure stable shareholders

(Current consolidated fiscal year)



Specified Investment Stock

Issuer name	Number of shares (shares)	Book value on balance sheet (million yen)	Purpose of holding
RAITO KOGYO CO., LTD.	265,100	204	To ensure stable shareholders
OYO Corporation	98,500	158	To ensure stable shareholders
SHO-BOND Holdings Co., Ltd.	23,500	113	To ensure stable shareholders
Mitsubishi UFJ Financial Group, Inc.	145,000	100	To maintain and continue stable business relations
CHODAI CO., LTD.	105,000	78	To ensure stable shareholders
E・J Holdings Inc.	60,340	69	To ensure stable shareholders
NIPPON JOGESUIDO SEKKEI CO., LTD.	50,000	64	To ensure stable shareholders
T&D Holdings, Inc.	38,400	56	To maintain and continue stable business relations
Japan Asia Group Limited	72,480	52	To ensure stable shareholders
WESCO Inc.	180,000	44	To ensure stable shareholders
ACK G Limited	57,200	43	To ensure stable shareholders
Ube Industries, Ltd.	190,400	42	To ensure stable shareholders
ASIA AIR SURVEY CO., LTD.	102,000	38	To ensure stable shareholders
Maezawa Kasei Industries Co., Ltd.	36,000	38	To ensure stable shareholders
KAWADA technologies, inc.	12,000	33	To ensure stable shareholders
NIPPON ENGINEERING CONSULTANTS CO., LTD.	100,000	29	To ensure stable shareholders
Kawasaki Geological Engineering Co., Ltd.	47,000	24	To ensure stable shareholders
NISHINIPPON SYSTEM INSTALLATIONS AND CONSTRUCTION CO., LTD.	74,000	22	To ensure stable shareholders
The Chiba Bank, Ltd.	30,000	21	To maintain and continue stable business relations
Mizuho Financial Group, Inc.	81,000	18	To maintain and continue stable business relations
IDEA Consultants, Inc.	17,000	17	To ensure stable shareholders
Kuwayama Corporation	26,400	15	To ensure stable shareholders
OHBA CO., LTD.	64,200	13	To ensure stable shareholders
FUKUYAMA CONSULTANTS CO., LTD.	34,100	11	To ensure stable shareholders
ARIAKE JAPAN Co., Ltd.	1,829	4	To ensure stable shareholders
The Dai-ichi Life Insurance Company, Limited	2,600	4	To maintain and continue stable business relations
UCHIDA YOKO CO., LTD.	16,000	4	To ensure stable shareholders
ICHINEN HOLDINGS Co., Ltd.	1,844	1	To ensure stable shareholders
NIPPON KOEI CO., LTD.	1,155	0	To ensure stable shareholders

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 2013, 13 Board of Directors and 12 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 and made an amendment to the items in April 2008. 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)

Not applicable.

5) Election and dismissal of Directors

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

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

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

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

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

(2) Auditing compensation, etc.

1) Compensation for auditing CPAs, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation for auditing services (million yen)	Compensation for non-auditing services (million yen)	Compensation for auditing services (million yen)	Compensation for non-auditing services (million yen)
The Company	38	–	29	–
Consolidated subsidiaries	–	–	–	–
Total	38	–	29	–

2) Other important compensation

Not applicable.

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

Not applicable.

4) Policy for decisions regarding auditing compensation

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

## CHAPTER 5: STATUS OF ACCOUNTING

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

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

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

### 2. Audit Report

In accordance with the provisions of 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the current consolidated fiscal year (from January 1, 2013 to December 31, 2013) and the non-consolidated financial statements for the current fiscal year (from January 1, 2013 to December 31, 2013) of the Company were audited by Deloitte Touche Tohmatsu LLC.

The Company changed its certified public accountant, as follows.

Previous consolidated fiscal year and previous fiscal year: Ernst & Young ShinNihon LLC

Current consolidated fiscal year and current fiscal year: Deloitte Touche Tohmatsu LLC

The Company has submitted an extraordinary report on the change. The details stated in the extraordinary report are as follows.

#### (1) Names of certified public accountants in relation to the change

##### (i) Name of certified public accountant elected

Deloitte Touche Tohmatsu LLC

##### (ii) Name of certified public accountant resigned

Ernst & Young ShinNihon LLC

#### (2) Date of change: March 27, 2013

#### (3) Latest date of election of the resigning certified public accountant: March 27, 2012

#### (4) Opinions on audit reports or internal control audit reports prepared within the latest three years by the resigning certified public accountant:

Not applicable.

#### (5) Reasons for decision to change and background

The term of office of Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, expires at the conclusion of the 50th Ordinary General Shareholders Meeting held on March 27, 2013. Deloitte Touche Tohmatsu LLC has been newly elected as an Accounting Auditor.

#### (6) Opinion of the resigning certified public accountant in relation to the audit report, etc. or the matters contained in the internal control audit report with respect to reasons and background of (5):

The Company received the response that no particular opinion was expressed.

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

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

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

# 1. Consolidated Financial Statements and Other Materials

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2012)	Current Consolidated Fiscal Year (as of December 31, 2013)
<b>Assets</b>		
Current assets		
Cash and bank deposits	2,948	3,390
Notes receivable and completed work receivables	2,136	2,301
Marketable securities	3,500	5,502
Prepaid expenses for uncompleted services	11,737	12,843
Deferred tax assets	278	413
Other	455	427
Allowance for doubtful accounts	-30	-13
Total current assets	21,027	24,865
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,476	4,518
Accumulated depreciation	-2,591	-2,689
Buildings and structures, net	1,885	1,828
Machinery and transportation equipment	243	245
Accumulated depreciation	-227	-232
Machinery and transportation equipment, net	15	13
Land	4,610	4,584
Lease assets	522	408
Accumulated depreciation	-265	-213
Lease assets, net	256	195
Other	910	938
Accumulated depreciation	-785	-791
Other, net	124	146
Total tangible fixed assets	6,893	6,768
Intangible fixed assets		
Lease assets	18	21
Other	211	202
Total intangible fixed assets	230	223
Investments and other assets		
Investment in securities	*1	*1
	1,697	2,192
Deferred tax assets	330	160
Prepaid pension cost	943	1,129
Other	*1	*1
	1,200	1,791
Allowance for doubtful accounts	-2	-0
Total investments and other assets	4,168	5,274
Total fixed assets	11,292	12,266
Total assets	32,319	37,132

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2012)	Current Consolidated Fiscal Year (as of December 31, 2013)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,455	1,618
Short-term borrowings	150	600
Lease obligations	125	92
Accrued income taxes	212	706
Advances received from uncompleted services	6,954	9,204
Reserve for bonuses	409	534
Reserve for bonuses to directors	23	21
Allowance for losses in operations	125	95
Other	1,405	1,843
Total current liabilities	10,861	14,717
Fixed liabilities		
Long-term accounts payable	147	104
Lease obligations	160	132
Reserve for retirement benefits	639	601
Asset retirement obligations	108	121
Other	51	63
Total fixed liabilities	1,108	1,022
Total liabilities	11,969	15,740
<b>Net assets</b>		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	4,122	4,122
Profit surplus	12,864	13,620
Treasury stock	-11	-11
Total shareholders' equity	20,001	20,757
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	218	523
Total accumulated other comprehensive income	218	523
Minority interest	129	111
Total net assets	20,350	21,392
Total liabilities and net assets	32,319	37,132

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

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Sales	32,515	36,435
Cost of sales	24,184	27,357
Gross profit	8,330	9,077
Selling, general and administrative expenses	*1 *2 7,388	*1 *2 7,558
Operating income	942	1,519
Non-operating revenues		
Interest earned	22	21
Dividend earned	20	21
House rent earned	37	34
Insurance dividends earned	20	21
Other	53	47
Total non-operating revenues	154	145
Non-operating expenses		
Interest expense	1	3
Commission paid	18	6
Expenses for the Company's 50th anniversary project	-	15
Other	0	1
Total non-operating expenses	19	25
Ordinary profit	1,076	1,638
Extraordinary gain		
Gain on sales of fixed assets	-	*3 166
Reversal of allowance for investment loss	10	-
Total extraordinary gain	10	166
Extraordinary loss		
Loss from fixed assets disposal	*4 2	*4 12
Loss on cancel of lease contracts	-	14
Unrealized loss on investment in securities	-	34
The Company's share in the expenses for removal of underground obstacles	-	31
Other	-	0
Total extraordinary loss	2	93
Net income before income tax	1,083	1,712
Corporation tax, inhabitants taxes and enterprise tax	402	829
Deferred income taxes etc.	105	-82
Total income taxes	508	746
Income before minority interests	575	965
Minority interest in profit (loss) of consolidated Companies	25	-16
Current net income	550	982



Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Income before minority interests	575	965
Other comprehensive income		
Other valuation difference on available-for-sale securities	126	304
Total other comprehensive income	* 1	* 1
Comprehensive Income	701	1,270
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	676	1,287
Comprehensive income attributable to minority interests	25	-16

(iii) Statement of Fluctuations in Consolidated Shareholders' Equity  
 Previous Consolidated Fiscal Year(from January 1, 2012 to December 31, 2012)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	4,122	12,540	-11	19,677
Changes of items during the period					
Dividends from surplus			-226		-226
Current net income			550		550
Acquisition of treasury stock				-0	-0
Fluctuations during this consolidated fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	—	—	323	-0	323
Balance at the end of current period	3,025	4,122	12,864	-11	20,001

(million yen)

	Accumulated other comprehensive income		Minority interest	Total net assets
	Other valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	92	92	105	19,876
Changes of items during the period				
Dividends from surplus				-226
Current net income				550
Acquisition of treasury stock				-0
Fluctuations during this consolidated fiscal year for items other than shareholders' equity (Net amount)	126	126	24	150
Total changes of items during the period	126	126	24	473
Balance at the end of current period	218	218	129	20,350

Current Consolidated Fiscal Year(from January 1, 2013 to December 31, 2013)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	4,122	12,864	-11	20,001
Changes of items during the period					
Dividends from surplus			-226		-226
Current net income			982		982
Acquisition of treasury stock				-0	-0
Fluctuations during this consolidated fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	—	—	755	-0	755
Balance at the end of current period	3,025	4,122	13,620	-11	20,757

(million yen)

	Accumulated other comprehensive income		Minority interest	Total net assets
	Other valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at the beginning of current period	218	218	129	20,350
Changes of items during the period				
Dividends from surplus				-226
Current net income				982
Acquisition of treasury stock				-0
Fluctuations during this consolidated fiscal year for items other than shareholders' equity (Net amount)	304	304	-18	286
Total changes of items during the period	304	304	-18	1,042
Balance at the end of current period	523	523	111	21,392

## (iv) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
<b>Cash flow from operating activities</b>		
Current net income before income tax	1,083	1,712
Depreciation and amortization	404	366
Goodwill amortization	12	-
Increase (decrease) in allowance for doubtful accounts	4	-17
Increase (decrease) in reserve for retirement benefits	-45	-38
Decrease (increase) in prepaid pension cost	-9	-186
Increase (decrease) in reserve for bonuses	-42	125
Increase (decrease) in reserve for bonuses to directors	-2	-1
Increase (decrease) in allowance for losses in operations	13	-29
Increase (decrease) in allowance for investment loss	-10	-
Increase (decrease) in long-term accounts payable	-	-43
Interest and dividend earned	-43	-42
Interest payable	1	3
Foreign exchange loss (gain)	-8	-4
Unrealized loss (gain) on investment in securities	-	34
Loss (gain) from fixed assets disposal	2	-154
Loss on cancel of lease contracts	-	14
Decrease (increase) in sales account	-321	-164
Decrease (increase) in prepaid expenses for uncompleted services	-1,436	-1,106
Decrease (increase) in other current assets	-29	41
Increase (decrease) in account payable	242	152
Increase (decrease) in advances received from uncompleted services	1,488	2,250
Increase (decrease) in other current liabilities	-55	429
Increase (decrease) in other fixed liabilities	-5	-0
Other	-4	9
<b>Subtotal</b>	<b>1,238</b>	<b>3,349</b>
Received interest and dividend	42	41
Interest payment	-1	-3
Payment of corporation income tax etc.	-358	-375
<b>Cash flow provided by (used for) operating activities</b>	<b>921</b>	<b>3,012</b>

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
<b>Cash flow from investment activities</b>		
Payments for acquisition of marketable securities	-	-3,000
Proceeds from sales of marketable securities	-	3,000
Payments for acquisition of tangible fixed assets	-32	-105
Proceeds from sales of tangible fixed assets	0	192
Payments for acquisition of intangible fixed assets	-55	-53
Payments for acquisition of investment in securities	-16	-98
Repayments for loans	-181	-145
Income from loan collection	217	172
Payments for acquisition of securities of subsidiaries and affiliates	-50	-11
Payments for investments in capital of subsidiaries and affiliates	-	-25
Payments into time deposits	-7,500	-3,300
Proceeds from withdrawal of time deposits	7,500	2,500
Other payments	-62	-121
Other proceeds	12	33
Cash flow used for investment activities	-167	-962
<b>Cash flow from financial activities</b>		
Income from short-term borrowing	1,660	2,150
Payment of short-term borrowing	-1,760	-1,700
Acquisition of treasury stock	-0	-0
Repayments of lease obligations	-148	-132
Dividend payment	-226	-226
Dividend payment for minority interests	-1	-1
Cash flow used for financial activity	-476	89
Effect in fluctuation of exchange rate for cash and cash equivalents	8	4
Increase (decrease) in cash and cash equivalents	285	2,143
Opening balance of cash and cash equivalents	6,163	6,448
Closing balance of cash and cash equivalents	*1 6,448	*1 8,592

Notes:

## Basic Important Matters for Preparation of Consolidated Financial Statement

### 1. Consolidation range

(1) Number of consolidated subsidiaries: 3

Names of the consolidated subsidiaries:

CTI Engineering International Co., Ltd.

Fukuoka Urban Engineering Co., Ltd.

Chi-ken Sogo Consultants Co., Ltd.

(2) Number of non-consolidated subsidiaries: 7

Names of the non-consolidated subsidiaries:

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

Management Techno Co., Ltd

CTI AURA Co., Ltd.

Shin Doboku Kaihatsu Co., Ltd.

CTI Wing Co., Ltd

CTI Ground Planning Co., Ltd.

CTI Frontier Co., Ltd.

(CTI Academy Co., Ltd. changed its corporate name to CTI Frontier Co., Ltd. on September 1, 2013.)

(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

Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., Management Techno Co., Ltd., CTI AURA Co., Ltd., Shin Doboku Kaihatsu Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., CTI Frontier Co., Ltd., and InfraX Inc. 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.

### 3. Fiscal year of the consolidated subsidiary

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

### 4. Accounting standard

(1) Valuation base and valuation method of important assets

1) Securities

Held-to-maturity securities

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.

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

Buildings: 17 – 50 years

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

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

3) Lease assets

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

(3) Entry standard of important reserves and allowances

1) Allowance for doubtful accounts

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

2) Reserve for bonuses

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

3) Reserve for bonuses to directors

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

4) Allowance for losses in operations

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

5) Reserve for retirement benefits

To prepare for retirement benefits for employees, these were recorded based upon the obligations to pay retirement benefits and the forecast amount of pension assets as at the end of current consolidated fiscal year. As regards the accounting disparity, expenses shall be disposed of from the next fiscal year by the fixed amount method that shall use a predetermined number of years (5 years) within the average remaining employment period for those employees that were employed at the time of its occurrence.

The Company also established a retirement benefits trust.

(4) 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.

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

- 1) Accounting treatment of consumption tax  
Tax exclusion method is adopted.

(Changes in Accounting Policy)

(Changes in accounting policy that are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Act, effective from the current consolidated fiscal year, the Group has changed its depreciation method for tangible fixed assets acquired on or after January 1, 2013 to the method under the amended Corporation Tax Act. This change has little impact on the consolidated profit and loss for the current consolidated fiscal year.

(Accounting Standards yet to be Adopted)

- \* Accounting Standard for Retirement Benefits (The Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)
- \* Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

Actuarial gains and losses and past service costs were amended to be recognized in profit or loss within the net assets section of the consolidated balance sheet at net of tax effects, and the deficit or surplus was amended to be recognized as a liability or asset. Regarding the methods for attributing expected benefit to periods, a benefit formula basis may be adopted besides a straight-line basis. A method for setting discount rates was also amended.

(2) Scheduled dates of adoption

The accounting standards are scheduled to be adopted at the end of the fiscal year ending December 31, 2014. However, the revised calculation methods for retirement benefits obligations and current service costs are scheduled to be adopted at the beginning of the fiscal year ending December 31, 2015.

(3) Effect of adoption of the accounting standards

The effect of adoption of the accounting standards on the consolidated financial statements during their preparation is currently being evaluated.

(Changes of Presentation)

(Consolidated Cash Flow Statement)

“Proceeds from sales of tangible fixed assets,” an item included in “Other proceeds” of “Cash flow from investment activities” in the previous consolidated fiscal year, is presented separately for the current consolidated fiscal year because its quantitative materiality has increased. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, 12 million yen of “Other proceeds” of “Cash flow from investment activities” in the Consolidated Cash Flow Statement of the previous consolidated fiscal year has been reclassified as “Proceeds from sales of tangible fixed assets” of 0 million yen and “Other proceeds” of 12 million yen.



(Notes on Consolidated Balance Sheet)

\*1 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2012)	Current Consolidated Fiscal Year (as of December 31, 2013)
Investment in securities (stock)	304 million yen	281 million yen
“Other” in investments and other assets	25	50

\*2 Warranty for liabilities

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

	Previous Consolidated Fiscal Year (as of December 31, 2012)	Current Consolidated Fiscal Year (as of December 31, 2013)
Employees	66 million yen	66 million yen

(Notes on Consolidated Profit and Loss Account)

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

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Wages and allowances	3,109 million yen	3,083 million yen
Bonuses	444	544
Transferred reserve for bonuses	119	158
Reserve for bonuses to directors	23	21
Retirement benefits expenses	173	153
Research and investigation expenses	409	443
Allowance for doubtful accounts	5	-

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

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
	409 million yen	443 million yen

\*3 Gain on sales of fixed assets can be broken down as follows:

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Land in tangible fixed assets	- million yen	166 million yen
Total	-	166

\*4 Loss from fixed assets disposal can be broken down as follows:

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Buildings and structures in tangible fixed assets	1 million yen	9 million yen
Other tangible fixed assets	1	2
Total	2	12

## (Notes on Consolidated Statements of Comprehensive Income)

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

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Other valuation difference on available-for-sale securities		
Amount recognized in the period	152 million yen	423 million yen
Reclassification adjustments to net income	0	-1
Before tax-effect adjustment	152	422
Amount of tax effects	-26	-117
Other valuation difference on available-for-sale securities	126	304
Total other comprehensive income	126	304

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

Previous Consolidated Fiscal Year (From January 1, 2012 to December 31, 2012)

## 1 Issued shares

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

## 2 Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	17,191	207	-	17,398

Note: The increase in the amount of treasury stock of 207 shares was due to acquisition of shares constituting less than one transaction unit.

## 3 New share subscription acquisition rights

Not applicable.

## 4 Dividends

## (1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 27, 2012	Common stock	226	16	December 31, 2011	March 28, 2012

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

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 27, 2013	Common stock	Profit surplus	226	16	December 31, 2012	March 28, 2013

Current Consolidated Fiscal Year (From January 1, 2013 to December 31, 2013)

1 Issued shares

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

2 Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	17,398	339	–	17,737

Note: The increase in the amount of treasury stock of 339 shares was due to acquisition of shares constituting less than one transaction unit.

3 New share subscription acquisition rights

Not applicable.

4 Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 27, 2013	Common stock	226	16	December 31, 2012	March 28, 2013

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

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 27, 2014	Common stock	Profit surplus	254	18	December 31, 2013	March 28, 2014

(Notes on Consolidated Cash Flow Statement)

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

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Cash and bank deposit account	2,948 million yen	3,390 million yen
Marketable securities account	3,500	5,502
Subtotal	6,448	8,892
Time deposits whose deposit periods are in excess of three months	–	-300
Total	6,448	8,592

(Notes on Lease Arrangements)

1. Financial lease transactions (Lessee side)

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

(1) Lease assets

1) Tangible fixed assets

Mainly office appliances (other)

2) Intangible fixed assets

Software (other)

(2) Depreciation and amortization method for lease assets

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

(Notes on Financial Instruments)

1. Items Related to Financial Instruments

(1) Policy of financial instruments

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

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

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

Marketable securities and investment in 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, 2012 to December 31, 2012)

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	2,948	2,948	—
(2) Notes receivable and completed work receivables	2,136	2,136	—
(3) Marketable securities and investment in securities			
1) Held-to-maturity securities	500	509	9
2) Available-for-sale securities	4,312	4,312	—
Total	9,898	9,907	9

Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	3,390	3,390	—
(2) Notes receivable and completed work receivables	2,301	2,301	—
(3) Marketable securities and investment in securities			
1) Held-to-maturity securities	500	501	1
2) Available-for-sale securities	6,833	6,833	—
Total	13,025	13,026	1

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

Assets

(1) Cash and bank deposits

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

(2) Notes receivable and completed work receivables

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

(3) Marketable securities and investment in securities

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

Debts

Not applicable.

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

(million yen)		
Account title	As of December 31, 2012	As of December 31, 2013
Non-listed shares	384	361

Because non-listed shares have no market prices and their future cash flows cannot be estimated, their fair value is deemed to be considerably difficult to recognize. Accordingly, non-listed shares are not included in (3) Marketable securities and investment in 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 (from January 1, 2012 to December 31, 2012)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	2,948	-	-	-
Notes receivable and completed work receivables	2,136	-	-	-
Marketable securities and investment in securities				
Held-to-maturity securities				
Corporate bonds	-	-	500	-
Total	5,085	-	500	-

Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	3,390	-	-	-
Notes receivable and completed work receivables	2,301	-	-	-
Marketable securities and investment in securities				
Held-to-maturity securities				
Corporate bonds	-	-	500	-
Total	5,691	-	500	-

(Notes on Marketable Securities)

1. Held-to-maturity securities

Previous Consolidated Fiscal Year (as of December 31, 2012)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	500	509	9
	(3) Other	–	–	–
	Subtotal	500	509	9
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		500	509	9

Current Consolidated Fiscal Year (as of December 31, 2013)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	500	501	1
	(3) Other	–	–	–
	Subtotal	500	501	1
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		500	501	1

## 2. Available-for-sale securities

Previous Consolidated Fiscal Year (as of December 31, 2012)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	786	516	270
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	786	516	270
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	25	28	-2
	(2) Bonds and Notes	–	–	–
	(3) Other	3,500	3,500	–
	Subtotal	3,525	3,528	-2
Total		4,312	4,004	267

Current Consolidated Fiscal Year (as of December 31, 2013)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	1,297	605	692
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	1,297	605	692
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	33	35	-2
	(2) Bonds and Notes	–	–	–
	(3) Other	5,502	5,502	–
	Subtotal	5,535	5,537	-2
Total		6,833	6,142	690



### 3. Available-for-sale securities sold during the consolidated fiscal year

Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)

	Proceeds Amount (million yen)	Total Gains on Sales (million yen)	Total Loss on Sales (million yen)
Shares	0	-	0

Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)

	Proceeds Amount (million yen)	Total Gains on Sales (million yen)	Total Loss on Sales (million yen)
Shares	4	1	-

### 4. Securities written down

Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)

Not applicable in the previous consolidated fiscal year.

Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)

In the current consolidated fiscal year, the Group wrote down 34 million yen in shares classified as investment in securities.

(Notes on Derivatives Transactions)

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

(Notes on Retirement Benefits)

#### 1. Outline of the current retirement benefits system

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

In respect of the employees' pension fund system the Company and CTI Engineering International Co., Ltd. joined Japan Civil Engineering Consultants Pension Fund (jointly established) in 1971. Fukuoka Urban Engineering Co., Ltd. joined All Japan Surveying Enterprises Multi Employers Pension Fund (jointly established) in 1972.

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

The Company also has a retirement benefits trust.

#### 2. Retirement Benefits Obligations and Related Accounting Items

	Previous Consolidated Fiscal Year (as of December 31, 2012) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2013) (million yen)
(1) Retirement benefits obligations	-9,080	-10,140
(2) Pension assets	7,852	9,168
(3) Retirement benefits trust	1,303	1,309
(4) Outstanding accumulated retirement benefits obligations: (1) + (2) + (3)	75	336
(5) Previously unrecognized accounting disparities.	228	191
(6) Consolidated balance sheet recorded net amount: (4) + (5)	303	528
(7) Prepaid pension cost	943	1,129
(8) Retirement benefits reserves: (6) - (7)	-639	-601

Note: When computing retirement benefits obligations, the Company and 1 of its consolidated subsidiaries adopt the general method, and the other 2 consolidated subsidiaries adopt the simplified method.

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

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012) (million yen)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013) (million yen)
Retirement benefits costs	904	806
(1) Labor costs	582	580
(2) Interest costs	170	173
(3) Expected operating profit (Subtracted)	166	180
(4) Cost disposal Amount arising from accounting disparity	318	232
(5) Temporarily paid retirement amount	0	0

Note: Retirement benefit costs of the consolidated subsidiaries which adopt the simplified method are included in “(1) Labor costs.”

### 4. Items Related to Accounting Standards for Retirement Benefits Obligations

Items related to accounting standards for retirement benefits obligations of the Company and the consolidated subsidiaries which adopt the general method are as follows:

	Previous Consolidated Fiscal Year (as of December 31, 2012) (million yen)	Current Consolidated Fiscal Year (as of December 31, 2013) (million yen)
(1) Discount percentage	2.0%	2.0%
(2) Expected operating profit percentage	2.0%	2.0%
(3) Retirement benefits forecast	Periodic fixed amount standard	Periodic fixed amount standard
(4) Number of years for disposal of disparity arising from accounting.	5 years from the next consolidated fiscal year	5 years from the next consolidated fiscal year

### 5. Items Related to Employees' Pension Fund

#### (1) Accumulation in the overall system

	As of March 31, 2012 (million yen)		As of March 31, 2013 (million yen)	
	Japan Civil Engineering Consultants Pension Fund	All Japan Surveying Enterprises Multi Employers Pension Fund	Japan Civil Engineering Consultants Pension Fund	All Japan Surveying Enterprises Multi Employers Pension Fund
Pension assets	145,344	146,037	162,116	159,598
Obligations to pay retirement benefits based on calculation of pension finance	176,728	162,741	188,179	172,428
Balance	-31,384	-16,703	-26,063	-12,830

#### (2) Percentage of total salaries of the Group to the overall system

	Previous Consolidated Fiscal Year (as of December 31, 2012) (%)	Current Consolidated Fiscal Year (as of December 31, 2013) (%)
Japan Civil Engineering Consultants Pension Fund	6.87	6.95
All Japan Surveying Enterprises Multi Employers Pension Fund	0.37	0.43

(3) Supplementary explanation

Previous Consolidated Fiscal Year

1) Japan Civil Engineering Consultants Pension Fund

The major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance of 24,984 million yen, surplus, and shortage of 6,399 million yen.

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 15 years.

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

2) All Japan Surveying Enterprises Multi Employers Pension Fund

Major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance of 9,354 million yen, surplus, and shortage of 7,350 million yen.

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 20 years.

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

Current Consolidated Fiscal Year

1) Japan Civil Engineering Consultants Pension Fund

The major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance of 23,463 million yen, surplus, and shortage of 2,600 million yen.

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 15 years.

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

2) All Japan Surveying Enterprises Multi Employers Pension Fund

Major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance of 8,410 million yen, surplus, and shortage of 4,419 million yen.

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 20 years.

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

(Stock Options)

Not applicable.

## (Tax Effect Accounting)

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

	Previous Consolidated Fiscal Year (as of December 31, 2012)	Current Consolidated Fiscal Year (as of December 31, 2013)
Deferred tax assets (current assets)		
Accrued enterprise tax	23 million yen	60 million yen
Allowance for losses in operations	47	37
Reserve for bonuses	156	203
Social insurance premiums for bonuses	20	27
Loss brought forward	–	39
Other	36	54
Subtotal	284	421
Allowance account	-4	-4
Total	279	417
Deferred tax liabilities (current liabilities)		
Enterprise tax receivable	0 million yen	3 million yen
Total	0	3
Net of deferred tax assets (current assets)	278 million yen	413 million yen
Deferred tax assets (fixed assets)		
Reserve for retirement benefits	299 million yen	230 million yen
Long-term accounts payable	56	38
Unrealized loss on securities	83	83
Asset retirement obligations	40	43
Loss brought forward	–	38
Other	27	21
Subtotal	506	455
Allowance account	-95	-95
Total deferred tax assets	411	360
Deferred tax liabilities (fixed liabilities)		
Tangible fixed assets	31 million yen	32 million yen
Other valuation difference on available-for-sale securities	49	167
Total	81	199
Net of deferred tax assets (fixed assets)	330 million yen	160 million yen

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

	Previous Consolidated Fiscal Year (as of December 31, 2012)	Current Consolidated Fiscal Year (as of December 31, 2013)
Legal effective tax rate	40.69 %	38.01 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.85	0.74
Per capita inhabitant tax	8.21	5.23
No entry of profit from dividends earned, etc.	-0.69	-0.37
Downward revision of ending deferred tax assets due to a change in tax rate	1.71	–
No entry of loss from bonuses to directors	0.97	0.52
Allowance account	-3.46	0.02
Other	-1.40	-0.53
Bearing rate of corporation tax or the like after application of tax effect accounting	46.88	43.62

(Segment Information)

Segment Information

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012) and current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

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

Relevant Information

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012)

1. Information by products and services

The Company's group operates a single segment consisting of engineering consulting and incidental services, and omits description.

2. Information by areas

(1) Sales

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

(2) Tangible Fixed Assets

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

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government	16,018	Engineering consulting

Current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

1. Information by products and services

The Company's group operates a single segment consisting of engineering consulting and incidental services, and omits description.

2. Information by areas

(1) Sales

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

(2) Tangible Fixed Assets

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

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government	16,983	Engineering consulting

Impairment losses on fixed assets by reportable segments

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012) and current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

The Company has nothing to be described here.

Amortized amount and unamortized balance of goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012)

The Company operates a single segment consisting of engineering consulting and related works. The Company has nothing to be described here.

Current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

The Company has nothing to be described here.

Gain on negative goodwill by reportable segments

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012) and current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

The Company has nothing to be described here.

Information on related parties

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012) and current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

The Company has nothing to be described here.

(Business Combination)

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012) and current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

The Company has nothing to be described here.

(Notes on investment and rental property)

Previous consolidated fiscal year (from January 1, 2012 to December 31, 2012) and current consolidated fiscal year (from January 1, 2013 to December 31, 2013)

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

(Information per share)

	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Net assets per share	1,429.83 yen	1,504.86 yen
Current net income per share	38.91 yen	69.46 yen

Notes: 1. Current 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 current net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Consolidated Fiscal Year (from January 1, 2013 to December 31, 2013)
Current net income in the consolidated income statement (million yen)	550	982
Current net income related to common shares (million yen)	550	982
Amounts not belonging to ordinary shareholders (million yen)	–	–
Average number of common shares for the entire fiscal year (shares)	14,141,770	14,141,540

(Important Matters Generated Later)

Not applicable.

## (v) Supplemental Specifications for Consolidated Financial Statements

## Corporate bonds specification

Not applicable.

## Specifications about borrowings

Category	Current term opening balance (million yen)	Current term closing balance (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	150	600	0.9	–
Long-term borrowings to be repaid within 1 year	–	–	–	–
Lease obligations to be repaid within 1 year	125	92	–	–
Long-term borrowings except those to be repaid within 1 year	–	–	–	–
Lease obligations except those to be repaid within 1 year	160	132	–	2015 to 2020
Other Interest-bearing Liabilities	–	–	–	–
Total	435	824	–	–

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

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

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

Category	Over 1 year but within 2 years (million yen)	Over 2 years but within 3 years (million yen)	Over 3 years but within 4 years (million yen)	Over 4 years but within 5 years (million yen)
Lease obligations	65	40	19	6

## Specifications about asset retirement obligations

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

## (2) Other

## Quarterly financial information for the current consolidated fiscal year

(Cumulative period)	Three months ended March 31, 2013	First half ended June 30, 2013	Nine months ended to September 30, 2013	Current consolidated fiscal year
Sales (million yen)	6,524	18,504	26,363	36,435
Net income (loss) before income tax (million yen)	-90	1,139	1,207	1,712
Net income (loss) (million yen)	-57	597	653	982
Net income (loss) per share (yen)	-4.07	42.28	46.21	69.46

(Fiscal period)	First quarter from January 1, 2013 to March 31, 2013	Second quarter from April 1, 2013 to June 30, 2013	Third quarter from July 1, 2013 to September 30, 2013	Fourth quarter from October 1, 2013 to December 31, 2013
Net income (loss) per share (yen)	-4.07	46.35	3.93	23.25



## 2. Non-consolidated Financial Statements and Other Materials

### (1) Non-consolidated Financial Statements

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

(million yen)

	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
<b>Assets</b>		
Current assets		
Cash and bank deposits	2,261	2,480
Notes receivable-trade	2	-
Completed work receivables	1,240	1,348
Marketable securities	3,500	5,502
Prepaid expenses for uncompleted services	9,244	10,185
Advance payment	109	107
Deferred tax assets	203	313
Short-term loans	*1 468	*1 441
Other	80	74
Allowance for doubtful accounts	-30	-13
Total current assets	17,079	20,439
Fixed assets		
Tangible fixed assets		
Buildings	3,665	3,705
Accumulated depreciation	-2,033	-2,113
Buildings, net	1,632	1,591
Structures	714	714
Accumulated depreciation	-532	-544
Structures, net	182	170
Machinery and equipment	236	236
Accumulated depreciation	-221	-223
Machinery and equipment, net	14	12
Furniture and fixtures	874	902
Accumulated depreciation	-761	-764
Furniture and fixtures, net	112	137
Land	4,581	4,556
Lease assets	432	313
Accumulated depreciation	-221	-167
Lease assets, net	211	146
Total tangible fixed assets	6,735	6,615
Intangible fixed assets		
Leasehold	16	16
Software	146	127
Telephone rights	22	22
Right of using special facilities	0	0
Lease assets	3	2
Other	0	0
Total intangible fixed assets	189	169
Investments and other assets		
Investment in securities	1,390	1,909
Shares in subsidiaries and affiliates	575	551
Investments in capital of subsidiaries and affiliates	25	50
Investments	3	3
Long-term time deposits	300	800
Long-term prepaid expenses	24	38
Deferred tax assets	274	104
Lease and guarantee deposit	669	736
Membership	52	51
Prepaid pension cost	909	1,083
Other	1	0
Allowance for doubtful accounts	-2	-0
Total investments and other assets	4,224	5,329
Total fixed assets	11,148	12,114
Total assets	28,228	32,553

(million yen)

	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for services	*1      1,256	*1      1,406
Lease obligations	101	67
Accounts payable	150	192
Accrued income taxes	122	687
Accrued consumption taxes	30	212
Accrued expenses	577	696
Advances received from uncompleted services	4,710	6,748
Deposits received	338	421
Revenue received in advance	5	4
Reserve for bonuses	353	500
Reserve for bonuses to directors	18	21
Allowance for losses in operations	48	42
<b>Total current liabilities</b>	<b>7,713</b>	<b>11,001</b>
<b>Fixed liabilities</b>		
Long-term accounts payable	104	89
Lease obligations	120	85
Reserve for retirement benefits	367	381
Asset retirement obligations	79	91
Other	51	63
<b>Total fixed liabilities</b>	<b>723</b>	<b>711</b>
<b>Total liabilities</b>	<b>8,436</b>	<b>11,712</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital	3,025	3,025
<b>Capital surplus</b>		
Capital reserve	4,122	4,122
<b>Total capital surplus</b>	<b>4,122</b>	<b>4,122</b>
<b>Profit surplus</b>		
Profit reserve	176	176
<b>Other profit surplus</b>		
General reserve	8,700	8,700
Profit surplus brought forward	3,559	4,303
<b>Total profit surplus</b>	<b>12,436</b>	<b>13,180</b>
Treasury stock	-11	-11
<b>Total shareholders' equity</b>	<b>19,573</b>	<b>20,317</b>
<b>Valuation and translation differences</b>		
Other valuation difference on available-for-sale securities	218	523
<b>Total valuation and translation adjustment</b>	<b>218</b>	<b>523</b>
<b>Total net assets</b>	<b>19,792</b>	<b>20,840</b>
<b>Total liabilities and net assets</b>	<b>28,228</b>	<b>32,553</b>

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

(million yen)

	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
Sales	27,040	30,059
Cost of sales	19,802	21,934
Gross profit	7,237	8,125
Selling, general and administrative expenses		
Directors' remuneration	313	302
Salaries and allowances	2,729	2,676
Bonuses	408	481
Provision of reserve for bonuses	108	149
Provision of reserve for bonuses to directors	18	21
Retirement benefits expenses	161	143
Legal welfare expenses	607	645
Traveling expenses	436	427
Tax and public imposts	135	151
Depreciation	99	94
Rent expenses	379	380
Research and investigation expenses	*1 409	*1 443
Provision of allowance for doubtful accounts	5	-
Other	674	721
Total selling, general and administrative expenses	6,485	6,639
Operating income	751	1,485
Non-operating revenues		
Interest earned	*2 12	*2 7
Dividend earned	*2 26	*2 26
Interest from securities	13	17
Rent earned	*2 37	*2 35
Insurance dividends earned	20	21
Reversal of allowance for doubtful accounts	0	17
Other	35	30
Total non-operating revenues	145	155
Non-operating expenses		
Interest paid	0	-
Commissions paid	18	6
Expenses for the Company's 50th anniversary project	-	15
Other	0	1
Total non-operating expenses	18	22
Ordinary profit	878	1,619
Extraordinary gain		
Gain on sales of fixed assets	-	*3 166
Reversal of allowance for investment loss	10	-
Total extraordinary gain	10	166
Extraordinary loss		
Loss from fixed assets disposal	*4 2	*4 11
Unrealized loss on investment in securities	-	34
Loss on cancel of lease contracts	-	13
The Company's share in the expenses for removal of underground obstacles	-	31
Other	-	0
Total extraordinary loss	2	92
Net income before income tax	886	1,693
Corporation tax, inhabitants tax and enterprise tax	301	782
Deferred income taxes etc.	121	-58
Total income taxes	422	723
Current net income	463	969

Cost Specifications for Completed Services

Category	Note No.	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)			Current Fiscal Year (from January 1, 2013 to December 31, 2013)		
		Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		6,703			7,052		
2. Bonuses		983			1,218		
3. Provision of reserve for bonuses		234			336		
4. Retirement benefits expense		673			587		
5. Other		1,369	9,964	48.0	1,545	10,741	47.0
II Amount paid to subcontractors			7,372	35.5		8,635	37.7
III Expenses							
1. Traveling expenses		949			979		
2. Printing and copying expenses		379			397		
3. Expendables cost		244			283		
4. Rents		880			867		
5. Depreciation		181			151		
6. Provision of allowance for losses in operations		-20			-5		
7. Other		827	3,442	16.6	823	3,497	15.3
Current general business expenses			20,779	100.0		22,875	100.0
Opening prepaid expenses for uncompleted services			8,267			9,244	
Total			29,047			32,119	
Closing prepaid expenses for uncompleted services			9,244			10,185	
Current cost of completed services			19,802			21,934	

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

(iii) Statement of Fluctuations in Shareholders' Equity  
 Previous Fiscal Year(from January 1, 2012 to December 31, 2012)

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		Total profit surplus
		Capital reserve	Total capital surplus		General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	3,321	12,198
Changes of items during the period							
Dividends from surplus						-226	-226
Current net income						463	463
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	—	—	—	—	—	237	237
Balance at the end of current period	3,025	4,122	4,122	176	8,700	3,559	12,436

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-11	19,336	92	92	19,428
Changes of items during the period					
Dividends from surplus		-226			-226
Current net income		463			463
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			126	126	126
Total changes of items during the period	-0	237	126	126	363
Balance at the end of current period	-11	19,573	218	218	19,792

Current Fiscal Year(from January 1, 2013 to December 31, 2013)

(million yen)

	Shareholders' equity						
	Capital	Capital surplus		Profit reserve	Profit surplus		Total profit surplus
		Capital reserve	Total capital surplus		Other profit surplus		
					General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	3,559	12,436
Changes of items during the period							
Dividends from surplus						-226	-226
Current net income						969	969
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	—	—	—	—	—	743	743
Balance at the end of current period	3,025	4,122	4,122	176	8,700	4,303	13,180

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-11	19,573	218	218	19,792
Changes of items during the period					
Dividends from surplus		-226			-226
Current net income		969			969
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			304	304	304
Total changes of items during the period	-0	743	304	304	1,048
Balance at the end of current period	-11	20,317	523	523	20,840

Notes:

Important Accounting Policy

1. Valuation base and method for securities

(1) Held-to-maturity securities

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.

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

Buildings: 17 – 50 years

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

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

(3) Lease assets

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

4. Accounting for allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Reserve for bonuses

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

(3) Reserve for bonus to directors

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

(4) Allowance for losses in operations

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

(5) Reserve for retirement benefits

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

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

5. Accounting treatment of consumption taxes

Tax exclusion method is adopted.

(Changes in Accounting Policy)

(Changes in accounting policy that are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Act, effective from the current fiscal year, the Company has changed its depreciation method tangible fixed assets acquired on or after January 1, 2013 to the method under the amended Corporation Tax Act. This change has little impact on profit and loss for the current fiscal year.

(Changes of presentation)

(Non-consolidated Profit and Loss Account)

“Reversal of allowance for doubtful accounts,” an item included in “Other” of “Non-operating revenues” in the previous fiscal year, is presented separately for the current fiscal year because its quantitative materiality has increased. To reflect this change in presentation, the financial statements for the previous fiscal year have been reclassified.

As a result, 35 million yen of “Other” of “Non-operating revenues” in the Non-consolidated Profit and Loss Account for the previous fiscal year has been reclassified as “Reversal of allowance for doubtful accounts” of 0 million yen and “Other” of 35 million yen.



(Notes on Balance Sheet)

\*1 Amount for subsidiaries and affiliates is included as follows:

	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
Shot-term loans	468 million yen	441 million yen
Account payable for services	188	195

2 Warranty for liabilities

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

	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
Employees of the Company	63 million yen	65 million yen
Employees of CTI Engineering International Co., Ltd.	2	1

(Notes on Profit and Loss Account)

\*1 The research and investigation expenses included in selling, general and administrative expenses are as follows:

	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
	409 million yen	443 million yen

\*2 Within non-operating revenues, the major items from subsidiaries and affiliates were as follows.

	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
Received interest	6 million yen	5 million yen
Received dividends	6	5
Received rent income	31	28

\*3 Gain on sales of fixed assets can be broken down as follows:

	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
Land	— million yen	166 million yen
Total	—	166

\*4 Loss from fixed assets disposal can be broken down as follows:

	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
Buildings	1 million yen	8 million yen
Furniture and fixtures	1	2
Total	2	11

(Notes on Statement of Fluctuations in Shareholders' Equity)

Previous Fiscal Year (From January 1, 2012 to December 31, 2012)

1 Treasury stock

Type of Share	As of the beginning of the fiscal year	Increase	Decrease	As of the end of the fiscal year
Common stock	17,191	207	—	17,398

Note: The increase in the amount of treasury stock of 207 shares was due to acquisition of shares constituting less than one transaction unit.

Current Fiscal Year (From January 1, 2013 to December 31, 2013)

1 Treasury stock

Type of Share	As of the beginning of the fiscal year	Increase	Decrease	As of the end of the fiscal year
Common stock	17,398	339	—	17,737

Note: The increase in the amount of treasury stock of 339 shares was due to acquisition of shares constituting less than one transaction unit.

(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 (furniture and fixtures)

2) Intangible fixed assets

Software

(2) Depreciation and amortization method for lease assets

The method is outlined in "3. Depreciation of fixed assets" in Important Accounting Policy.

(Notes on securities)

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

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

	(million yen)	
	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
Shares in subsidiaries	525 million yen	536 million yen
Shares in affiliates	50	15
Total	575	551

(Notes on tax effect accounting)

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

	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
Deferred tax assets (current assets)		
Accrued enterprise tax	15 million yen	58 million yen
Allowance for losses in operations	17	16
Reserve for bonuses	134	190
Social insurance premiums for bonuses	17	25
Other	23	27
Subtotal	208	317
Allowance account	-4	-4
Total	203	313
Deferred tax assets (fixed assets)		
Reserve for retirement benefits	270 million yen	220 million yen
Long-term accounts payable	39	32
Unrealized loss of securities	83	83
Asset retirement obligations	34	32
Other	12	16
Subtotal	439	385
Allowance account	-89	-89
Total	350	296
Deferred tax liabilities (fixed liabilities)		
Tangible fixed assets	27 million yen	24 million yen
Other valuation difference on available-for-sale securities	49	167
Total	76	191
Net of deferred tax assets (fixed assets)	274 million yen	104 million yen

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

	Previous Fiscal Year (as of December 31, 2012)	Current Fiscal Year (as of December 31, 2013)
Legal effective tax rate	40.69 %	38.01 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.83	0.60
Per capita inhabitant tax	8.93	4.70
No entry of profit from dividend earned etc.	-0.84	-0.37
Downward revision of ending deferred tax assets due to a change in tax rate	1.62	-
No entry of loss from bonuses to directors	0.89	0.41
Allowance account	-3.91	0.02
Other	-0.56	-0.64
Bearing rate of corporation tax or the like after application of tax effect accounting	47.65	42.73

(Information per Share)

	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
Net assets per share	1,399.57 yen	1,473.74 yen
Current net income per share	32.81 yen	68.59 yen

Notes: 1. Current net income per share after adjustment of potential shares is not stated because there are no potential shares.

2. Basis of calculation of current net income per share:

Item	Previous Fiscal Year (from January 1, 2012 to December 31, 2012)	Current Fiscal Year (from January 1, 2013 to December 31, 2013)
Current net income in the income statement (million yen)	463	969
Current net income related to common shares (million yen)	463	969
Amounts not belonging to ordinary shareholders (million yen)	–	–
Average number of common shares for the entire fiscal year (shares)	14,141,770	14,141,540

(Important Matters Generated Later)

Not applicable.

## (iv) Supplemental specifications

## Specifications of securities

## Shares

		Issuer name	Number of shares	Book value on balance sheet (million yen)
Investment securities	Available-for-sale securities	RAITO KOGYO CO., LTD.	265,100	204
		OYO Corporation	98,500	158
		SHO-BOND Holdings Co., Ltd.	23,500	113
		Mitsubishi UFJ Financial Group, Inc.	145,000	100
		CHODAI CO., LTD.	105,000	78
		E · J Holdings Inc.	60,340	69
		NIPPON JOGESUIDO SEKKEI CO., LTD.	50,000	64
		T&D Holdings, Inc.	38,400	56
		Japan Asia Group Limited	72,480	52
		PACIFIC CONSULTANTS INTERNATIONAL GROUP	100	50
		Other (26 issues)	1,100,881	461
Total			1,959,301	1,409

## Bonds and Notes

		Issuer name	Aggregate nominal amount (million yen)	Book value on balance sheet (million yen)
Investment securities	Held-to-maturity securities	BTMU (Curacao) Holdings N.V. Series850	500	500
Total			500	500

## Other

		Issuer name	Investment amount etc. (shares)	Book value on balance sheet (million yen)
Marketable securities	Available-for-sale securities	Mitsubishi UFJ Asset Management Co., Ltd. (Mitsubishi UFJ Cash Fund)	1,500,186,146	1,500
		Nomura Asset Management Co., Ltd. (Free Financial Fund)	2,501,131,884	2,501
		Daiwa Asset Management Co. Ltd. (Free Financial Fund)	1,501,015,047	1,501
Total			5,502,333,077	5,502

Specifications of tangible fixed assets and other

Type of assets	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Closing balance (million yen)	Accumulated depreciation or amortization (million yen)	Amortization in the current term (million yen)	Closing balance after deduction (million yen)
Tangible fixed assets							
Buildings	3,665	53	14	3,705	2,113	86	1,591
Structures	714	–	–	714	544	11	170
Machinery and equipment	236	0	–	236	223	2	12
Furniture and fixtures	874	71	43	902	764	43	137
Land	4,581	–	25	4,556	–	–	4,556
Lease assets	432	46	166	313	167	99	146
Total tangible fixed assets	10,506	172	250	10,428	3,813	243	6,615
Intangible fixed assets							
Leasehold	16	–	–	16	–	–	16
Software	321	45	–	366	238	63	127
Telephone rights	22	–	–	22	–	–	22
Right of using special facilities	1	–	–	1	0	0	0
Lease assets	8	0	4	3	1	1	2
Other	0	–	–	0	0	0	0
Total intangible fixed assets	371	45	4	411	242	65	169
Long-term prepaid expenses	54	23	14	62	24	9	38
Deferred assets							
–	–	–	–	–	–	–	–
Total deferred assets	–	–	–	–	–	–	–

Specifications of allowances and reserves

Category	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (Use with purpose) (million yen)	Decrease during the year (Other) (million yen)	Closing balance (million yen)
Allowance for doubtful accounts	32	–	1	17	13
Reserve for bonuses	353	500	353	–	500
Reserve for bonuses to directors	18	21	18	–	21
Allowance for losses in operations	48	42	38	9	42

Note: 1. The decreases during the year (other) in the amounts for “allowance for doubtful accounts” were mainly due to collections.

2. The decreases during the year (other) in the amounts for “allowance for losses in operations” were due to cost improvement.

(2) Details of major assets/liabilities

1) Assets section

(i) Cash and bank deposits

Category	Amount (million yen)
Cash on hand	2
Type of bank deposits	
Checking deposit	1,844
Ordinary deposit	323
Time deposit	300
Special deposit	9
Subtotal	2,477
Total	2,480

(ii) Completed work receivables

(a) Breakdown by client

Client	Amount (million yen)
Japanese Government	526
Central Nippon Expressway Company Limited	104
CTI Engineering International Co., Ltd.	92
Onagawa-cho, Miyagi Prefecture	66
Okinawa Prefecture	53
East Nippon Expressway Company Limited	53
Hyogo Prefecture	46
Miyagi Prefecture	38
Kyoto Prefecture	35
Nara Prefecture	32
Other	301
Total	1,348



(b) Generation, collection and remaining of completed work receivables

Opening balance (million yen) (A)	Generation in current term (million yen) (B)	Collected amount in current term (million yen) (C)	Closing balance (million yen) (D)	Collection ratio (%)	Days of remaining (days) (A)+(D)
				$\frac{(C)}{(A)+(B)} \times 100$	$\frac{2}{(B)}$ 366
1,240	4,406	4,298	1,348	76.1	107.3

- Notes: 1. Though the tax exclusion method is applied to accounting of consumption taxes, the above amounts include consumption tax.
2. The amount of generation in current term does not include the amount entered as the advances received from uncompleted services.

(iii) Prepaid expenses for uncompleted services

Category	Amount (million yen)
Labor cost	4,927
Subcontractor cost	3,472
Expense	1,784
Total	10,185

2) Liabilities

(i) Accounts payable for services

Service provider	Amount (million yen)
CTI Wing Co., Ltd	89
Token Koei Co., Ltd.	49
CTI AURA Co., Ltd.	48
CTI Grand Planning Co., Ltd.	39
UNITIKA Environmental Technical Center CO., LTD.	31
OTSUKA CORPORATION	30
Mikuniya Corporation	27
WAKEN SEKKEI JIMUSHO Co., Ltd.	22
SUNCOH CONSULTANTS CO., Ltd	22
Japan Environment Research Co., LTD.	21
Other	1,023
Total	1,406

(ii) Advances received from uncompleted services

Client	Amount (million yen)
Japanese Government	2,508
Miyagi Prefecture	354
Iwate Prefecture	244
Central Nippon Expressway Company Limited	242
Shizuoka Prefecture	227
Yamanashi Prefecture	188
Yamaguchi Prefecture	141
Kamaishi City, Iwate Prefecture	116
Fukuoka Prefecture	111
Mie Prefecture	101
Other	2,510
Total	6,748

(3) Other

Not applicable.

## CHAPTER 6: SHAREHOLDER RELATED INFORMATION

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

## CHAPTER 7: REFERENCE MATERIAL

### 1. Parent Company Information

The Company has no parent company.

### 2. Other References

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

#### (1) Securities Report, its accompanying documents, and confirmation note

Fiscal year (50th fiscal year) (from January 1, 2012 to December 31, 2012) Submitted to the director of the Kanto Local Finance Bureau on March 28, 2013.

#### (2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on March 28, 2013.

#### (3) Quarterly Report and confirmation note

(First quarter of 51st fiscal year) (from January 1, 2013 to March 31, 2013) Submitted to the director of the Kanto Local Finance Bureau on May 13, 2013.

(Second quarter of 51st fiscal year) (from April 1, 2013 to June 30, 2013) Submitted to the director of the Kanto Local Finance Bureau on August 13, 2013.

(Third quarter of 51st fiscal year) (from July 1, 2013 to September 30, 2013) Submitted to the director of the Kanto Local Finance Bureau on November 14, 2013.

#### (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 28, 2014.

## Part 2: SURETY COMPANY INFORMATION

Not applicable.