SECURITIES REPORT

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

Fiscal Year (56th Term)

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

CTI Engineering Co., Ltd.

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

(941-172)

56th Term (from January 1, 2018 to December 31, 2018)

SECURITIES REPORT

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

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

CTI Engineering Co., Ltd.

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Document submitted	Securities report
Legal basis	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Recipient of document	Director of the Kanto Local Finance Bureau
Date of submission	March 27, 2019
Fiscal Year	56th term (from January 1, 2018 to December 31, 2018)
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Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Part 1: CORPORATE INFORMATION

CHAPTER 1: GENERAL

1. Changes in Major Management Indices

(1) Consolidated management indices of the Company

Fiscal year		52nd term	53rd term	54th term	55th term	56th term
Fiscal year-end		December 2014	December 2015	December 2016	December 2017	December 2018
Sales amount	(million yen)	39,524	40,220	42,033	49,301	58,443
Ordinary profit	(million yen)	2,525	2,734	2,433	2,500	3,167
Net income attributable to owners of the parent	(million yen)	1,490	1,633	1,447	1,615	1,893
Comprehensive income	(million yen)	1,584	1,891	1,259	2,237	1,299
Net assets	(million yen)	21,870	23,816	24,793	26,885	27,810
Total assets	(million yen)	41,011	43,937	42,644	49,444	50,873
Net assets per share	(yen)	1,539.79	1,675.40	1,746.31	1,881.01	1,950.54
Net income per share	(yen)	105.38	115.51	102.37	114.22	133.94
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	53.1	53.9	57.9	53.8	54.2
Profit ratio of net worth	(%)	6.9	7.2	6.0	6.3	7.0
Price earnings ratio	(times)	14.62	10.75	10.18	10.08	11.59
Cash flow from operating business activities	(million yen)	3,591	1,613	-201	2,834	1,873
Cash flow from investment activities	(million yen)	568	-1,766	-163	-6,857	-1,475
Cash flow from financial activities	(million yen)	-108	-196	-683	-739	-76
Closing balance of cash and cash equivalents	(million yen)	12,659	12,310	11,244	6,515	6,722
Number of employees (plus average number of temporary employees)	(persons)	1,652 (496)	1,855 (499)	1,886 (504)	2,826 (817)	2,932 (883)

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

Notes: 1. Sales amount does not include consumption tax.

2. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.

2. Chronology

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, Chuuo-ku, Tokyo
September 1973	Moved the Head Office to Nihombashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (Overseas Department at present) in the Head Office to increase the number of oversea project orders
April 1976	Opened Sendai Liaison Office (Tohoku Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” (CTI AURA Co., Ltd. at present) to be exclusively engaged in construction management projects
June 1988	Opened Sapporo Liaison Office (Hokkaido Office at present) in Chuo-ku, Sapporo
July 1989	Opened Front Department to be in charge of hydraulic model experiments for dams, rivers and erosion control
April 1991	Opened Tokyo Office (Tokyo Head Office at present) in Nihombashi-honcho, Chuo-ku, Tokyo in preparation for larger-scale business
April 1994	Opened CM Headquarters in the Head Office to participate in “Construction Management (CM)” business acting as an agent in construction projects ranging from planning and design through to selection of constructor and construction control
June 1994	Registered over-the-counter stock with the Japan Securities Dealers Association
August 1996	Changed organization of the Front Dept. and opened Tsukuba Research Center in Tsukuba-shi, Ibaraki
October 1996	Stock listed on the Second Section of the Tokyo Stock Exchange
March 1999	Established CTI Engineering International Co., Ltd. to isolate overseas operations making it independent of other operations
April 1999	Assigned the goodwill of the overseas division to the CTI Engineering International
June 1999	Stock listed on the First Section of the Tokyo Stock Exchange
December 1999	Established Management Techno Co., Ltd. to be exclusively engaged in management businesses
April 2000	Opened Management Business Department to be in charge of management business
April 2003	CTI Academy Co., Ltd. (CTI Frontier Co., Ltd. at present) was established to specialize in training, the conducting of seminars, and other businesses.
May 2005	In the company’s 60th year of operations, the head office was relocated to Nihombashi Hamacho, Chuo-ku, Tokyo.
June 2006	On June 1, 2006, the Fukuoka Association of Land Readjustment transferred its commercial operations to the Company’s wholly owned subsidiary, Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006) (presently Japan Urban Engineering Co., Ltd.)
January 2008	Established Wuhan CTI-CRSRI Engineering & Environment Co., Ltd. to implement environmental consulting services with Changjiang River Scientific Research Institute
October 2010	The Company’s wholly owned subsidiary, Chi-ken Sogo Consultants Co., Ltd., absorbed the construction consultant business of SUMIKO CONSULTANTS CO., LTD. (presently Sumiko Resources Exploration & Development Co., Ltd.) and started operations.
March 2014	Established CTI Myanmar Co., Ltd. to implement engineering consulting services jointly with Duwun Export & Import Co., Ltd.
June 2015	Environmental Research & Solutions CO., LTD., started its operations as the Company’s wholly owned subsidiary by way of a share transfer from UNITIKA LTD.
November 2015	NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. started operations as the Company’s wholly owned subsidiary by way of a share transfer in the form of an incorporation-type company split.
June 2017	Waterman Group Plc started operations as the Company’s wholly owned subsidiary by way of a takeover bid.

3. Business Contents

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

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

(i) Domestic consulting engineering business

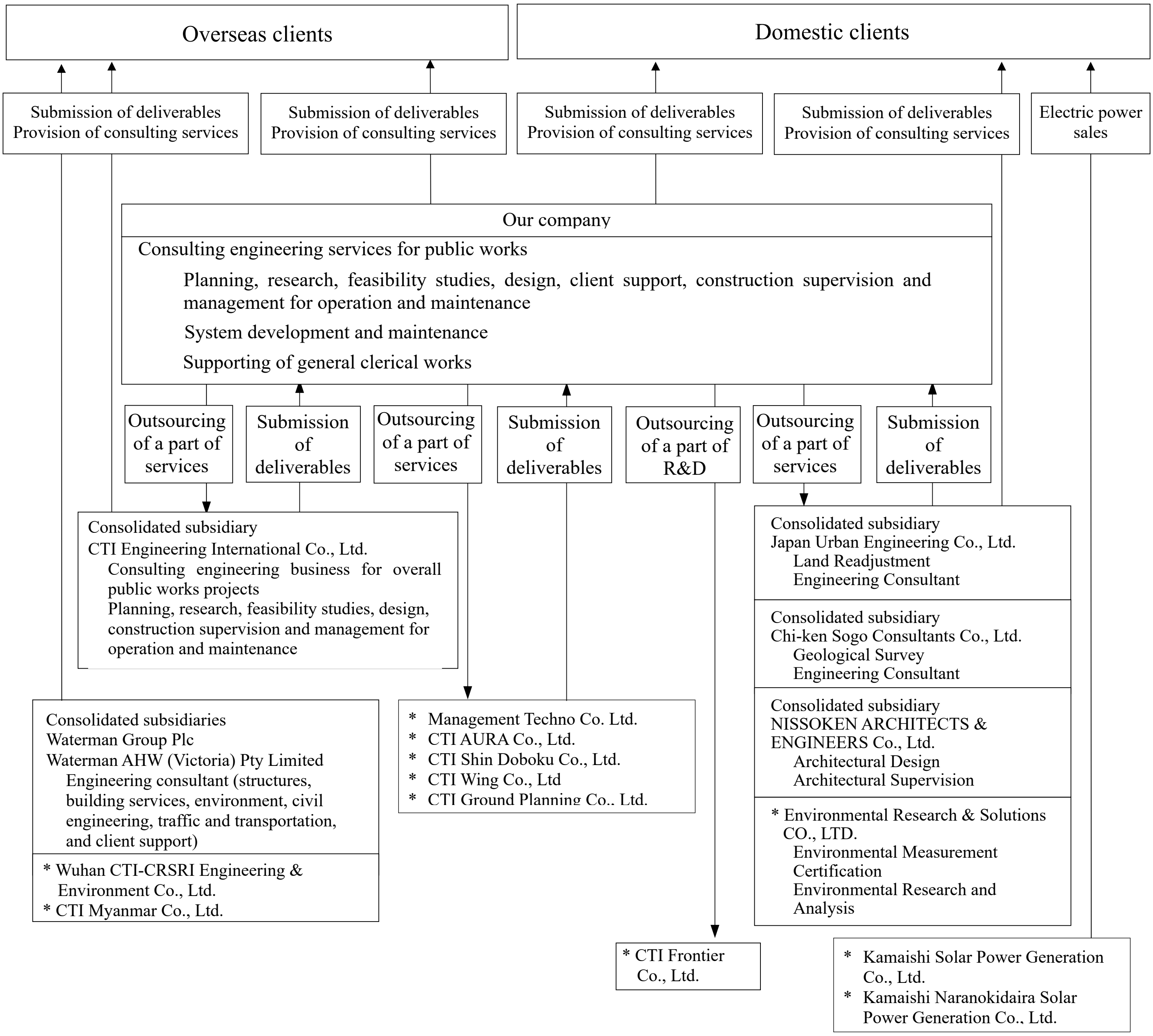
The Company's major domestic consulting engineering services include planning, research, feasibility studies, design, client support, construction supervision, management for operation and maintenance for public works in Japan as well as incidental system development, maintenance and supporting of general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

(ii) Overseas consulting engineering business

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

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

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



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

4. Situation of Consolidated Subsidiaries

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

Note: These companies are specified subsidiaries of the Company.

5. Situation of Employees

(1) Consolidation basis

As of December 31, 2018

Segment name	Number of employees (persons)
Domestic consulting engineering business	1,854 (525)
Overseas consulting engineering business	1,078 (358)
Total	2,932 (883)

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

(2) Non-consolidation basis

As of December 31, 2018

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
1,574 (462)	42.91	13.25	8,391,710

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

(3) Situation of labor union

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

(i) Name: Labor Union of CTI Engineering

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

(iii) Number of union members: 929 (as of December 31, 2018)

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

CHAPTER 2: BUSINESS SITUATION

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

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

(1) Basic management policy of the Company

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

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

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

(2) Target management indices

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

(3) Management strategy

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

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

1) Basic policy

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

2) Targeted business scale (revised in 2019)

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

3) Direction

i) Multi-infrastructure company

* Gain an accurate understanding of the demand as infrastructures diversify in the future covering a wide scope of infrastructures ranging from architectural/urban and social/public systems to cater to various

needs including not only research, planning, and design but also management, maintenance and operation, and the provision of information.

ii) Global company

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

iii) Active company

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

(4) Business environment and our tasks ahead

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

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

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

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

2. Business Risks

(Domestic business risks)

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

(Overseas business risks)

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

3. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management

(1) Outline of business performance, etc.

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

1) Business performance

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

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

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

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

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

Results by reportable segment of the Group were as follows.

i) Domestic consulting engineering business

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

ii) Overseas consulting engineering business

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

2) Financial conditions

At the end of the current consolidated fiscal year, the Group's total assets totaled 50,873 million yen, an increase of 2.9% compared to the end of the previous fiscal year. The major items were increases in notes receivable and completed work receivables and prepaid expenses for uncompleted services.

Total liabilities at the end of this consolidated fiscal year were 23,062 million yen, an increase of 2.2% compared to the end of the previous fiscal year. The major items were increases in accrued income taxes and short-term borrowings.

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

3) Cash flow

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

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

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

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

4) Results of production, orders received and sales

1) Production results

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

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

2) Order receiving results

Segment name	Current consolidated fiscal year (From January 1, 2018 to December 31, 2018)			
	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 (%)
Domestic consulting engineering business	45,675	9.0	46,454	11.5
Overseas consulting engineering business	14,442	32.6	12,761	-19.7
Total	60,117	13.9	59,215	2.9

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

3) Sales results

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

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

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

Client	Previous consolidated fiscal year (From January 1, 2017 to December 31, 2017)		Current consolidated fiscal year (From January 1, 2018 to December 31, 2018)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government of Japan	20,516	41.6	19,323	33.1

(2) Analysis and review of business performance, etc. from the management's viewpoint

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

1) Important accounting policies and estimates

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

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

2) Analysis of business performance, etc.

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

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

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

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

3) Analysis of financial conditions

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

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

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

4) Analysis of capital resources and fund liquidity

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

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

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

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

4. Important Agreements Related to Management

Not applicable.

5. Research and Development

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

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

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

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

CHAPTER 3: FACILITIES & EQUIPMENT

1. Outline of Investment into Facilities and Equipment

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

(Domestic consulting engineering business)

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

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

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

(Overseas consulting engineering business)

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

2. Major Facilities and Equipment

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

(1) Company submitting the report

As of December 31, 2018

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and delivery equipment	Land (area: m²)	Lease assets	Other	Total	
Head Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	General administration facilities	9	–	–	1	48	59	116 (3)
Tokyo Head Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	Office	53	–	–	14	44	112	446 (145)
Tokyo Head Office Saitama Office (Urawa-ku, Saitama)	Domestic consulting engineering business	Office	661	0	772 (1,978)	1	33	1,469	80 (60)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Domestic consulting engineering business	Office and laboratory facilities	234	4	1,937 (50,605)	0	9	2,187	55 (18)
Yono Dormitory (Chuo-ku, Saitama)	Domestic consulting engineering business	Welfare facilities	168	–	820 (1,565)	–	0	988	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Domestic consulting engineering business	Office	290	0	1,025 (1,136)	0	27	1,344	157 (21)

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and delivery equipment	Land (area: m^2)	Lease assets	Other	Total	
CTI Keihanna Bldg. (Seikacho, Souraku-gun, Kyoto)	Domestic consulting engineering business	Office and environmental research and analysis facilities	737	3	121 (4,660)	–	6	869	– (–)
CTI Okazaki Bldg. (Okazaki-shi, Aichi)	Domestic consulting engineering business	Office and environmental research and analysis facilities	217	–	109 (1,200)	–	2	329	– (–)

Notes: 1. Land area of Research Center Tsukuba includes the area of 14,895 m^2 leased from a party other than the consolidated company.
2. The Company leases the CTI Keihanna Bldg. and CTI Okazaki Bldg. to Environmental Research & Solutions CO., LTD., a non-consolidated subsidiary of the Company.
3. The number of temporary employees is given in ( ) with the average additional number during the year.

(2) Subsidiaries in Japan

Not applicable.

(3) Subsidiaries out of Japan

Not applicable.

3. New Construction or Removal Plan for Equipment

(1) Construction of major equipment

There are no plans to construct any major equipment.

(2) Removal of major equipment

There are no plans to remove any major equipment.

CHAPTER 4: STATUS OF THE COMPANY

1. Status of Shares

(1) Total number of shares, etc.

(i) Total number of shares

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, 2018)	Issued shares as of the date for submission (shares) (March 27, 2019)	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) New share subscription acquisition rights, etc.

(i) Stock option system

Not applicable.

(ii) Rights plan

Not applicable.

(iii) Other new share subscription acquisition rights, etc.

Not applicable.

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

Not applicable.

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

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

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

(5) Shareholders

As of December 31, 2018

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)	–	27	23	78	79	5	2,170	2,382	–
Number of shares held (units)	–	35,400	1,951	16,102	23,352	203	64,338	141,346	24,486
Shareholding ratio (%)	–	25.1	1.4	11.4	16.5	0.1	45.5	100.0	–

Notes: 1. Among treasury stocks (18,837 stocks), 188 units are counted as “Individuals etc.” and 37 shares are counted as “Shares below a unit” in the table above.

2. “Other corporations” and “Shares below a unit” in the table above include 41 units of shares and 72 shares held by the Securities Custody and Transfer Organization respectively.

(6) Major shareholders

As of December 31, 2018

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

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

(7) Voting rights

(i) Issued shares

As of December 31, 2018

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

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, 2018

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

(8) Contents of shareholding system for executives and employees

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

1) Outline of the Plan

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

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

25,000 shares

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

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

2. Acquirement of Treasury Stocks

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

(1) Acquisition of shares by resolution at a General Shareholders Meeting

None.

(2) Acquisition of shares by resolution at a Board of Directors Meeting

None.

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

Category	Number of Shares	Total Price (Yen)
Treasury stock acquired in this fiscal year	271	411,184
Treasury stock acquired in this period	91	128,401

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

(4) Disposal and holding of acquired treasury stock

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

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

3. Dividend Policy

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

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

As in the past, based on a stable dividend policy, the Company will continue to provide returns on shareholder investment with the aim of attaining a targeted dividend payment ratio of 30% for the mid- to long-term.

Note: In respect of the dividend for the record date, December 31, 2018, it was resolved at the 56th Ordinary General Shareholders Meeting held on March 26, 2019 to pay a dividend of 25 yen per share (total dividend payment amount: 353 million yen).

4. Change in Stock Price

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

Fiscal year	52nd term	53rd term	54th term	55th term	56th term
Fiscal year end	December 2014	December 2015	December 2016	December 2017	December 2018
Highest (yen)	1,942	1,576	1,240	1,238	1,758
Lowest (yen)	958	1,055	753	983	1,134

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 2018	August 2018	September 2018	October 2018	November 2018	December 2018
Highest (yen)	1,527	1,564	1,758	1,740	1,618	1,599
Lowest (yen)	1,380	1,362	1,467	1,423	1,434	1,406

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

5. Executive Management

Male: 15 persons Female: 1 person (Ratio of female Directors and Auditors: 6.3 %)

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Chairman & Managing Director		Kazuo Murata	September 26, 1951	April 1978 April 1997 April 1999 April 2001 March 2003 April 2004 March 2006 April 2009 March 2010 March 2011 April 2011 March 2013 March 2019	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 & Managing Director Chairman & Managing Director (present post)	1	60
Vice Chairman & Managing Director		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 March 2016 March 2017 March 2019	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, Managing Executive Officer, Principal, Osaka Head Office Senior Managing Executive Officer Principal, Tokyo Head Office Executive Officer & Vice President Managing Director (present post) & Chief, Corporate Planning Dept. Vice Chairman (present post)	1	33
President & Managing Director		Tetsumi Nakamura	March 4, 1957	April 1979 April 2002 April 2006 April 2009 March 2010 April 2011 March 2013 March 2015 March 2016 April 2017 March 2018 March 2019	Joined CTI Engineering General Manager, Water Resources Dept., Tokyo Head Office Deputy Branch Administrator, Tokyo Head Office Deputy Administrator, Tokyo Head Office Executive Officer Principal, Tohoku Office Director Principal, Kyushu Office and Okinawa Office Managing Executive Officer Principal, Tokyo Head Office Senior Managing Executive Officer President & Managing Director (present post)	1	23

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Executive Officer, Vice President & Managing Director	Principal, Osaka Head Office	Kazuhiro Terai	February 28, 1956	April 1981 April 1999 April 2003 April 2007 March 2012 April 2012 March 2013 April 2013 March 2016 April 2017 March 2018 March 2019	Joined CTI Engineering General Manager, Environmental Measures Div., Headquarters Environment Dept., Osaka Office General Manager, Management Business Division Deputy Branch Administrator, Tokyo Head Office Executive Officer Deputy Administrator, Tokyo Head Office Director Chief, Headquarters Management Dept. Managing Executive Officer Principal, Osaka Head Office (present post) Senior Managing Executive Officer Executive Officer, Vice President & Managing Director (present post)	1	21
Senior Managing Executive Officer & Director	Chief, Headquarters Management Dept.	Koichi Watanabe	October 20, 1954	March 1990 April 1990 April 2006 April 2009 March 2012 March 2016 March 2017 April 2017 March 2019	Resigned from Nishikishoji Co, Ltd. Joined CTI Engineering General Manager, Accounting Div., Headquarters Management Dept. Deputy Chief, Headquarters Management Dept., General Manager, General Affairs Div., Headquarters Management Dept. Executive Officer Managing Executive Officer Director (present post) Chief, Headquarters Management Dept. (present post) Senior Managing Executive Officer (present post)	1	21
Senior Managing Executive Officer & Director	Principal, Tohoku Office	Tatsuya Nishimura	August 9, 1959	March 1985 April 2004 April 2010 March 2015 April 2015 March 2017 April 2017 March 2019	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Head Office Deputy Branch Administrator, Chubu Office Executive Officer Deputy Administrator, Tokyo Head Office Managing Executive Officer Principal, Tohoku Office (present post) Director, Senior Managing Executive Officer (present post)	2	17
Managing Executive Officer & Director	Principal, Chubu Office	Jun Hirosawa	December 10, 1956	April 1980 April 2005 April 2008 March 2013 April 2013 April 2014 March 2017 April 2017 March 2019	Joined CTI Engineering General Manager, Water Resources Div., Chubu Office Deputy Branch Administrator, Chubu Office Executive Officer Deputy Administrator, Tokyo Head Office Deputy Chief, Headquarters Management Dept., General Manager, Personnel Div., Headquarters Management Dept. Managing Executive Officer (present post) Principal, Chubu Office (present post) Director (present post)	2	14
Managing Executive Officer & Director	Principal, Kyushu Office and Okinawa Office	Tsutomu Akiba	July 7, 1957	April 1980 April 2004 April 2006 April 2010 March 2013 April 2013 March 2015 March 2017 April 2017 March 2019	Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Tokyo Head Office Deputy Branch Administrator, Tohoku Office Deputy Chief, Headquarters Business Development Dept. Executive officer Principal, Chubu Office Principal, Tohoku Office Managing Executive Officer (present post) Principal, Kyushu Office and Okinawa Office (present post) Director (present post)	2	20

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Managing Executive Officer & Director		Hiroshi Kiuchi	July 9, 1958	April 1981 April 2005 April 2011 March 2015 April 2015 November 2015 March 2017 April 2019	Joined CTI Engineering General Manager, Water Resources Div., Osaka Head Office Deputy Branch Administrator, Osaka Head Office Executive Officer Deputy Administrator, Tokyo Head Office President & Managing Director, NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. (present post) Managing Executive Officer, CTI Engineering (present post) Director (present post)	2	14
Managing Executive Officer & Director	Chief, Headquarters Engineering Dept.	Yoshiaki Nanami	January 2, 1960	July 2017 November 2017 March 2018 April 2017	Retired from Director-General, Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism Joined CTI Engineering, Executive Manager Executive Officer, Deputy Chief, Headquarters Engineering Dept. Director, Managing Executive Officer, Chief, Headquarters Engineering Dept. (present post)	2	1
Director		Shuichi Ikebuchi	July 5, 1943	February 1979 April 1996 May 1999 October 2004 April 2007 April 2013 March 2017	Professor, Disaster Prevention Research Institute, Kyoto University Chief, Water Resources Research Center, Disaster Prevention Research Institute, Kyoto University Director, Disaster Prevention Research Institute, Kyoto University Director and General Manager, Research Institute, Meteorological Engineering Center, Inc. Professor Emeritus, Kyoto University; Research Advisor, Foundation of River & Watershed Environment Management Research Fellow, The River Foundation (present post) Director, CTI Engineering (present post)	1	–
Director		Fumiko Kosao	April 17, 1954	April 1973 July 1997 July 2011 July 2014 August 2015 June 2016 March 2017 June 2017	Employed by National Tax Agency Teacher, Tokyo Training Center, National Tax College District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau District Director, Nihonbashi Tax Office Registered as Certified Public Tax Accountant (present post) Auditor, TOBISHIMA CORPORATION (present post) Director, CTI Engineering (present post) Outside Director, METAWATER Co., Ltd. (present post)	1	–
Statutory Auditor		Koichi Saito	December 14, 1959	April 1982 April 2009 April 2014 April 2017 March 2019	Joined CTI Engineering General Manager, Water Resources Div., Tohoku Office Manager, Secretariat Office Deputy Branch Administrator, Tohoku Office Statutory Auditor (present post)	3	4
Auditor		Shujiro Ozono	January 26, 1958	April 1982 April 2003 April 2006 April 2013 April 2015 March 2017 March 2019	Joined CTI Engineering Manager, Geology Center, Headquarters Business Promotion Dept. General Manager, Geo-environment Div., Tokyo Head Office Senior Engineer, Tokyo Head Office Manager, Internal Audit Office and Manager, Compliance Office Statutory Auditor Auditor (present post)	4	7

Board member position	Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Auditor		Yasuro Tanaka	February 9, 1946	April 1971 April 1981 April 1985 April 1994 February 2003 February 2005 March 2009 February 2011 April 2011 March 2015	Appointed as Assistant Judge Judge of Tokyo District Court General Manager, Training Div., United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders General Judge of Tokyo District Court Director of Morioka District and Domestic Relations Courts General Judge of Tokyo High Court Director of Sapporo High Court Registered as attorney (present post) Professor at the Meiji University Graduate School of Law Auditor, CTI Engineering (present post)	3	–
Auditor		Go Ishikawa	July 8, 1968	April 1995 July 1998 September 2008 March 2011 February 2012 March 2015 March 2016 April 2016 March 2019	Registered as attorney (present post) Partner, Kakimoto Law Office Partner, Kasumigaseki Law & Accounting Office External Auditor, Mediaflag Inc. Outside Auditor, ALTECH CO., LTD. (present post) Senior Partner, SAKURADADORI PARTNERS (present post) External Director, Mediaflag Inc. Deputy Chairman, Dai-Ichi Tokyo Bar Association Auditor, CTI Engineering (present post)	3	–
Total							240

Notes: 1 From March 27, 2018 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2019.

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

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

4 From March 24, 2017 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2020.

5 The number of the Company's shares held by Auditor, Koichi Saito, includes equities in the Employees' Stock-sharing Association.

6 Directors, Shuichi Ikebuchi and Fumiko Kosao, are External Directors.

7 Auditors, Yasuro Tanaka and Go Ishikawa, are External Auditors.

8 To ensure that the Company fully satisfies all conditions set forth under applicable laws a reserve auditor was appointed pursuant to Article 329-3 of the Companies Act. The history of that auditor is as stated below.

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

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

2 The reserve auditor, Setsuko Yufu, satisfies requirements as an External Auditor.

6. Corporate Governance

(1) Status of corporate governance

1) Basic policy of corporate governance

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

2) Implementation of corporate governance measures

1. The role of our corporate bodies

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

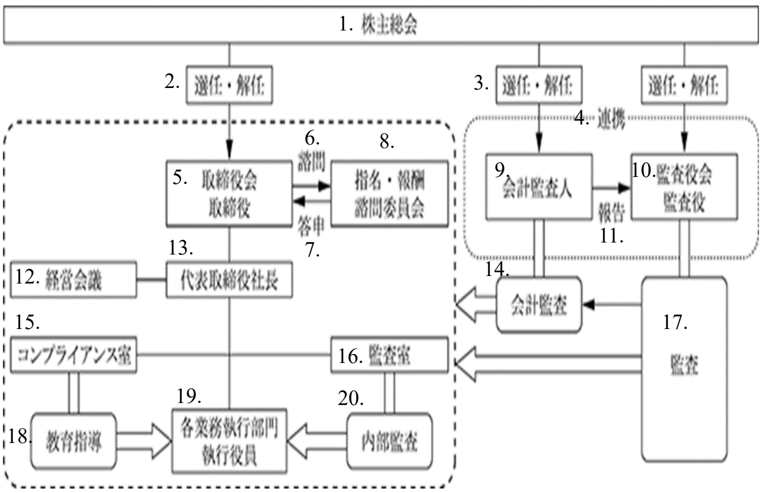
The Company has appointed Auditors. The Auditors, in addition to attendance at Board of Directors Meetings and other important meetings within the Company, audit corporate conduct as an independent body. At present 2 of the 4 Auditors are legal practitioners who have been appointed as External Auditors.

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

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

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

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



1. General Meeting of Shareholders
2. Appointment, Dismissal
3. Appointment, Dismissal
4. Mutual cooperation
5. Board of Directors, Directors
6. Consultation
7. Advice
8. Nomination & Compensation Advisory Committee
9. Accounting Auditors
10. Board of Auditors, Auditors
11. Report
12. Management Meetings
13. Representative Director and President
14. Accounting Audit
15. Compliance Office
16. Internal Audit Office
17. Audit
18. Education and Training
19. Each Operating Division, Each Executive Officer
20. Internal audit

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

2. Improvement of the risk management system

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

3. Relationship with External Directors/Auditors

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

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

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

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

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

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

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

4. Internal control system

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

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

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

5. Internal, external and financial audits

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

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

The Company has concluded an auditing agreement with Deloitte Touche Tohmatsu LLC as the Accounting Auditor. The CPAs Yasunori Kusaka and Katsumi Takizawa have been jointly responsible for audits for the consolidated fiscal year. The CPA Yasunori Kusaka has been in charge since January 2018 and the CPA Katsumi Takizawa has been in charge since March 2013. The auditors' support staff consists of 17 persons, including 4 CPAs.

6. Executives' compensation, etc.

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

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)	255	228	27	–	9
Auditors (excluding External Auditors)	27	27	–	–	2
External Directors and Auditors	27	27	–	–	4

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

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

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

Not applicable.

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

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

7. Holding of shares

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

Number of issues: 38 issues

Total book value on the balance sheet: 2,067 million yen

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

(Previous consolidated fiscal year)

Specified Investment Stock

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

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

Notes: 1. Oriental Consultants Holdings Co., Ltd. was renamed from ACK G Limited on December 25, 2018.

2. COMSYS Holdings Corporation is listed above as a result of a share exchange on October 1, 2018 with the shares of SYSKEN Corporation previously held by the Company.

c. Investment stock held for the purpose of pure investment

Not applicable.

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

During the fiscal year ended December 2018, 14 Board of Directors and 13 Board of Auditors Meetings were held.

To strengthen compliance systems, the Board of Directors in May 2006 resolved to implement the items set forth in Article 362, Paragraph 4, Item 6 (concerning internal control systems) of the Companies Act, performed a yearly review and amended the items as appropriate. We are always dedicated to further improving compliance through their implementation.

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

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

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

5) Election and dismissal of Directors

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

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

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

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

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

(2) Auditing compensation, etc.

1) Compensation for auditing CPAs, etc.

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	47	12	44	22
Consolidated subsidiaries	–	–	–	–
Total	47	12	44	22

2) Other important compensation

Not applicable.

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

(Previous consolidated fiscal year)

The Company entrusted the Accounting Auditor with guidance and advice on the early implementation of accounting settlement of overseas subsidiaries and internal control over financial reporting, services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountant Act.

(Current consolidated fiscal year)

The Company entrusted the Accounting Auditor with guidance and advice on the early implementation of accounting settlement of overseas subsidiaries and internal control over financial reporting, services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountant Act.

4) Policy for decisions regarding auditing compensation

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

CHAPTER 5: STATUS OF ACCOUNTING

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

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

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

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

2. Audit Report

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the current consolidated fiscal year (from January 1, 2018 to December 31, 2018) and the non-consolidated financial statements for the current fiscal year (from January 1, 2018 to December 31, 2018) of the Company were audited by Deloitte Touche Tohmatsu LLC.

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

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

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

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

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2017)	Current Consolidated Fiscal Year (as of December 31, 2018)
Liabilities		
Current liabilities		
Accounts payable	2,158	2,292
Short-term borrowings	487	759
Lease obligations	54	63
Accrued income taxes	626	955
Advances received from uncompleted services	12,442	11,776
Reserve for bonuses	874	1,056
Reserve for bonuses to directors	97	194
Allowance for losses in operations	82	88
Other	4,091	4,216
Total current liabilities	20,917	21,403
Fixed liabilities		
Long-term borrowings	6	-
Long-term accounts payable	20	20
Lease obligations	61	110
Provision for warranties for completed operation	301	373
Deferred tax liabilities	78	61
Net defined benefit liability	976	925
Asset retirement obligations	145	163
Other	50	5
Total fixed liabilities	1,641	1,659
Total liabilities	22,558	23,062
Net assets		
Shareholders’ equity		
Capital	3,025	3,025
Capital surplus	4,122	4,122
Profit surplus	19,068	20,650
Treasury stock	-12	-12
Total shareholders’ equity	26,203	27,786
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	943	800
Foreign currency translation adjustment	344	-217
Remeasurements of defined benefit plans	-893	-788
Total accumulated other comprehensive income	394	-205
Non-controlling interests	287	229
Total net assets	26,885	27,810
Total liabilities and net assets	49,444	50,873

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

Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)		Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)	
Net income		1,658		1,928
Other comprehensive income				
Other valuation difference on available-for-sale securities		278		-143
Foreign currency translation adjustment		343		-585
Remeasurements of defined benefit plans, net of tax		-42		99
Total other comprehensive income	* 1	579	* 1	-629
Comprehensive Income		2,237		1,299
(Comprehensive income attributable to)				
Comprehensive income attributable to owners of the parent		2,187		1,294
Comprehensive income attributable to non-controlling interests		50		5

(iii) Statement of Fluctuations in Consolidated Shareholders' Equity

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

(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	17,735	-12	24,871
Changes of items during the period					
Dividends from surplus			-282		-282
Net income attributable to owners of the parent			1,615		1,615
Acquisition of treasury stock				-0	-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	—	—	1,332	-0	1,332
Balance at the end of current period	3,025	4,122	19,068	-12	26,203

(million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	664	—	-842	-177	99	24,793
Changes of items during the period						
Dividends from surplus						-282
Net income attributable to owners of the parent						1,615
Acquisition of treasury stock						-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	278	344	-50	572	188	760
Total changes of items during the period	278	344	-50	572	188	2,092
Balance at the end of current period	943	344	-893	394	287	26,885

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

(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	19,068	-12	26,203
Changes of items during the period					
Dividends from surplus			-311		-311
Net income attributable to owners of the parent			1,893		1,893
Acquisition of treasury stock				-0	-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	—	—	1,582	-0	1,582
Balance at the end of current period	3,025	4,122	20,650	-12	27,786

(million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	943	344	-893	394	287	26,885
Changes of items during the period						
Dividends from surplus						-311
Net income attributable to owners of the parent						1,893
Acquisition of treasury stock						-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	-143	-561	104	-599	-58	-658
Total changes of items during the period	-143	-561	104	-599	-58	924
Balance at the end of current period	800	-217	-788	-205	229	27,810

(iv) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Cash flow from operating activities		
Net income before income tax	2,444	3,078
Depreciation and amortization	464	590
Amortization of goodwill	174	257
Increase (decrease) in allowance for doubtful accounts	29	100
Increase (decrease) in net defined benefit liability	102	124
Decrease (increase) in net defined benefit asset	76	202
Increase (decrease) in reserve for bonuses	-63	187
Increase (decrease) in reserve for bonuses to directors	-42	107
Increase (decrease) in allowance for losses in operations	-10	5
Increase (decrease) in provision for warranties for completed operation	25	99
Increase (decrease) in long-term accounts payable	-51	-
Interest and dividend earned	-60	-102
Interest payable	8	10
Foreign exchange loss (gain)	1	19
Unrealized loss (gain) on investment securities	20	23
Loss (gain) on sales of investment securities	-0	-17
Loss on valuation of investments in capital of subsidiaries and affiliates	-	50
Loss (gain) from fixed assets disposal	1	18
Loss on valuation of golf club membership	0	-
Decrease (increase) in sales account	610	-1,281
Decrease (increase) in prepaid expenses for uncompleted services	-619	-607
Decrease (increase) in other current assets	-316	91
Increase (decrease) in account payable	87	152
Increase (decrease) in advances received from uncompleted services	852	-537
Increase (decrease) in other current liabilities	-57	198
Increase (decrease) in other fixed liabilities	-1	-44
Other	4	4
Subtotal	3,680	2,731
Received interest and dividend	72	105
Interest payment	-7	-10
Payment of corporation income tax etc.	-910	-952
Cash flow provided by operating activities	2,834	1,873

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)		Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)	
Cash flow from investment activities				
Payments for acquisition of tangible fixed assets		-775		-926
Payments for acquisition of intangible fixed assets		-141		-399
Payments for acquisition of investment securities		-100		-111
Proceeds from sales of investment securities		0		22
Repayments for loans		-198		-110
Income from loan collection		131		108
Purchase of shares in subsidiaries resulting in change in scope of consolidation		-5,675		-
Other payments		-141		-74
Other proceeds		45		17
Cash flow used for investment activities		-6,857		-1,475
Cash flow from financial activities				
Net increase (decrease) in short-term borrowings		-371		370
Acquisition of treasury stock		-0		-0
Repayments of lease obligations		-66		-66
Dividend payments		-282		-310
Dividends paid to non-controlling interests		-19		-63
Purchase of shares in subsidiaries not resulting in change in scope of consolidation		-		-6
Cash flow used for financial activity		-739		-76
Effect in fluctuation of exchange rate for cash and cash equivalents		34		-114
Increase (decrease) in cash and cash equivalents		-4,728		207
Opening balance of cash and cash equivalents		11,244		6,515
Closing balance of cash and cash equivalents	*1	6,515	*1	6,722

Notes:

Basic Important Matters for Preparation of Consolidated Financial Statements

1. Consolidation range

(1) Number of consolidated subsidiaries: 25

Names of the major consolidated subsidiaries:

CTI Engineering International Co., Ltd.
Waterman Group Plc
Waterman AHW (Victoria) Pty Limited
Japan Urban Engineering Co., Ltd.
Chi-ken Sogo Consultants Co., Ltd.
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.

(2) Number of non-consolidated subsidiaries: 11

Names of the non-consolidated subsidiaries:

Environmental Research & Solutions CO., LTD.
CTI Frontier Co., Ltd.
Management Techno Co., Ltd
Kamaishi Solar Power Generation Co., Ltd.
Kamaishi Naranokidaira Solar Power Generation Co., Ltd.
CTI AURA Co., Ltd.
CTI Shin Doboku Co., Ltd.
CTI Wing Co., Ltd
CTI Ground Planning Co., Ltd.
Wuhan CTI-CRSRI Engineering & Environment Co., Ltd.
CTI Myanmar Co., Ltd.

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

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

2. Application of equity method

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

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

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

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

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

3. Fiscal year of the consolidated subsidiary

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

The fiscal year of the other consolidated subsidiaries ends on the consolidated closing date.

4. Accounting standard for application of accounting policies to foreign subsidiaries

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

5. Accounting policy

(1) Valuation base and valuation method of important assets

1) Securities

Held-to-maturity securities

Amortized cost method.

Available-for-sale securities

- With fair value

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

- With no fair value

Cost method by moving average method.

2) Inventories

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

(2) Depreciation and amortization method of important depreciable assets

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

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

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

Buildings: 17 – 50 years

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

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

3) Lease assets

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

(3) Standards for translation of assets and liabilities denominated in foreign currencies into yen

Monetary debts and credits denominated in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, and the foreign exchange gains and losses resulting from the translation are recognized in the consolidated profit and loss account.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, while revenue and expenses are translated into yen based on the average exchange rate for the consolidated fiscal year. The differences resulting from the translation are included in foreign currency translation adjustment and non-controlling interests under net assets.

(4) Entry standard of important reserves and allowances

1) Allowance for doubtful accounts

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

2) Reserve for bonuses

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

3) Reserve for bonuses to directors

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

4) Allowance for losses in operations

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

5) Allowance for compensation for completed work

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

(5) Accounting treatment of retirement benefits obligations

1) Periodic allocation of retirement benefits forecast

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

2) Expense disposal of accounting disparity

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

3) Adoption of the simplified method in SMEs

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

(6) Entry standard of important revenues and expenses

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

(7) Method and period for amortization of goodwill

Goodwill is amortized equally over a certain number of years within a maximum period of 20 years based on an estimation of the duration of the effect of goodwill.

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

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

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

Accounting treatment of consumption tax

Tax exclusion method is adopted.

(New Accounting Pronouncements)

The establishment or amendment of major accounting standards, etc. issued up to December 31, 2018 but not yet applied are as follows.

1. Accounting standards, etc. for revenue recognition

* “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018)
* “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)

(1) Outline

These accounting standards, etc. are comprehensive accounting standards for revenue recognition. Revenue is to be recognized by applying the five steps below.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Planned date for application

The Company plans to apply these accounting standards, etc. from the beginning of the consolidated fiscal year ending December 31, 2022.

(3) Effect of the application of these accounting standards, etc. on financial statements

The effect is under examination at the time of preparation of the consolidated financial statements for the current consolidated fiscal year.

2. Accounting standards for overseas consolidated subsidiaries

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

The effect of the application of “Revenue from Contracts with Customers” (IFRS 15) and “Financial Instruments” (IFRS 9) is under examination at the time of preparation of the consolidated financial statements for the current consolidated fiscal year. The effect of the application of “Lease” (IFRS 16) on the consolidated financial statements at the beginning of the consolidated fiscal year ending December 31, 2019 is an increase in right-of-use assets by 1,452 million yen, an increase in lease obligations by 1,569 million yen, and a decrease in profit surplus by 117 million yen.

(Additional Information)

(Trust-type Employees' Stock-sharing Incentive Plan)

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

Outline of the Plan

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

(Notes on Consolidated Balance Sheet)

*1 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2017)	Current Consolidated Fiscal Year (as of December 31, 2018)
Investment securities (stock)	843 million yen	827 million yen
"Other" in investments and other assets	50	0

*2 Warranty for liabilities

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

	Previous Consolidated Fiscal Year (as of December 31, 2017)	Current Consolidated Fiscal Year (as of December 31, 2018)
Employees	31 million yen	21 million yen
Overseas subsidiary	51 million yen	- million yen
Total	82 million yen	21 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, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Wages and allowances	3,779 million yen	4,215 million yen
Bonuses	591	639
Transferred reserve for bonuses	228	253
Reserve for bonuses to directors	68	73
Retirement benefits expenses	201	277
Research and investigation expenses	1,052	1,026
Allowance for doubtful accounts	36	27

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

Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
1,052 million yen	1,026 million yen

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

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Buildings and structures in tangible fixed assets	0 million yen	11 million yen
Other tangible fixed assets	1	5
Other intangible fixed assets	0	1
Total	1	18

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

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

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

(Notes on Consolidated Statements of Comprehensive Income)

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

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

(Statement of Fluctuations in Consolidated Shareholders' Equity)

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

1. Issued shares

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

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	18,456	110	–	18,566

Note: The increase in the amount of treasury stock of 110 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights

Not applicable.

4. Dividends

(1) Dividend payment amount

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

(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, 2018	Common stock	Profit surplus	311	22	December 31, 2018	March 28, 2018

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

1. Issued shares

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

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	18,566	271	–	18,837

Note: The increase in the amount of treasury stock of 271 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights
Not applicable.

4. Dividends
(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 27, 2018	Common stock	311	22	December 31, 2017	March 28, 2018

(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 26, 2019	Common stock	Profit surplus	353	25	December 31, 2018	March 27, 2019

(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, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Cash and bank deposit account	6,618 million yen	6,722 million yen
Overdrafts as negative cash equivalents	-103	-
Total	6,515	6,722

(Notes on Lease Arrangements)
1. Financial lease transactions (Lessee side)
Finance lease transactions of which ownership is not transferred to the lessee
(1) Lease assets
1) Tangible fixed assets
Mainly office appliances (other)
2) Intangible fixed assets
Software (other)
(2) Depreciation and amortization method for lease assets
The method is outlined in "(2) Depreciation and amortization method of important depreciable assets of 5. Accounting policy" in Basic Important Matters for Preparation of Consolidated Financial Statements.

(Notes on Financial Instruments)

1. Items Related to Financial Instruments

(1) Policy of financial instruments

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

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

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

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

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

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

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

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

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

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

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

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and bank deposits	6,722	6,722	–
(2) Notes receivable and completed work receivables	7,042	7,042	–
(3) Investment securities			
1) Held-to-maturity securities			
2) Available-for-sale securities	719	692	-27
	1,959	1,959	–
Total	16,444	16,417	-27

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

Assets

(1) Cash and bank deposits

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

(2) Notes receivable and completed work receivables

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

(3) Investment securities

With regard to the fair value of investment securities, shares are recorded according to prices on stock exchanges, and bonds and notes are recorded according to prices on exchanges or prices quoted by financial institutions. With regard to items related to securities classified by purposes of holding, please see the Notes on Marketable Securities.

Liabilities

Not applicable.

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

(million yen)

Account title	Previous Consolidated Fiscal Year As of December 31, 2017	Current Consolidated Fiscal Year As of December 31, 2018
Non-listed shares	938	952

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

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

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

	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	6,618	–	–	–
Notes receivable and completed work receivables	6,051	–	–	–
Investment securities Held-to-maturity securities Corporate bonds	–	–	222	500
Total	12,669	–	222	500

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

	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	6,722	–	–	–
Notes receivable and completed work receivables	7,042	–	–	–
Investment securities Held-to-maturity securities Corporate bonds	–	–	219	500
Total	13,765	–	219	500

(Notes on Marketable Securities)

1. Held-to-maturity securities

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

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	222	225	2
	(3) Other	–	–	–
	Subtotal	222	225	2
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	500	484	-15
	(3) Other	–	–	–
	Subtotal	500	484	-15
Total		722	709	-12

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

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	219	223	3
	(3) Other	–	–	–
	Subtotal	219	223	3
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	–	–	–
	(2) Corporate bonds	500	468	-31
	(3) Other	–	–	–
	Subtotal	500	468	-31
Total		719	692	-27

2. Available-for-sale securities

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

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	2,028	759	1,269
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	2,028	759	1,269
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	48	50	-1
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	48	50	-1
Total		2,077	809	1,268

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

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	1,740	625	1,114
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	1,740	625	1,114
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	219	255	-36
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	219	255	-36
Total		1,959	880	1,078

3. Held-to-maturity securities sold during the consolidated fiscal year

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

Not applicable.

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

Not applicable.

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

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

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	0	0	–

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

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	22	17	–

5. Securities written down

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

In the current consolidated fiscal year, the Group wrote down 20 million yen in investment securities.

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

In the current consolidated fiscal year, the Group wrote down 23 million yen in investment securities.

(Notes on Derivatives Transactions)

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

(Notes on Retirement Benefits)

1. Outline of the current retirement benefits system

The Company and its consolidated subsidiaries adopt funded and unfunded defined benefit systems or a defined contribution system in order to appropriate them for employees' retirement benefits.

The Company and some consolidated subsidiaries joined the defined benefit-type corporate pension fund (jointly established). Because the fund is a multi-employer system and thus an amount of pension assets corresponding to the Company's contribution cannot be reasonably computed, the Company carries out the accounting treatment in the same manner used for the defined contribution system.

The system was transferred from a former employees' pension fund after approval was received for the return of past obligations for a part of an employees' pension fund administered on behalf of the government. An additional amount to be borne resulting from the return is not expected to accrue.

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

In the case of the retirement of present employees, there are cases where a retirement amount not subject to net defined benefit liability is paid.

The Company also has a retirement benefits trust.

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

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

(million yen)

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

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

(million yen)

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

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

(million yen)

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

(4) Retirement benefits costs and related accounting items

(million yen)

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

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

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

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Accounting disparities	-59	151
Total	-59	151

(6) Remeasurements of defined benefit plans

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

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2017)	Current Consolidated Fiscal Year (as of December 31, 2018)
Previously unrecognized accounting disparities	-1,303	-1,152
Total	-1,303	-1,152

(7) Matters regarding pension assets

1) Major breakdown of pension assets

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

	Previous Consolidated Fiscal Year (as of December 31, 2017)	Current Consolidated Fiscal Year (as of December 31, 2018)
Domestic bonds	11 %	11 %
Domestic stocks	1	1
Foreign bonds	1	2
Foreign stocks	1	1
Life insurance general accounts	54	54
Other	32	31
Total	100	100

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

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

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

(8) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Discount percentage	Primarily 0.3%	Primarily 0.3%
Long-term expected operating profit percentage	2.0%	2.0%

3. Defined Benefit System using the Simplified Method

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

(million yen)

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

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

(million yen)

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

(3) Retirement benefit costs

Retirement benefit costs calculated using the simplified method

Previous Consolidated Fiscal Year 63 million yen
Current Consolidated Fiscal Year 83 million yen

4. Defined Contribution System

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

Previous Consolidated Fiscal Year 51 million yen
Current Consolidated Fiscal Year 143 million yen

5. Multi-employer System

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

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

1) Japan Civil Engineering Consultants Corporate Pension Fund

(million yen)

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

2) Surveying & Design Enterprises Multi Employers Pension Fund

(million yen)

	Previous Consolidated Fiscal Year (as of March 31, 2017)	Current Consolidated Fiscal Year (as of March 31, 2018)
Pension assets	188,590	62,253
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	176,831	47,292
Balance	11,759	14,961

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

1) Japan Civil Engineering Consultants Corporate Pension Fund

Previous Consolidated Fiscal Year	7.93% (from April 1, 2016 to March 31, 2017)
Current Consolidated Fiscal Year	7.93% (from April 1, 2017 to March 31, 2018)

2) Surveying & Design Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year	0.44% (from April 1, 2016 to March 31, 2017)
Current Consolidated Fiscal Year	0.42% (from April 1, 2017 to March 31, 2018)

(3) Supplementary explanation

1) Japan Civil Engineering Consultants Corporate Pension Fund

The major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance (10,222 million yen for the previous consolidated fiscal year and 7,900 million yen for the current consolidated fiscal year) and surplus brought forward (-22,877 million yen for the previous consolidated fiscal year and -24,447 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 15 years, and a special premium (214 million yen for the previous consolidated fiscal year and 220 million yen for the current consolidated fiscal year) was amortized in the consolidated financial statements.

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

2) Surveying & Design Enterprises Multi Employers Pension Fund

Major reasons for the balance described in (1) above were the balance of pre-existing employment obligations based on the calculation of pension finance (7,490 million yen for the previous consolidated fiscal year and - million yen for the current consolidated fiscal year) and surplus brought forward (-19,249 million yen for the previous consolidated fiscal year and -14,961 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method over 20 years, and a special premium (0 million yen for the previous consolidated fiscal year and - million yen for the current consolidated fiscal year) was amortized in the consolidated financial statements.

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

(Stock Options)

Not applicable.

(Tax Effect Accounting)

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

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

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

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

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

	Previous Consolidated Fiscal Year (as of December 31, 2017)	Current Consolidated Fiscal Year (as of December 31, 2018)
Legal effective tax rate	30.86 %	30.86 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.61	0.94
Per capita inhabitant tax	3.88	3.11
No entry of profit from dividends earned, etc.	-0.14	-0.15
Special tax credit of experiment and research expenses	-0.89	-0.71
Tax credit under the Income Growth Promotion Tax System	-2.55	—
No entry of loss from bonuses to directors	0.42	0.28
Amortization of goodwill	2.20	2.59
Acquisition cost of shares of consolidated subsidiaries	2.70	—
Allowance account	-2.83	2.21
Other	-2.10	-1.77
Bearing rate of corporation tax or the like after application of tax effect accounting	32.16	37.36

(Segment Information)

Segment Information

1. Outline of reportable segments

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

The Group assesses results by each company constituting the Group, and the Group companies are classified into those that mainly engage in operations in Japan and those that mainly engage in operations overseas.

Accordingly, the two reportable segments of the Group are “Domestic consulting engineering business” and “Overseas consulting engineering business.”

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

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

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

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

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

(million yen)

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

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

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

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Total	Adjustments (Note 1)	Book value on the consolidated financial statements (Note 2)
Sales					
Sales to outside customers	40,871	17,572	58,443	—	58,443
Inter-segment sales or transfers	72	38	110	-110	—
Total	40,943	17,610	58,554	-110	58,443
Segment income	2,759	278	3,038	8	3,046
Segment assets	38,055	13,484	51,539	-666	50,873
Other items					
Depreciation	445	145	590	—	590
Amortization of goodwill	—	257	257	—	257

Notes: 1. Adjustments to inter-segment sales or transfers (-110 million yen), adjustments to segment income (8 million yen), and adjustments to segment assets (-666 million yen) are attributable to inter-segment eliminations.

2. Segment income is reconciled with operating income in the consolidated profit and loss account.

Relevant Information

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

1. Information by products and services

The same information is disclosed in Segment Information, and is omitted here.

2. Information by areas

(1) Sales

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
39,543	2,047	5,701	610	1,398	49,301

Notes: 1. Sales are classified based on areas in which the Group renders it services.

2. Method of classification of country or region, and major countries or regions that belong to each region

1) Method of classification of country or region: based on geographic proximity

2) Countries or regions that belong to classifications other than Japan

Asia: Philippines, China, Myanmar, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

(2) Tangible Fixed Assets

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

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government of Japan	20,516	Domestic consulting engineering business

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

1. Information by products and services

The same information is disclosed in Segment Information, and is omitted here.

2. Information by areas

(1) Sales

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
40,808	2,268	12,239	1,195	1,931	58,443

Notes: 1. Sales are classified based on areas in which the Group renders it services.

2. Method of classification of country or region, and major countries or regions that belong to each region

1) Method of classification of country or region: based on geographic proximity

2) Countries or regions that belong to classifications other than Japan

Asia: Philippines, China, Myanmar, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

(2) Tangible Fixed Assets

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

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government of Japan	19,323	Domestic consulting engineering business

Impairment losses on fixed assets by reportable segments

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

Not applicable.

Amortized amount and unamortized balance of goodwill by reportable segments

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

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	45	129	－	174
Balance at the end of the current period	－	5,182	－	5,182

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

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

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	－	257	－	257
Balance at the end of the current period	－	4,545	－	4,545

Gain on negative goodwill by reportable segments

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

Not applicable.

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

Not applicable.

Information on related parties

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

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

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

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

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

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

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

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

Not applicable.

(Notes on Investment and Rental Property)

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

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

(Information per Share)

	Previous Consolidated Fiscal Year (from January 1, 2017 to December 31, 2017)	Current Consolidated Fiscal Year (from January 1, 2018 to December 31, 2018)
Net assets per share	1,881.01 yen	1,950.54 yen
Net income per share	114.22 yen	133.94 yen

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

2. Basis of calculation of net income per share:

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

(Significant Subsequent Event)

Not applicable.

(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

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

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

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

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

Category	Over 1 year but within 2 years (million yen)	Over 2 years but within 3 years (million yen)	Over 3 years but within 4 years (million yen)	Over 4 years but within 5 years (million yen)
Lease obligations	44	31	22	11

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, 2018	First half ended June 30, 2018	Nine months ended September 30, 2018	Current consolidated fiscal year
Sales (million yen)	10,896	31,187	44,027	58,443
Net income (loss) before income tax (million yen)	-188	2,088	2,190	3,078
Net income (loss) attributable to owners of the parent (million yen)	-141	1,301	1,312	1,893
Net income (loss) per share (yen)	-9.99	92.05	92.85	133.94

(Fiscal period)	First quarter from January 1, 2018 to March 31, 2018	Second quarter from April 1, 2018 to June 30, 2018	Third quarter from July 1, 2018 to September 30, 2018	Fourth quarter from October 1, 2018 to December 31, 2018
Net income (loss) per share (yen)	-9.99	102.04	0.80	41.09

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, 2017)		Current Fiscal Year (as of December 31, 2018)
Assets				
Current assets				
Cash and bank deposits		4,330		4,530
Notes receivable		-		13
Completed work receivables		1,597		2,017
Prepaid expenses for uncompleted services		11,558		12,796
Advance payment		143		148
Deferred tax assets		349		409
Short-term loans	*1	1,755	*1	1,493
Other		174		202
Total current assets		19,909		21,612
Fixed assets				
Tangible fixed assets				
Buildings		3,794		4,810
Accumulated depreciation		-2,393		-2,461
Buildings, net		1,400		2,349
Structures		717		757
Accumulated depreciation		-582		-592
Structures, net		135		165
Machinery and equipment		238		242
Accumulated depreciation		-231		-233
Machinery and equipment, net		7		9
Furniture and fixtures		1,037		1,154
Accumulated depreciation		-807		-855
Furniture and fixtures, net		230		299
Land		4,787		4,787
Lease assets		130		195
Accumulated depreciation		-78		-85
Lease assets, net		52		109
Construction in progress		409		-
Total tangible fixed assets		7,024		7,721
Intangible fixed assets				
Leasehold		16		16
Software		411		690
Telephone rights		22		22
Right of using special facilities		0		0
Lease assets		2		0
Other		0		0
Total intangible fixed assets		452		730
Investments and other assets				
Investment securities		2,878		2,787
Shares in subsidiaries and affiliates		7,922		7,905
Investments in capital of subsidiaries and affiliates		50		0
Investments		68		89
Long-term loans	*1	511	*1	625
Long-term prepaid expenses		19		23
Lease and guarantee deposit		813		819
Membership		6		5
Prepaid pension cost		1,728		1,539
Other		0		3
Allowance for doubtful accounts		-0		-88
Total investments and other assets		13,999		13,710
Total fixed assets		21,477		22,162
Total assets		41,386		43,774

(million yen)

	Previous Fiscal Year (as of December 31, 2017)		Current Fiscal Year (as of December 31, 2018)	
Liabilities				
Current liabilities				
Accounts payable for services	*1	1,684	*1	1,944
Lease obligations		30		40
Accounts payable		419		374
Accrued income taxes		581		860
Accrued consumption taxes		304		227
Accrued expenses		861		901
Advances received from uncompleted services		8,539		8,812
Deposits received		648		817
Revenue received in advance		7		12
Reserve for bonuses		769		900
Reserve for bonuses to directors		27		27
Allowance for losses in operations		11		18
Asset retirement obligations		16		-
Other		0		-
Total current liabilities		13,903		14,936
Fixed liabilities				
Long-term accounts payable		12		12
Lease obligations		26		74
Deferred tax liabilities		272		107
Reserve for retirement benefits		498		668
Asset retirement obligations		93		116
Other		50		5
Total fixed liabilities		954		985
Total liabilities		14,858		15,922
Net assets				
Shareholders’ equity				
Capital		3,025		3,025
Capital surplus				
Capital reserve		4,122		4,122
Total capital surplus		4,122		4,122
Profit surplus				
Profit reserve		176		176
Other profit surplus				
General reserve		8,700		8,700
Profit surplus brought forward		9,572		11,039
Total profit surplus		18,449		19,916
Treasury stock		-12		-12
Total shareholders’ equity		25,585		27,051
Valuation and translation differences				
Other valuation difference on available-for-sale securities		943		800
Total valuation and translation adjustment		943		800
Total net assets		26,528		27,852
Total liabilities and net assets		41,386		43,774

(ii) Non-consolidated Profit and Loss Account

(million yen)

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

Cost Specifications for Completed Services

Category	Note No.	Previous Fiscal Year (from January 1, 2017 to December 31, 2017) Amount (million yen)		Ratio (%)	Current Fiscal Year (from January 1, 2018 to December 31, 2018) Amount (million yen)		Ratio (%)
I Labor cost							
1. Salaries		8,381			8,777		
2. Bonuses		1,596			1,691		
3. Provision of reserve for bonuses		526			640		
4. Retirement benefits expense		735			872		
5. Other		1,961	13,201	51.4	2,073	14,056	51.6
II Amount paid to subcontractors			8,576	33.4		9,353	34.3
III Expenses							
1. Traveling expenses		1,043			1,043		
2. Printing and copying expenses		362			365		
3. Expendables cost		295			368		
4. Rents		1,151			1,070		
5. Depreciation		133			157		
6. Provision of allowance for losses in operations		-13			6		
7. Other		938	3,910	15.2	813	3,825	14.1
Current general business expenses			25,688	100.0		27,235	100.0
Opening prepaid expenses for uncompleted services			11,048			11,558	
Total			36,736			38,794	
Closing prepaid expenses for uncompleted services			11,558			12,796	
Current cost of completed services			25,178			25,997	

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

(iii) Statement of Fluctuations in Shareholders' Equity

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

(million yen)

	Shareholders' equity						
		Capital surplus		Profit surplus			
					Other profit surplus		
	Capital	Capital reserve	Total capital surplus	Profit reserve	General reserve	Profit surplus brought forward	Total profit surplus
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	8,245	17,122
Changes of items during the period							
Dividends from surplus						-282	-282
Net income						1,609	1,609
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	—	—	—	—	—	1,326	1,326
Balance at the end of current period	3,025	4,122	4,122	176	8,700	9,572	18,449

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-12	24,258	664	664	24,923
Changes of items during the period					
Dividends from surplus		-282			-282
Net income		1,609			1,609
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			278	278	278
Total changes of items during the period	-0	1,326	278	278	1,604
Balance at the end of current period	-12	25,585	943	943	26,528

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

(million yen)

	Shareholders' equity						
		Capital surplus		Profit surplus			
					Other profit surplus		
	Capital	Capital reserve	Total capital surplus	Profit reserve	General reserve	Profit surplus brought forward	Total profit surplus
Balance at the beginning of current period	3,025	4,122	4,122	176	8,700	9,572	18,449
Changes of items during the period							
Dividends from surplus						-311	-311
Net income						1,778	1,778
Acquisition of treasury stock							
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)							
Total changes of items during the period	—	—	—	—	—	1,467	1,467
Balance at the end of current period	3,025	4,122	4,122	176	8,700	11,039	19,916

(million yen)

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation differences on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-12	25,585	943	943	26,528
Changes of items during the period					
Dividends from surplus		-311			-311
Net income		1,778			1,778
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			-143	-143	-143
Total changes of items during the period	-0	1,466	-143	-143	1,323
Balance at the end of current period	-12	27,051	800	800	27,852

Notes:

Important Accounting Policy

1. Valuation base and method for securities

(1) Held-to-maturity securities

Amortized cost method.

(2) Shares in subsidiaries and affiliates

Cost method according to moving average method.

(3) Available-for-sale securities

* With fair value

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

* With no fair value

Cost method according to moving average method.

2. Valuation base and method for inventories

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

3. Depreciation of fixed assets

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

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

Buildings: 17 – 50 years

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

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

(3) Lease assets

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

4. Standards for translation of assets and liabilities denominated in foreign currencies into yen

Monetary debts and credits denominated in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the balance sheet date, and the foreign exchange gains and losses resulting from the translation are recognized in the profit and loss account.

5. Accounting for allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Reserve for bonuses

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

(3) Reserve for bonus to directors

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

(4) Allowance for losses in operations

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

(5) Reserve for retirement benefits

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

1) Periodic allocation of retirement benefits forecast

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

2) Expense disposal of accounting disparity

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

6. Entry standard of important revenues and expenses

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

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

(1) Accounting treatment of consumption taxes

Tax exclusion method is adopted.

(2) Accounting treatment of retirement benefits

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

(Changes in Presentation Method)

(Notes on Profit and Loss Account)

"Foreign exchange losses," an item included in "Other" under "Non-operating expenses" in the previous fiscal year, is presented separately effective from the current fiscal year because the amount of "Foreign exchange losses" exceeds 10% of the total amount of non-operating expenses. To reflect this change in the presentation method, the financial statements for the previous fiscal year have been reclassified.

As a result, 2 million yen presented in "Other" under "Non-operating expenses" of the Non-consolidated Profit and Loss Account for the previous fiscal year has been reclassified to 1 million yen presented in "Foreign exchange losses" and 0 million yen presented in "Other."

(Notes on Balance Sheet)

*1 Assets and liabilities for subsidiaries and affiliates

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

	Previous Fiscal Year (as of December 31, 2017)		Current Fiscal Year (as of December 31, 2018)	
Shot-term monetary claims	1,771	million yen	1,518	million yen
Shot-term monetary debts	221		308	
Long-term monetary claims	512		625	
Long-term monetary debts	44		–	

2 Warranty for liabilities

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

	Previous Fiscal Year (as of December 31, 2017)		Current Fiscal Year (as of December 31, 2018)	
Employees of the Company	30	million yen	20	million yen
Employees of CTI Engineering International Co., Ltd.	1		0	
Wuhan CTI-CRSRI Engineering & Environment Co., Ltd	51		–	

(Notes on Profit and Loss Account)

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

	Previous Fiscal Year (from January 1, 2017 to December 31, 2017)		Current Fiscal Year (from January 1, 2018 to December 31, 2018)	
Turnover of operating transactions				
Sales	15	million yen	37	million yen
Subcontractor cost	1,552		1,851	
Other operating transactions	129		155	
Turnover of transactions other than operating transactions	60		80	

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

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

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

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

	Previous Fiscal Year (from January 1, 2017 to December 31, 2017)		Current Fiscal Year (from January 1, 2018 to December 31, 2018)	
Buildings	0	million yen	7	million yen
Furniture and fixtures	0		5	
Software	0		1	
Total	1		14	

(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, 2017)	Current Fiscal Year (as of December 31, 2018)
Shares in subsidiaries	7,922 million yen	7,905 million yen
Total	7,922	7,905

(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, 2017)	Current Fiscal Year (as of December 31, 2018)
Deferred tax assets		
Accrued enterprise tax	57 million yen	67 million yen
Allowance for losses in operations	3	5
Reserve for bonuses	237	275
Social insurance premiums for bonuses	34	40
Reserve for retirement benefits	152	204
Long-term accounts payable	3	3
Unrealized loss of securities	63	62
Asset retirement obligations	33	35
Other	105	168
Subtotal	692	864
Allowance account	-149	-197
Total	543	667
Deferred tax liabilities		
Prepaid pension cost	121	62
Tangible fixed assets	20	23
Other valuation difference on available-for-sale securities	324	278
Total	466	365
Net of deferred tax assets	76 million yen	302 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, 2017)	Current Fiscal Year (as of December 31, 2018)
Legal effective tax rate	30.86 %	30.86 %
(Adjustment)		
No entry of loss from entertainment expense etc.	0.25	0.23
Per capita inhabitant tax	3.40	3.05
No entry of profit from dividend earned etc.	-0.21	-0.22
Special tax credit of experiment and research expenses	-0.90	-0.79
Tax credit under the Income Growth Promotion Tax System	-2.58	–
No entry of loss from bonuses to directors	0.42	0.31
Allowance account	2.80	1.78
Other	-0.47	-0.18
Bearing rate of corporation tax or the like after application of tax effect accounting	33.57	35.04

(Significant Subsequent Event)

Not applicable.

(iv) Supplemental specifications

Specifications of tangible fixed assets and other

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

Specifications of allowances and reserves

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

(2) Details of major assets/liabilities

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

(3) Other

Not applicable.

CHAPTER 6: SHAREHOLDER RELATED INFORMATION

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

CHAPTER 7: REFERENCE MATERIAL

1. Parent Company Information

The Company has no parent company.

2. Other References

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

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

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

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

(3) Quarterly Report and confirmation note

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

(4) Extraordinary Report

The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.	Submitted to the director of the Kanto Local Finance Bureau on March 27, 2019.

Part 2: SURETY COMPANY INFORMATION

Not applicable.