

# SECURITIES REPORT

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

**Fiscal Year (62nd Term)**

(from January 1, 2024 to December 31, 2024)

**CTI Engineering Co., Ltd.**

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

(941-172)

62nd Term (from January 1, 2024 to December 31, 2024)

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# SECURITIES REPORT

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

CTI Engineering Co., Ltd.

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## Cover

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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		58th term	59th term	60th term	61st term	62nd term
Fiscal year-end		December 2020	December 2021	December 2022	December 2023	December 2024
Sales amount	(million yen)	65,190	74,409	83,485	93,057	97,678
Ordinary profit	(million yen)	5,216	7,118	8,235	10,153	9,535
Net income attributable to owners of the parent	(million yen)	3,650	4,471	5,874	7,534	6,746
Comprehensive income	(million yen)	3,656	6,082	6,196	9,667	8,595
Net assets	(million yen)	34,016	38,820	47,719	55,093	61,674
Total assets	(million yen)	63,980	71,880	73,296	79,914	87,694
Net assets per share	(yen)	1,196.68	1,367.49	1,680.41	1,979.45	2,213.71
Net income per share	(yen)	129.08	158.13	207.75	271.06	243.10
Net income per share after adjustment of potential shares	(yen)	—	—	—	—	—
Net worth ratio	(%)	52.9	53.8	64.8	68.7	70.1
Profit ratio of net worth	(%)	11.3	12.3	13.1	14.7	11.6
Price earnings ratio	(times)	9.22	7.90	7.73	9.70	5.06
Cash flow from operating business activities	(million yen)	8,687	5,344	3,804	874	2,410
Cash flow from investment activities	(million yen)	-779	-671	-752	-912	-4,805
Cash flow from financial activities	(million yen)	-1,185	-1,128	-1,291	-3,291	-2,111
Closing balance of cash and cash equivalents	(million yen)	16,684	20,527	22,589	19,654	15,523
Number of employees (plus average number of temporary employees)	(persons)	3,088 (936)	3,359 (1,078)	3,716 (1,094)	3,830 (1,109)	3,966 (1,106)

Notes: 1. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.

2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020), etc. have been applied from the beginning of the 60th term. Accordingly, the major management indices for the 60th and subsequent terms are stated after applying the above accounting standards, etc.

3. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. Net assets per share and net income per share have been calculated on the premise that the stock split was conducted at the beginning of the 58th term.

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

Fiscal year		58th term	59th term	60th term	61st term	62nd term
Fiscal year-end		December 2020	December 2021	December 2022	December 2023	December 2024
Sales amount	(million yen)	44,322	48,591	51,359	57,439	59,405
Ordinary profit	(million yen)	5,019	6,085	7,024	8,912	8,932
Net income	(million yen)	3,613	3,922	5,167	6,652	6,532
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)	33,610	37,146	44,436	48,924	53,720
Total assets	(million yen)	52,628	57,510	58,392	62,979	67,383
Net assets per share	(yen)	1,188.50	1,313.53	1,571.35	1,764.39	1,935.13
Cash dividend per share (Interim dividend per share)	(yen)	45.00 (-)	60.00 (-)	100.00 (-)	150.00 (-)	150.00 (-)
Net income per share	(yen)	127.77	138.69	182.71	239.33	235.41
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	63.9	64.6	76.1	77.7	79.7
Profit ratio of net worth	(%)	11.3	11.1	12.2	14.3	12.7
Price earnings ratio	(times)	9.32	9.01	8.78	10.99	5.22
Dividend payout ratio	(%)	17.6	21.6	27.4	31.3	31.9
Number of employees (plus average number of temporary employees)	(persons)	1,729 (507)	1,815 (520)	1,912 (531)	2,023 (564)	2,151 (588)
Total shareholder return (Comparative indicator: TOPIX Net Total Return Index)	(%) (%)	107.3 (107.4)	115.2 (121.1)	151.1 (118.1)	248.5 (151.5)	240.0 (182.5)
Highest stock price	(yen)	2,538	2,861	3,450	5,330	3,060 (6,120)
Lowest stock price	(yen)	1,241	2,204	2,106	2,930	1,955 (3,910)

Notes: 1. Net income per share after adjustment of potential shares is not entered because no potential shares have been issued.

2. The highest and lowest stock prices on and before April 3, 2022 are those recorded on the First Section of the Tokyo Stock Exchange. The highest and lowest stock prices on and after April 4, 2022 are those recorded on the Prime Market of the Tokyo Stock Exchange.
3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020), etc. have been applied from the beginning of the 60th term. Accordingly, the major management indices for the 60th and subsequent terms are stated after applying the above accounting standards, etc.
4. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. Net assets per share and net income per share have been calculated on the premise that the stock split was conducted at the beginning of the 58th term. The dividend amounts presented above are the actual dividend amounts prior to this stock split.
5. For the stock prices for the 62nd term, the highest and lowest stock prices after the stock split are presented, with the highest and lowest stock prices prior to the stock split presented in brackets.

## 2. Chronology

Construction Technique Institute, the predecessor of the Company, was founded in August 1945. After the war ended, amidst the urgent need to reconstruct the country, the Institute conducted research, planning and design operations in various fields in order to improve infrastructure, including the building of a dam to secure electric power. Subsequently, in order to further expand the scope of its business operations, the Institute established a new stock corporation in April 1963.

The major milestones and transitions that the Company has undergone since being established as a stock corporation are as follows.

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 (Kyushu Office at present) in Fukuoka-shi, Fukuoka
April 1969	Moved the Head Office to Nihombashi-koamicho, Chuo-ku, Tokyo
September 1973	Moved the Head Office to Nihombashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (CTI Engineering International Co., Ltd. at present) in the Head Office to increase the number of overseas project orders
April 1976	Opened Sendai Liaison Office (Tohoku Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” (CTI REED 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 Main 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 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 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.
July 2015	Environmental Research & Solutions Co., Ltd. started its operations as the Company’s wholly owned subsidiary, after receiving 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.
October 2020	Acquired additional shares of the Company’s consolidated subsidiary CTI Engineering International Co., Ltd., and converted it into a wholly owned subsidiary
April 2021	Established a second-tier subsidiary of the Company CTI Pilipinas, Inc. in the Philippines as the location of local production and human resources cultivation in Asia
April 2021	The Company’s consolidated subsidiary CTI Engineering International Co., Ltd. acquired all shares of CTI Myanmar Co., Ltd. and converted it into a wholly owned subsidiary (a wholly owned second-tier subsidiary of the Company), and the joint venture between the Company and Duwun Export & Import Co., Ltd. was dissolved.
April 2022	Transitioned from the First Section to the Prime Market of the Tokyo Stock Exchange due to a restructuring of the said exchange’s market divisions
January 2023	Established CTI Ascend Co., Ltd., a subsidiary of the Company aimed at production and sales of alcoholic beverages
June 2024	Acquired shares of Yuasa Consultant Co., Ltd. and made it a wholly owned subsidiary
November 2024	Acquired shares of HIROKEN CONSULTANTS Co., Ltd. and made it a wholly owned subsidiary

### 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 the engineering consulting business related to social capital development, which includes public and private 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

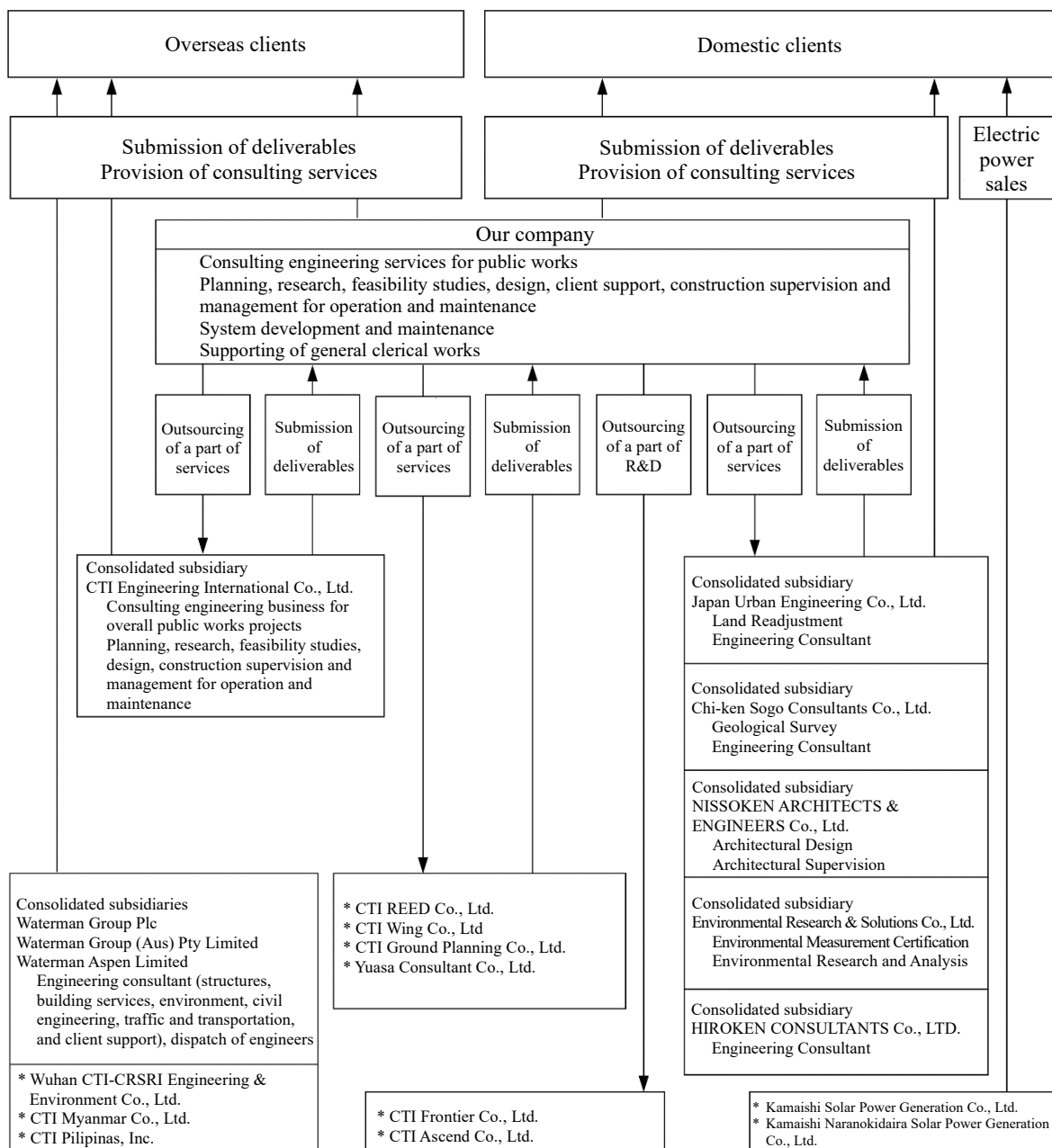
The Company's major domestic consulting engineering operations include planning, research, feasibility studies, design, client support, construction supervision, management for operation and maintenance for public works in Japan as well as incidental system development, maintenance and supporting of general clerical works, land readjustment works, geological survey works, architectural design and supervision, environmental measurement certification, and environmental research and analysis. The Company and its subsidiary HIROKEN CONSULTANTS Co., Ltd. are mainly in charge of all of these operations, except for land readjustment works, geological survey works, architectural design and supervision, environmental measurement certification, and environmental research and analysis. 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. The Company's subsidiary Environmental Research & Solutions Co., Ltd. is in charge of environmental measurement certification, and environmental research and analysis.

#### (ii) Overseas consulting engineering business

The Company's major overseas consulting engineering business includes 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, and the dispatch of engineers. The Company is in charge of consulting engineering services together with subsidiaries CTI Engineering International Co., Ltd. and Waterman Group Plc. The Company's subsidiaries Waterman Group Plc and Waterman Group (Aus) Pty Limited are in charge of building-related operations. The Company's subsidiary Waterman Aspen Limited is in charge of the dispatch of engineers.

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





Notes: 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
(Consolidated subsidiary) CTI Engineering International Co., Ltd.	Chuo-ku, Tokyo	100 million yen	Overseas consulting engineering	100.0	Receives orders for engineering consulting services in overseas markets.
Waterman Group Plc (Note 1)	London, UK	3.3 million pounds	Overseas consulting engineering	100.0	Mainly receives direct orders for consulting engineering services and building-related services in the UK.
Waterman Group (Aus) Pty Limited (Note 1)	Melbourne, Australia	7.6 million Australian dollars	Overseas consulting engineering	62.5 (62.5) (Note 2)	Mainly receives direct orders for building-related services in Australia.
Waterman Aspen Limited (Note 3)	London, UK	0.2 million pounds	Overseas consulting engineering	100.0 (100.0) (Note 2)	Mainly receives direct orders for engineer dispatching services in the UK.
Other subsidiaries of Waterman Group Plc: 14 companies	—	—	Overseas consulting engineering	—	—
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.
Environmental Research & Solutions Co., Ltd.	Seika-cho, Soraku-gun, Kyoto	40 million yen	Domestic consulting engineering	100.0	Receives orders for environmental research and analysis from the Company. In addition, directly receives orders for environmental measurement certification operations, from local governments.
HIROKEN CONSULTANTS Co., Ltd. (Note 4)	Fukuyama-shi, Hiroshima	10 million yen	Domestic consulting engineering	100.0	Receives orders for engineering consulting services primarily in Hiroshima Prefecture.
Other subsidiaries of HIROKEN CONSULTANTS Co., LTD: 2 companies	—	—	Domestic consulting engineering	—	—

Notes: 1. Waterman Group Plc and Waterman Group (Aus) Pty Limited are specified subsidiaries of the Company.

2. The voting rights are all held indirectly by the Company's subsidiary Waterman Group Plc.

3. Waterman Aspen Limited's sales (excluding inter-company sales between consolidated companies) account for more than 10% of consolidated sales.

Information on major gains and losses, etc. (IFRS)	(1) Sales	12,622 million yen
	(2) Ordinary profit	386 million yen
	(3) Net income	287 million yen
	(4) Net assets	2,742 million yen
	(5) Total assets	4,684 million yen

4. With the acquisition of shares in the current consolidated fiscal year, HIROKEN CONSULTANTS Co., LTD. and its two subsidiaries have been included in the scope of consolidation.

#### 5. Situation of Employees

(1) Consolidation basis

As of December 31, 2024

Segment name	Number of employees (persons)
Domestic consulting engineering business	2,674 (665)
Overseas consulting engineering business	1,292 (441)
Total	3,966 (1,106)

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, 2024

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
2,151 (588)	42.40	12.40	9,952,061

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: 1,308 (as of December 31, 2024)
- (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.

## (4) Percentage of female workers among management personnel, ratio of childcare leave taken by male workers, and wage differential between male and female workers

## (i) The Company

Current fiscal year				
Percentage of female workers among management personnel (%) (Note 1)	Rate of male workers taking childcare leave, etc. (%) (Note 2)	Wage differential between male and female workers (%) (Note 1)		
		All workers	Full-time permanent employees	Part-time/fixed-term employees
3.8	84.5	51.3	69.5	54.1

Notes: 1. Calculated pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015; hereinafter "Women's Active Engagement Act").

2. Calculated under Article 71-4, Item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, pursuant to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991; hereinafter "Childcare and Nursing Care Act").

## (ii) Consolidated subsidiaries

Current fiscal year			
Company name	Percentage of female workers among management personnel (%) (Note 1)	Rate of male workers taking childcare leave (%) (Note 2)	Wage differential between male and female workers (%) (Note 1)
CTI Engineering International Co., Ltd.	0.5	100	(Note 3)
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.	13.0	100	(Note 3)
Environmental Research & Solutions Co., Ltd.	23.8	100	(Note 3)

Notes: 1. Calculated pursuant to the provisions of the Women's Active Engagement Act.

2. Calculated under Article 71-4, Item (i) of the Ordinance for Enforcement of the Childcare and Nursing Care Act, pursuant to the provision of the Childcare and Nursing Care Act.

3. Omitted as this information has not been made public under the Women's Active Engagement Act and Childcare and Nursing Care Act.

## 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 Construction Technique Institute, the predecessor of the Company, was founded in 1945.

In recent years, climate disasters have become more severe and frequent around the world due to the progress of global warming. In addition, Japan is currently facing a variety of social issues, including aging infrastructure and facilities, and a shortage of workers due to the declining birthrate and aging population.

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 the formation of a sustainable global society while reinforcing the customer trust we have accumulated so far, under the brand slogan "Creating Safety and Security for the Future."

#### (2) Target management indices

The Group has established the following management numerical targets from a medium- to long-term perspective.

■ Fiscal year ending December 31, 2025 (annual plan)

Sales of 100,000 million yen, operating income of 10,000 million yen, operating margin of 10%, ordinary profit of 10,000 million yen, net income attributable to owners of the parent of 6,900 million yen

■ Fiscal year ending December 31, 2027 (medium-term target)

Sales of 110,000 million yen, operating income of 12,000 million yen, operating margin of 11%, ROE of 12%

■ Fiscal year ending December 31, 2030 (long-term target)

Sales of 130,000 million yen, operating income of 15,000 million yen, operating margin of 11% or more, ROE of 12% or more

#### (3) Management strategy

Based on the CTI Group's medium- to long-term vision "SPRONG 2030" with 2030 as the target year, we formulated the Medium-term Business Plan 2027 in our aim to make great strides as a Global Infrastructure Solutions Group that contributes to the achievement of the SDGs by facilitating solutions to myriad infrastructure-related challenges in Japan and around the world.

Sales for the fiscal year ended December 31, 2024 amounted to 97,678 million yen, almost achieving the targets of 100,000 million yen in sales and an operating margin of 9% initially set in "SPRONG2030," which was formulated in 2021. Therefore, in view of the growth in recent years, we revised the management numerical targets in "SPRONG2030" in February 2025. At the same time, while maintaining the three frameworks of business process expansion, service/area expansion, and market expansion, as well as solid growth in our core businesses, we will aim for the expansion of our business through focused investments on growth areas and external growth, including M&As.

In the Medium-term Business Plan 2027, we will steadily implement the following measures under two pillars.

(i) Business portfolio reform

- (a) Deepening core business
- (b) Acceleration of growth areas
- (c) Exploration of new businesses
- (d) Expansion of overseas business

(ii) Rebuilding of foundations for growth

- (a) Strengthening investment in human capital
- (b) DX/production system reform
- (c) Challenges for sustainability
- (d) Strengthening group governance
- (e) Management that is conscious of cost of capital and stock price

#### (4) Business environment and our tasks ahead

##### (Business environment)

In the current consolidated fiscal year, the Japanese economy recovered moderately, despite some stagnation remaining. The moderate recovery is expected to continue going forward against the backdrop of an improving employment and income environment and with the effects of various policies. However, there is a risk that a downturn in overseas economies, such as the continuation of high interest-rate levels in Europe and the United States and the impact of the stagnation in China's real estate market, could put downward pressure on the Japanese economy. In addition, it will be necessary to pay close attention to the impact of various factors, including rising prices, future policy trends in the United States, the situation in the Middle East, and fluctuations in financial and capital markets.

With regard to the business environment surrounding the CTI Group, the domestic consulting engineering business remained robust, on the back of the bolstering of government-led projects for disaster prevention/mitigation and the promotion of measures to build national resilience for the maintenance of aging infrastructure. In the overseas consulting engineering business, events worthy of concern, including the prolonged uncertainty caused by the situations in Ukraine and the Middle East, the global progression of inflation, and monetary tightening, have emerged.

Under this business environment, in 2024, the final year of the Medium-term Business Plan 2024, the Group as a whole implemented many measures as it worked on the following four initiatives: 1) Promotion of business structural reform, 2) Promotion of production system reform, 3) Enhancement of risk management and governance, and 4) Promotion of sustainability management.

##### (Our tasks ahead)

###### (i) The Company's medium-to long-term strategy

In the domestic consulting engineering business, with the enforcement of the Revised Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry in June 2023, the national budget for public works for disaster prevention/mitigation and national land resilience are expected to remain at the same level in 2025 as in the previous fiscal year. The promotion of disaster prevention/mitigation measures such as river basin flood control and climate change adaptation, as well as measures against aging infrastructure such as river and road maintenance projects, is forecast to continue. Furthermore, social demands for construction, including the recovery and reconstruction after the Noto Peninsula Earthquake, regional revitalization, national defense, promotion of DX (digital transformation), and carbon neutrality, will further increase, but it will also be necessary to keep a close eye on the future direction in light of the political instability.

In the overseas consulting engineering business, although the business in Southeast Asia overseen by CTI Engineering International Co., Ltd. is recovering, in the UK, where Waterman Group Plc oversees business, higher costs are expected than before due to factors including a concern about the new Labour Party increasing corporate tax burdens, and the business environment remains uncertain.

In the Medium-term Business Plan 2024, which ran from the fiscal year ended December 31, 2022 to the fiscal year ended December 31, 2024, we achieved all management numerical targets, namely, sales, operating income, operating margin, and ROE, for the final year of the plan a year ahead of schedule. This was due to favorable market conditions, including the national government's Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience, as well as to our active recruitment of human resources. On the other hand, we must continue working on priority measures, including business portfolio reform to prepare for changes in the market environment, and strengthening investment in human capital, DX/production system reform, challenges for sustainability, and strengthening governance, which will become the foundations for corporate growth.

Based on the review of the Medium-term Business Plan 2024 and the business plan for the current consolidated fiscal year, the Group has set the basic policy for the 63rd term (2025), the initial year of Medium-term Business Plan 2027, as follows. We aim to advance as a "Global Infrastructure Solution Group" that contributes to the sustainable development of society.

1) Business portfolio reform

We aim to strengthen the profit structure of the Group's core businesses and focus investments on growth areas. In doing so, we will work to adapt to changes in the business environment by reforming our business portfolio.

2) Rebuilding of foundations for growth

(a) Strengthening human capital

We aim to create an organization where diverse human resources fulfill their responsibilities and show their strength in teamwork while promoting the development, strengthening, and revitalization of human resources who can lead the industry.

(b) Promotion of DX/production system reform

We will engage in productivity reforms, including workload reduction through digitization and process standardization, and quality assurance and improvement through the use of quality activity support tools.

(c) Challenges for sustainability

Based on the CTI Group Challenges for Sustainability Promotion Plan, we will contribute to the creation of a sustainable society and reduction of environmental impact through our business and corporate activities.

(d) Strengthening governance

By thoroughly enforcing risk management and compliance and strengthening internal control processes, we aim to build a strong corporate governance of both offensive and defensive aspects, and ensure that our management is trusted by the market.

(ii) Preventing recurrence of inappropriate cost management

As described in CHAPTER 2: BUSINESS SITUATION, 1. Management Policy, Business Environment and Our Tasks Ahead, etc., (5) Incident of inappropriate cost management in the Securities Report for previous consolidated fiscal year (61st Term), unauthorized cost recordings came to light in February 2024, prompting the establishment of the Internal Investigating Committee to conduct an investigation. Based on the Investigating Committee's recommendations, as measures to prevent recurrence, the Company is working on strengthening the monthly approval process, enhancing the execution budget approval and monitoring process, implementing compliance education that includes Group companies, and fostering a corporate culture that avoids inappropriate cost management. We will continue to monitor whether these preventive measures are functioning effectively as we work to strengthen our governance.

## 2. Basic Policy and Initiatives on Sustainability

The Company's basic policy and initiatives on sustainability are as follows. Matters related to the future stated herein were decided by the Group as of the end of the current consolidated fiscal year.

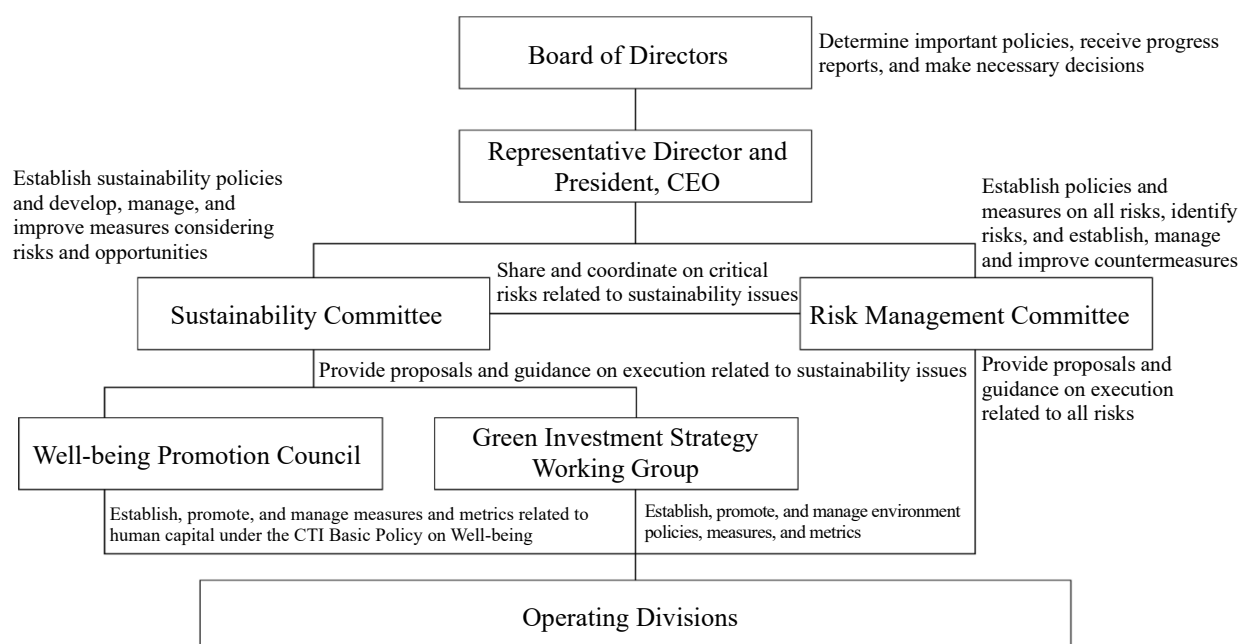
The Company has set forth its business philosophy, "contribute to a progressive, safe, pleasant and prosperous living environment through the Group's globally recognized professional expertise and technical capabilities," and its Code of Corporate Conduct sees "sustainability" as one of its basic concepts to contribute to the formation of a sustainable society.

Through our corporate activities, we will fulfill our corporate social responsibility and solve social issues. We will also protect and create culture that people cherish. In doing so, we aim to simultaneously realize the sustainable development of society and the Group. We believe that sustainability for the Company means the simultaneous medium- to long-term enhancement of the Group's corporate value and the sustainable development of society by putting the Code of Corporate Conduct into practice.

In March 2020, in its aim to address climate change and realize sustainability through infrastructure development, the Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in December 2022, it established the CTI Group Challenges for Sustainability Promotion Plan (announced on December 8, 2022). As a member of local communities and society, the CTI Group will strive to make its activities carbon neutral and at the same time, take full advantage of the Group's technologies to contribute to building sustainable communities and society.

### (1) Governance concerning sustainability

The Company has developed a governance system by establishing the Sustainability Committee (Chairperson: Representative Director and President, CEO) at the same level as the Management Meeting and incorporating sustainability into its management issue scheme. The Sustainability Committee deliberates on policies related to research, technology development, human resource training and revitalization, and other contributions to reducing greenhouse gas emissions and building a sustainable community. Decisions are made on key matters following deliberations at the Board of Directors' meeting.



## (2) Risk management pertaining to sustainability

The CTI Engineering Group's social environment presents a diverse array of issues, such as demands for greater diversity in personnel and stronger corporate governance, in addition to global problems such as climate change and energy. In this social environment, under its Mid- to Long-Term Vision SPRONG 2030, the Group aims to make great strides forward as a "global infrastructure solutions group" that can resolve all sorts of issues related to infrastructure in Japan and overseas and contribute to the sustainable development of society. To ensure that we take steady steps toward making this happen, we have identified the important issues we should address as our materiality issues.

The materiality issues thus identified are monitored by the Sustainability Committee and revised as necessary using the PDCA cycle.

The Sustainability Committee has established the Green Investment Strategy Working Group, which oversees the environment, and the Well-Being Promotion Council, which oversees human capital, as subordinate committees responsible for specific promotion and implementation. These committees collect, analyze, and evaluate information related to the environment and human capital in particular, implement and monitor countermeasures, identify issues on a regular basis, and review countermeasures after deliberation by the Sustainability Committee.

### CTI Engineering Materiality Issues

I. Contribute to infrastructure development that supports safety and security The increasing severity of natural disasters due to climate change and the aging of infrastructure developed during Japan's period of high economic growth, among other challenges, have become social issues. Meanwhile, funding for infrastructure development and the lack of infrastructure developers are also challenges, requiring more efficient and effective infrastructure development. Leveraging its accumulated expertise and experience, the Group will address issues related to infrastructure development, which supports a safe and secure society.
II. Contribute to the sustained development of countries, communities and society The stagnation of regional economies and maintenance of social infrastructure services have become social issues due to factors such as the declining birthrate and aging of society. In addition, there are certain regions of the world that are suffering from a lack of infrastructure development, which is necessary for economic development. By harnessing the initiative of revitalizing regions through next-generation mobility and its track record of developing infrastructure in Japan, the Group will contribute to the sustained development of society in Japan and other parts of the world.
III. Contribute to a decarbonized and recycling-oriented society and ecosystem preservation Realizing a sustainable society with a reduced environmental impact through such means as shifting to sustainable energy has become a global priority. The preservation of ecosystems and protection of biodiversity in bodies of water and on land areas have also become urgent priorities. By leveraging its experience in consulting services related to environmental analysis and environmental preservation measures, the Group will contribute to the creation of a recycling-oriented society and the preservation of ecosystems.
IV. Create value through digital transformation (DX) The CTI Engineering Group aims to contribute to society through technology. Therefore, it is essential for the CTI Engineering Group to stay on top of rapidly evolving technology. The digitalization and innovation of companies are sources of competitiveness, and the use of innovative technologies also helps to solve social issues. The Group will apply the outcomes of its digital transformation (DX) initiatives to solve social issues, along with putting these outcomes to good use in streamlining business production processes and increasing corporate value.
V. Enhance human resources and achieve well-being The Group's greatest management resource is its people. Therefore, it is extremely important for us to hire, train, and revitalize our people. We believe that when employees are happy, it drives their creativity and productivity, which in turn attracts more talented people. For this reason, the Group regards well-being as its most important challenge, and top management will promote it as a significant issue.
VI. Strengthen corporate governance The Group believes that establishing transparent governance is essential to promoting sustainable reforms under fair business practices. Through proper and proactive information disclosure, we will build relationships of trust with stakeholders. Concurrently, we will ensure fair decision-making and management and implement proactive and defensive governance strategies, with the aim of sustainably increasing corporate value.
VII. Assure and improve the quality of final products and services The Group's final products and services are directly related to people's safety and security. Therefore, assuring the quality of final products and services, as well as retaining the trust of customers and other stakeholders, can be described as a lifeline for the Group's corporate activities. The Group will endeavor to provide high-quality final products and services as it strives to enhance customer satisfaction, its public reputation, and its technical competitiveness.

Further, the Risk Management Committee, chaired by the Representative Director and President, CEO, identifies key risks based on the scale of damage or loss and frequency of occurrence and implements risk management. It also monitors the status of that implementation, identifies issues, and reviews the risks and countermeasures. The Sustainability Committee and Risk Management Committee share information and coordinate with each other regarding key risks pertaining to sustainability issues.

For details of key risks, please refer to CHAPTER 2: BUSINESS SITUATION, 3. Business Risks.



### (3) Information about human capital

#### (i) Governance

As described in detail in (1) Governance concerning sustainability, policies, strategies, and plans concerning human capital are deliberated in the Sustainability Committee, which is on the same level as the Management Meeting. Decisions are made on key matters following deliberations at the Board of Directors' meeting.

The Well-being Promotion Council, a subordinate council of the Sustainability Committee, formulates, promotes, and manages measures and metrics related to human capital. The Sustainability Committee determines the Group's activity policies and activity plans.

#### (ii) Risk management

Details are presented in (2) Risk management pertaining to sustainability and 3. Business Risks, (5) Securing and cultivating human resources and (10) Personnel and labor.

#### (iii) Strategy (Policy on human resources development and establishment of company environment)

At the Company, a firm that contributes to society through technology, the greatest management resource is its people. One of the management numerical targets set in the Mid- to Long-Term Vision SPRONG 2030 is to achieve a workforce of 5,000 employees. As this indicates, in a consulting business such as the Company's, the number of engineers directly contributes to sales. In addition, the development and revitalization of human resources will not only raise our employees' motivation, but also lead to the improvement of productivity and quality, which will contribute to the improvement of the Company's profits and, by extension, returns to employees. Such securing, development, and revitalization of human resources is also one of the Group's materiality issues.

We believe that when employees are happy, it drives their creativity and productivity, which in turn attracts more talented people. For this reason, regarding well-being as a paramount issue, the Group has established the CTI Basic Policy on Well-being, pursuant to which the Group's top management is striving to promote well-being and human capital-oriented management.

##### a. Create a state of mental and physical health

The mental and physical health of employees is directly linked to productivity, and stress and overwork will lead to the deterioration of performance and long-term health problems. Labor and management, therefore, work together to promote work style reforms and to reduce long working hours. We place efforts into the prevention of lifestyle diseases and support mental health through stress checks and follow-ups.

In the Health Management Declaration established in 2024, we positioned the physical and mental health of our employees as being of paramount value to the Company's well-being. To achieve this, we are engaged in health management, which involves proactive investments in health and continuously evaluating the effectiveness of such investments and making improvements to them.

Please refer to the Company website for details of the Health Management Declaration, promotion structure, related data, and specific measures.

(<https://www.ctie.co.jp/english/sustainability/health-management/>)

##### b. Create a work environment based on trust and respect

Trust and respect in the workplace promotes communication and creates a creative and productive workplace environment. The Company has, therefore, introduced 1-on-1 meetings to deepen trust among employees, conducts coaching and training for the improvement of communication skills, and takes other action to foster a culture in which individual human rights are respected and teamwork is emphasized.

##### c. Build a system that accepts diverse work styles and enhances work-life balance

The enhancement of work-life balance will improve employee satisfaction and reduce the company's employee turnover rates. The acceptance of diverse work styles makes it possible to take advantage of a variety of skills. The Company will, therefore, support diverse workstyles and enhance employees' work-life balance through the promotion of CTI Flexible Working, the introduction of flexible working arrangements, the promotion of diversity, equity and inclusion (DE&I), and well-developed employee benefits and welfare.

In January 2025, the Company announced its "President's Declaration: Commitment to the Promotion of DE&I." The aims of this commitment are to promote diversity, equity, and inclusion as key pillars of our business operations and to ensure that these values become deeply embedded in our organization. Further, the Company also formulated the DE&I Promotion Plan 2030, the objective of which is to secure diverse talent, enable them to grow and thrive in a rewarding job, and make innovation happen, which will result in the company's sustainable growth and increase its corporate value.

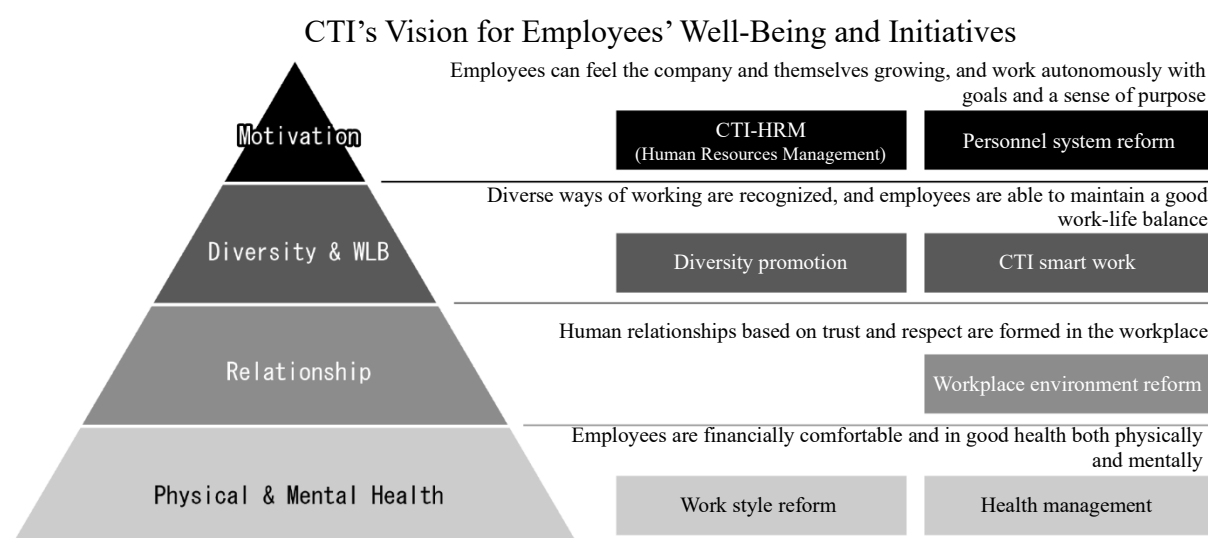
For details, refer to the "Social" section of the Company website's Sustainability page

(<https://www.ctie.co.jp/english/sustainability/>).

- d. Foster a corporate culture in which employees feel their own growth and work autonomously with goals and a sense of purpose (Human Resources Development Policy)

For employees to sense their own growth and engage in their work autonomously, sustainable organizational growth and innovation are essential. The Company has, therefore, established a CTI Basic Policy on Human Resource Management, which sets out clearly the image of the kinds of people and skills that the Company is seeking and provides well-developed training programs. The Company has also shifted from a seniority-based personnel system to one that emphasizes roles and responsibilities to build an environment in which employees can sense their own growth and engage in their work with a sense of purpose.

We strategically implement initiatives for human resources management (CTIG-HRM: CTI Engineering Group Human Resources Management), which was revised in 2024. For details, refer to the Company website (<https://www.ctie.co.jp/english/sustainability/human-resources-mgmt/>).



#### (iv) Metrics and targets

The Company is implementing measures and KPIs established for each of the matters set forth in the Basic Policy on Well-Being. The particularly important metrics are as shown in the table below. We have been promoting human resource management (CTIG-HRM) throughout the Group companies since 2024, and the ratio of female managers, number of employees, and other basic data are managed by the Group companies. However, not all strategies and metrics are managed by all companies belonging to the consolidated group, making it difficult to present these metrics for the consolidated group. For this reason, the targets and results for the following metrics are those of the Company, which engages in the major businesses of the consolidated group.

Current Situation of Targets and Metrics Related to Basic Well-Being Matters

Basic Well-being Matters and Descriptions	Measures	Key Metrics	Target (2030)	Situation (2024) 2023 Results
Create a state of good physical and mental health: Employees are financially comfortable and in good health both physically and mentally				
Correction of long working hours Promotion of health promotion activities Enhancement of mental health care	Promotion of work style reform Promotion of health management	Total annual working hours	1,900 hours	2,131 hours [2,170 hours]
Create a workplace environment based on trust and respect: Human relationships based on trust and respect are formed in the workplace				
Promotion of teamwork Revitalization of communication Communication skills	Personnel management system reform 1-on-1 meetings, Thanks Points CTIG Human Resources Management	Engagement score	60 or above (Rank A)	55.3 (Rank BBB) [54.6]
Enhance diverse work styles and work-life balance: Diverse ways of working are recognized, and employees are able to maintain a good work-life balance				
Telework, expansion of diverse work styles Diversity promotion Enhancement of benefits and welfare	CTI Smart Work DE&I Promotion Plan 2030	Ratio of female managers Ratio of childcare leave taken by men	10.0% 100%	3.8% [2.0%] 81% [63%]
Cultivate support for growth and sense of purpose: Employees can feel the company and themselves growing, and work autonomously with goals and a sense of purpose				
Cultivation of support for growth and sense of purpose	CTIG Human Resources Management Personnel management system reform	Employee turnover rate *Excludes retirement upon mandatory retirement age Training hours	3.0% 30 hours	3.8% [3.5%] 39.8 hours [30 hours]

(4) Environmental information

(i) Governance

As described in detail in (1) Governance concerning sustainability, the Sustainability Committee, which is on the same level as the Management Meeting, deliberates on policies related to research, technology development, and other contributions to reducing greenhouse gas emissions and building a sustainable community. Decisions are made on key matters following deliberations at the Board of Directors' meeting.

Further, the progression of climate change associated with global warming will give rise to various risks and opportunities for the Group's business over the medium to long term. To identify and evaluate the impacts on the Group's financial position and strategy and appropriately reflect them in management policy, the Green Investment Strategy Working Group, under the Sustainability Committee, takes the lead in tasks such as collecting and analyzing information and evaluating the impact. The Sustainability Committee then decides on action policies and action plans for the Group.

(ii) Risk management

The progression of climate change associated with global warming will give rise to various risks and opportunities for the Group's business over the medium to long term.

As described in (2) Risk management pertaining to sustainability, regarding risk management, we established the Risk Management Committee to appropriately promote the Group's risk management based on the risk management regulations. This includes identifying risks that could adversely affect corporate management and managing them before they occur.

The Risk Management Committee and Sustainability Committee work together to manage risks associated with climate change.

(iii) Strategy

The Company has conducted a qualitative assessment of the major risks and opportunities anticipated in the medium to long term, based on the scenarios assumed in the impact assessment of the Group's business. The risks and opportunities identified are as shown in the table below. Transition risks included bolstered emissions regulations, such as carbon taxes levied on business activities; and the Group's increased social responsibility due to heightened awareness of climate change in society. Physical risks included more natural disasters, such as typhoon and heavy rain. Opportunities included rising demand for social infrastructure planning and designing in order to prevent and mitigate disasters caused by growing climate change impacts, as well as demand for services to transition to decarbonized energy sources, such as renewable energy.

We will assess the risks and opportunities for the Group's business, both quantitatively and precisely, and enhance our strategy to contain more specific countermeasures and other content.

#### Major Risks and Opportunities Associated with Climate Change and Their Countermeasures

Category			Details	Financial Impact		Countermeasure
				1.5°C	4°C	
Transition	Risk	Policy/ regulation	• Increase in utility and energy management costs due to charges on fossil fuel use	Medium	Small	• Transition to renewable energy • Reduce CO <sub>2</sub> emissions by turning company buildings into net zero energy buildings, fully electrified buildings, etc.
		Market	• Increased corporate responsibility due to heightened awareness of environmental considerations in society	Medium	Medium	• Contribute to achieving the sustainability of local communities
	Opportunity	Policy/ regulation	• Expanding demand for services related to regional and corporate decarbonization and climate change adaptation	Medium	Small	• Conduct business in the public and private sectors related to building a decarbonized society
			• Increasing demand for renewable energy, etc.	Medium	Small	• Develop technologies and conduct business related to renewable energy • Develop technologies and conduct business related to the creation and management of credit
Physical	Risk	Acute	• Increase in business continuity risks due to natural disasters, such as typhoon and heavy rain	Small	Medium	• Develop BCP for disaster measures • Strengthen measures for avoiding natural disaster risks
	Opportunity	Chronic	• Rising demand for consulting services related to disaster prevention, mitigation, and enhancing national resilience	Large	Large	• Strengthen schemes for prevention and mitigation of disasters and enhancing national resilience • Develop technologies and conduct business aimed at disaster prevention and mitigation

Since its founding, the Company has been engaged in consulting services related to prevention and mitigation of disasters and, more recently, enhancing national resilience. In addition, under the CTI Group Challenges for Sustainability Promotion Plan formulated in 2022, we will pursue five challenges in our consulting services to contribute to improving sustainability in local communities and society. This conforms with our initiatives for opportunities associated with the transition to a decarbonized society.

#### Five challenges in consulting services

- (i) Propose disaster prevention and mitigation measures that will use nature's ability to buffer against and recover from external forces
- (ii) Propose measures that will contribute to greenhouse gas reduction over the lifecycle of infrastructure development
- (iii) Propose measures that will contribute to waste reduction over the lifecycle of infrastructure development
- (iv) Propose measures that will contribute to coexistence with the natural environment over the lifecycle of infrastructure development.
- (v) Propose measures that will contribute to regional revitalization that utilizes ecosystem services provided by natural capital

We estimated the financial impact by determining the value of sales of the work performed in 2023 that corresponded to consulting services related to prevention and mitigation of disasters and enhancing national resilience and to the five challenges. As a result, it was confirmed that "opportunities associated with the transition to a decarbonized society" and "opportunities associated with the physical impact of climate change" will significantly affect the Group's financial impact. Therefore, in light of social needs associated with the development of decarbonization and climate change, in the Medium-term Business Plan 2027, we have made efforts to deepen the core businesses such as prevention and mitigation of disasters, and we have also reflected the related risks and opportunities in the Group's strategy by positioning energy, including decarbonization, as a growth area that should be accelerated.

(iv) Metrics and targets

The Group aims to reduce the environmental impact of its own corporate activities. Furthermore, fulfilling its responsibility as a company engaged in public projects, the Group aims to improve the sustainability of local communities, and thereby, enhance its corporate value built on the trust and empathy of relevant stakeholders. To this end, in the medium term, with the target of “reducing carbon dioxide emissions from corporate activities to virtually zero by 2030,” we aim to reduce emissions from Scope 1 and Scope 2 to net zero. In the long term, with the target of “reducing greenhouse gas emissions from corporate activities, including the supply chain, to virtually zero by 2050,” we aim to reduce emissions from Scope 1, Scope 2, and Scope 3 to net zero.

At the same time, we have added a sustainability budget line to the Group’s R&D investment to invest in projects that improve the sustainability of local communities and to promote related research and development and human resource development. In this way, we are actively promoting technology development.

Current Situation of the Targets and Metrics Based on Our Challenges for Sustainability Promotion Plan

Category		Target (2030)	Situation (2023)[2022 Results]
Net-zero emissions by the Group			
Greenhouse gas emissions	Emissions ([1] +[2])	Net zero greenhouse gas emissions by 2030	3,810t-CO <sub>2</sub> /year [4,451t-CO <sub>2</sub> /year]
	Scope 1 ([1])		750t-CO <sub>2</sub> /year [810t-CO <sub>2</sub> /year]
	Scope 2 ([2])		3,060t-CO <sub>2</sub> /year [3,641t-CO <sub>2</sub> /year]
	Scope 3	Net zero greenhouse gas emissions by 2050	42,700t-CO <sub>2</sub> /year [—]
Contribution to the sustainability of local communities			
Research and Development Investment (CTI Engineering Co., Ltd. only)	R&D investment allocation for sustainability	50% of R&D investment budget	33% [32%]

### 3. Business Risks

Out of the items related to business situation and status of accounting stated in this securities report, the major risks that are recognized to possibly have a significant impact on the Group's financial position, business performance or status of cash flows are as stated below.

Matters related to the future stated herein were determined by the Group as of the end of the current consolidated fiscal year. Also, please note that the following section does not cover all the risks that the Group faces.

#### (1) Market

The Group's business depends greatly on public works, so its business performance may be affected by public works trends. Technological innovation also has the potential to cause significant changes to the business environment.

In view of such risks, in its efforts to secure more orders, the Group shall further raise its competitiveness through the development and introduction of new technologies and the promotion of DX, and work on securing more orders by taking initiatives to expand its business domains, including in the private-sector market, through stronger coordination among Group companies.

#### (2) Standards, legal regulations

The operations of both the domestic and overseas businesses of the Group are subject to various laws and regulations. Standards and laws are frequently being established and amended in response to recent marked changes in the social and economic environment. In the event of a delay in a response to these changing standards and laws, the Group may lose society's trust, and the business performance of the Group may be affected. In view of such risks, the Group shall gather and analyze the latest information on standards and relevant laws and regulations and strive to respond swiftly to them.

#### (3) Climate change, natural disasters, pandemics

Due to the occurrence of natural disasters such as large-scale earthquakes, typhoons, torrential rain, etc., or the outbreak of an infectious disease, it may become difficult to conduct normal business activities, and the business performance of the Group may be affected. Furthermore, due to issues such as the suspension of projects, or delays in orders for new projects, the business performance of the Group may be affected. Delays in responding to countermeasures against climate change may also lead to loss of opportunities.

In view of such risks, the Group shall formulate a Business Continuity Plan (BCP) and disseminate the information in the plan to all employees. The contents of the BCP shall be regularly reviewed and updated, and, in addition to improving the crisis management system and striving to reduce impact on business activities, the Group shall make efforts to expand into businesses related to climate change countermeasures through technological developments and other means.

#### (4) Investment

Losses from investments in corporate acquisitions and new businesses, etc. have the potential to affect business performance.

In view of these risks, the Group shall ascertain the business environment and continuously monitor the businesses in which it has invested. The Group shall also conduct investment in areas with greater expectations of growth.

#### (5) Securing and cultivating human resources

The Group views its human resources, who are highly specialized, or have public certifications or track records, as the single biggest management resource it has, which can help the Group secure its competitive advantage and achieve sustainable growth. In the event that the necessary human resources cannot be secured or cultivated, or in the event that it loses its talented human resources to other companies, the business performance of the Group may be affected.

In view of such risks, as well as actively and continuously conducting recruiting activities, the Group shall promote work style reform and work to enhance its systems to incorporate a wide range of work styles. Furthermore, the Group shall actively invest in activities to cultivate human resources, such as various training programs and education programs that will help employees progress towards their career goals.

#### (6) Information security

Amid the growing use of electronic media and networks to transmit information, information may be lost, destroyed or leaked due to disasters, machine failures or defects, negligence or intent, etc. As a result, the Group may lose society's trust, transactions with customers may be halted, the Group may have to pay for damages, and the business performance of the Group may be affected. In view of such risks, the Group shall formulate rules including the CTI Group Information Security Policy, and conduct appropriate operations and management of the information and information systems that the Group

handles. The Group shall also hold training sessions on information security regularly, and strive to raise information security awareness and literacy among employees.

(7) Country 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 develops its overseas business, the business performance of the Group may be affected.

In view of such risks, the Group shall secure the safety of employees through formulating a safety measures manual for use when engaging in overseas operations, develop its business flexibly in response to changes in overseas markets, and strive to reduce risks, such as reducing the risk of non-payment and loan loss through the thorough management of credit.

(8) Quality and safety

Due to the highly public nature of operations conducted by the Group, there are potential risks, including wide-ranging social impact. In particular, in the event of contract non-compliance events regarding deliverables or serious accidents due to deficiencies in safety management, the Group may lose society's trust and be ordered to be under suspension from bidding, pay for damages, etc. As a result, the business performance of the Group may be affected.

In view of such risks, the Group shall formulate a "Guideline to Technical Risks," which evaluate and specify potential risks and take necessary measures when they arise, and integrate it with the Quality Environment and Information Security Management System, in order to conduct thorough quality control of operations. The Group shall also establish a system to definitively check deliverables in-house, and endeavor to reduce the technical risk of the occurrence of contract non-compliance events, etc. In addition, the Group shall conduct thorough safety management education for the prevention of serious accidents. The Group is also insured for damages, in case it bears the responsibility of paying for damages due to contract non-compliance.

(9) Technical strengths

A decline in the Group's technical strengths and in productivity caused by the stagnation of employees' growth and a decline in research and development have the potential to affect the business performance of the Group.

In view of such risks, the Group shall identify changes in the business environment, bolster its technical strengths through training and other means, promote systematic research and development, and pursue reforms of production systems.

(10) Personnel and labor

If there are long working hours, etc., the mental and physical health of employees may be affected, which may in turn lead to illness, a decrease in productivity, or the loss of society's trust due to a breach of labor laws and regulations. As a result, the business performance of the Group may be affected.

In view of such risks, the Group shall formulate an action plan for preventing long working hours and strengthen the monitoring of the plan's effectiveness, promote new work styles that utilize telework, etc., strengthen controls to prevent late night work, and take measures such as establishing a point of contact for whistleblowing or counseling.

Furthermore, as a corporation that contributes to society through its technical capabilities, based on the recognition that the happiness of employees is the driving force that increases creativity and productivity and attracts excellent human resources, the Group has formulated a CTI Engineering Basic Policy on Well-Being and is promoting health management as a top management priority.

(11) Compliance

There is potential for a lack of compliance awareness among employees to cause situations such as accounting fraud by individual employees or company organizations, embezzlement and bribery, violation of anti-trust laws, infringement of intellectual property rights, insider trading, removal of confidential or personal information from company premises, and the occurrence of harassment.

In view of such risks, the Group shall strive to create workplace environments and raise awareness to ensure that acts of non-compliance do not occur. The Group shall also make efforts in compliance training and education for employees, thorough implementation of measures to prevent the removal of information, and strengthening of the internal audit system.

## 4. 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

In the current consolidated fiscal year, the Japanese economy recovered moderately, despite some stagnation remaining. The moderate recovery is expected to continue going forward against the backdrop of an improving employment and income environment and with the effects of various policies. However, there is a risk that a downturn in overseas economies, such as the continuation of high interest-rate levels in Europe and the United States and the impact of the stagnation in China's real estate market, could put downward pressure on the Japanese economy. In addition, it will be necessary to pay close attention to the impact of various factors, including rising prices, future policy trends in the United States, the situation in the Middle East, and fluctuations in financial and capital markets.

With regard to the business environment surrounding the CTI Group, the domestic consulting engineering business remained robust, on the back of the bolstering of government-led projects for disaster prevention/mitigation and the promotion of measures to build national resilience for the maintenance of aging infrastructure. In the overseas consulting engineering business, events worthy of concern, including the prolonged uncertainty caused by the situations in Ukraine and the Middle East, the global progression of inflation, and monetary tightening, have emerged.

Under this business environment, in 2024, the final year of the Medium-term Business Plan 2024, the Group as a whole implemented many measures as it worked on the following four initiatives: 1) Promotion of business structural reform, 2) Promotion of production system reform, 3) Enhancement of risk management and governance, and 4) Promotion of sustainability management. As a result of these initiatives, orders received by the Group during the current fiscal year increased by 2.1% year-on-year to 94,400 million yen. Meanwhile, sales increased by 5.0% year-on-year to 97,678 million yen. Ordinary profit decreased by 6.1% year-on-year to 9,535 million yen, and net income attributable to owners of the parent decreased by 10.5% year-on-year to 6,746 million yen.

Results by reportable segment of the Group were as follows.

##### i) Domestic consulting engineering business

Sales exceeded the plan due to orders received remaining strong due to the Five-Year Road Program for disaster prevention, disaster mitigation, and building national resilience, as well as increased orders in business fields such as energy, urban communities and architecture, environmental analysis, and PPP. Profits were generally in line with our plan of reduced profits focusing on preventing mistakes and strengthening investments, which were initial policies. Accordingly, orders received for the domestic consulting engineering business increased by 5.7% year-on-year to 65,724 million yen, sales increased by 3.8% year-on-year to 66,945 million yen, and segment income decreased by 3.7% year-on-year to 8,610 million yen.

##### ii) Overseas consulting engineering business

Although the public works division of Waterman Group Plc, which operates mainly in the UK, remained strong, the private sector division faced some struggles. CTI Engineering International Co., Ltd. based in Southeast Asia experienced delays in receiving orders for large-scale projects. Furthermore, profit margin decreased as a result of sharp rises in overseas labor costs. Accordingly, orders received for the overseas consulting engineering business decreased by 5.4% year-on-year to 28,676 million yen, sales increased by 7.5% year-on-year to 30,733 million yen, and segment income decreased by 27.9% year-on-year to 773 million yen.

#### 2) Financial conditions

At the end of the current consolidated fiscal year, the Group's total assets totaled 87,694 million yen, an increase of 9.7% compared to the end of the previous fiscal year. This was mainly due to an increase in "net defined benefit asset," in addition to "notes receivable, completed work receivables and contract assets," while "cash and bank deposits" decreased.

Total liabilities at the end of the current fiscal year were 26,019 million yen, an increase of 4.8% compared to the end of the previous fiscal year. This was mainly due to increases in "accounts payable" and "short-term borrowings," while "reserve



for bonuses” decreased.

Net assets at the end of the current fiscal year totaled 61,674 million yen, an increase of 11.9% compared to the end of the previous fiscal year. This was mainly due to an increase in “profit surplus” due to the posting of “net income attributable to owners of the parent” and an increase in “foreign currency translation adjustment” due to exchange rate fluctuation.

### 3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) decreased by 4,131 million yen year on-year to 15,523 million yen.

Net cash provided by operating activities was 2,410 million yen, a YoY increase of 175.8%. This was mainly due to proceeds from “net income before income tax” of 9,489 million yen and “depreciation and amortization” of 1,609 million yen, which was partially offset by an “increase in trade receivables and contract assets” of 4,822 million yen and “payment of corporation income tax, etc.” of 2,357 million yen.

Net cash used for investment activities was 4,805 million yen, a YoY increase of 426.4%. This was mainly due to “purchase of shares in subsidiaries resulting in change in scope of consolidation” of 3,340 million yen and “payments for acquisition of tangible fixed assets” of 850 million yen, despite “income from loan collection” of 209 million yen.

Net cash used for financial activities was 2,111 million yen, a YoY decrease of 35.9%. This was mainly due to “dividend payments” of 2,072 million yen.

### 4) Results of production, orders received and sales

#### 1) Production results

Segment name	Current consolidated fiscal year (From January 1, 2024 to December 31, 2024) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	66,945	3.8
Overseas consulting engineering business	30,733	7.5
Total	97,678	5.0

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, 2024 to December 31, 2024)			
	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	65,724	5.7	38,023	-2.1
Overseas consulting engineering business	28,676	-5.4	25,419	-4.1
Total	94,400	2.1	63,442	-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, 2024 to December 31, 2024) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	66,945	3.8
Overseas consulting engineering business	30,733	7.5
Total	97,678	5.0

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, 2023 to December 31, 2023)		Current consolidated fiscal year (From January 1, 2024 to December 31, 2024)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National government of Japan	32,125	34.5	32,052	32.8

(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 estimates and assumptions used to make the said 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).

In the preparation of the consolidated financial statements for the current consolidated fiscal year, the specially significant estimates were as follows.

(Impairment of goodwill)

The Group records goodwill that arises from a business combination. The said goodwill is deemed to appropriately reflect the future excess earning power.

In determining the impairment of goodwill, reasonable judgments are made based on the performance of the subsidiary, the business plan, etc. However, as these are based on long-term estimates, depending on fluctuations in the business environment, the market conditions, etc. in the future, the financial statements of the Group may be materially affected.

(Revenue recognition in consulting engineering service contracts)

For consulting engineering service contracts, the Group recognizes revenue from performance obligations satisfied over time, according to the level of progress that is based on the ratio of costs incurred to estimated total costs.

Projections of estimated total costs are subject to uncertainty. Therefore, if there are unforeseen changes in circumstances, or the discovery of facts that lead to large fluctuations in the workload, etc., the financial statements of the Group may be materially affected.

2) Analysis of business performance, etc.

The Group's business performance as of the end of the current consolidated fiscal year is described in detail in CHAPTER 2: BUSINESS SITUATION, 4. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management, (1) Outline of business performance, etc., 1) Business performance.

The operating margin of the domestic consulting engineering business segment decreased from 13.9% in the previous fiscal year to 12.9% in the current consolidated fiscal year. This was mainly due to an increase in selling, general and administrative expenses resulting from increases in administrative staff and R&D expenses aimed at preventing errors and strengthening investment.

The operating margin of the overseas consulting engineering business segment decreased from 3.8% in the previous fiscal year to 2.5% in the current consolidated fiscal year. This was mainly due to an increase in costs caused by inflation and soaring labor costs.

### 3) Analysis of financial conditions

With regard to financial conditions for the current consolidated fiscal year, please refer to CHAPTER 2: BUSINESS SITUATION, 4. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management, (1) Outline of business performance, etc., 2) Financial conditions.

Total assets were 87,694 million yen, an increase of 9.7% compared to the end of the previous fiscal year, while total liabilities were 26,019 million yen, an increase of 4.8% compared to the end of the previous fiscal year. Net assets totaled 61,674 million yen, an increase of 11.9% compared to the end of the previous fiscal year.

The above figures have increased due to expansion of the business scale through orders received, sales, etc. However, net worth ratio has also increased from 68.7% in the previous fiscal year to 70.1% in the current consolidated fiscal year.

Therefore, the Group believes that it is expanding its business scale while maintaining financial stability.

### 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, 4. Analysis of Financial Conditions, Business Performance and Cash Flow by the Management, (1) Outline of business performance, etc., 3) Cash flow.

Though total assets have increased as a result of the Group's expanded business scale, the Group is proceeding with the investments necessary for business expansion, enhanced productivity, and operational efficiency basically within the range of its own funds while ensuring 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.

## 5. Important Agreements Related to Management

Not applicable.

## 6. Research and Development

As a global infrastructure group, the CTI Group is focusing on the development of new technologies under the Group' medium- to long-term vision "SPRONG 2030," for tackling new technologies and making great strides as a professional group that provides the best infrastructure services. For this reason, we set a basic policy for R&D investment every year, taking into account the initiatives called for by changing social conditions. This policy becomes our foundation for selecting R&D topics to invest in and develop technologies around. Recently, in particular, we have been promoting research and development on topics that address social issues such as countermeasures for increasingly severe natural disasters (building national resilience), digital transformation (DX), environmental and global issues, through in-house calls for suggestions for R&D topics.

In 1977, we established a development expense program that allocates two percent of sales to R&D expenses. Since then, we have invested over 1.0 billion yen in research and development each year. In 2025, with the aim of accelerating business development by conducting research and development that takes into account the initiatives demanded by society as a whole and contributing to the building of a sustainable society, we plan to conduct research and development totaling 1,500 million yen, including 340 million yen in sustainable investment (investment in R&D and human resources development that will contribute to building a sustainable society). We implement focused investment in the promotion of research that will lead to the creation of new value by greatly expanding our research areas. This includes research to realize carbon neutrality and the development of digital technologies such as AI and IoT for the achievement of our medium- to long-term vision, in addition to research that will accelerate business portfolio reform and rebuilding of the foundations for growth, the pillars of the Medium-term Business Plan 2027.

The needs and technologies surrounding infrastructure are undergoing profound changes. Such changes are particularly apparent in the promotion of disaster prevention and mitigation measures to protect people's lives from increasingly massive and frequent natural disasters, the reliable maintenance, management, and replacement of aging structures, building of a decarbonized society, and the penetration of DX promotion technologies such as AI, XR, BIM/CIM, and i-Construction. It is essential that we develop human resources who can take on the challenge of meeting these needs. We are making diverse investments with a wide range of goals in mind, based on the future we envision.

Specifically, the investments have been categorized as: planned research and development investments conducted over three to five years, with a person-in-charge, for research and development that focuses on business expansion, development of cutting edge technology, enhancement of quality and productivity; short-term research and development investments conducted over one to two years, with no person-in-charge; as well as emergency investments, research in national land and culture, international investments, human resources development investments and others. Through these categorizations, the Group continues to work on increasing the effectiveness of investments in research and development.

During the current consolidated fiscal year, the Group invested a total of 1,437 million yen, mainly in the domestic consulting engineering business to carry out research and study on the following major subjects. Research and investigation expenses by segment consisted of 1,419 million yen for the domestic consulting engineering business and 17 million yen for the overseas consulting engineering business.

- 1) Planned research and development investments (PPP in urban communities and architecture, 3D data-based standard design, energy business, image analysis and other AI technologies, etc.)
- 2) Short-term research and development investments (research and development of river basin flood control system, development of unmanned observation base instruments using UAV, development of remote monitoring system for next-generation mobility in anticipation of Level 4 self-driving cars, development of design evaluation tools for the quantification of carbon emissions, development of system for responding to growing sophistication of use of unmanned aerial vehicles, establishment of analysis technology for environmental DNA, etc. to identify habitat conditions on site in real time, expansion into field of underground water flow deliberation using bacterial flora analysis, and development of apps for Construction Management (CM) operations using ArcGIS, etc.)
- 3) Research in national land and culture (research on mutual assistance social systems in rural and urban areas, research on impact of infrastructure on the formation of regions' history, culture, and society)
- 4) International investments (development of international business for domestic technologies; cooperation with Waterman)
- 5) Human resources development investments (various training inside or outside of the Company for BIM/CIM promotion, promotion of diversity, etc.; 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 850 million yen. The amounts of capital investment by segment were as follows.

(Domestic 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.

(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) The Company

As of December 31, 2024

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and transportation equipment	Land (area: m <sup>2</sup> )	Lease assets	Other	Total	
Headquarters (Chuo-ku, Tokyo)	Domestic consulting engineering business	General administration facilities	41	—	—	1	42	85	158 (6)
Tokyo Main Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	Office	207	—	—	27	198	433	710 (230)
Tokyo Main Office Saitama Office (Urawa-ku, Saitama)	Domestic consulting engineering business	Office	704	0	772 (1,978)	6	25	1,509	80 (57)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Domestic consulting engineering business	Office and laboratory facilities	238	73	1,937 (50,605)	0	16	2,265	29 (7)
Yono Dormitory (Chuo-ku, Saitama)	Domestic consulting engineering business	Welfare facilities	132	—	820 (1,565)	—	0	953	— (—)
Kyushu Office (Chuo-ku, Fukuoka)	Domestic consulting engineering business	Office	432	—	1,025 (1,136)	—	42	1,501	199 (49)
CTI Keihanna Bldg. (Seika-cho, Sorakugun, Kyoto)	Domestic consulting engineering business	Office and environmental research and analysis facilities	524	1	121 (4,660)	—	0	648	— (—)
CTI Okazaki Bldg. (Okazaki-shi, Aichi)	Domestic consulting engineering business	Office and environmental research and analysis facilities	161	—	109 (1,200)	—	0	271	— (—)

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

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

(2) Subsidiaries in Japan

Not applicable.

(3) Subsidiaries out of Japan

Not applicable.

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

(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

Note: Pursuant to a resolution of the Board of Directors held on November 12, 2024, the Articles of Incorporation were amended due to a stock split, effective January 1, 2025, and the total number of authorized shares was increased by 40,000,000 shares to 80,000,000 shares.

(ii) Number of shares issued

Class	Issued shares as of the end of the fiscal year (shares) (December 31, 2024)	Issued shares as of the date for submission (shares) (March 26, 2025)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	14,159,086	28,318,172	Tokyo Stock Exchange Prime Market	Number of shares in one voting unit: 100 shares
Total	14,159,086	28,318,172	—	—

Note: The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. With this, the total number of issued shares increased by 14,159,086 shares to 28,318,172 shares.

(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)	1,287,189	14,159,086	—	3,025	—	4,122

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

2. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. With this, the total number of issued shares increased by 14,159,086 shares to 28,318,172 shares.

## (5) Shareholders

As of December 31, 2024

As of December 31, 2024									
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)	—	16	22	77	90	7	2,792	3,004	—
Number of shares held (units)	—	34,867	2,461	27,563	17,147	193	59,091	141,322	26,886
Shareholding ratio (%)	—	24.7	1.8	19.5	12.1	0.1	41.8	100.0	—

- Notes: 1. Among treasury stocks (278,858 stocks), 2,788 units are counted as “Individuals etc.” and 58 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.
3. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. In the status of shareholders presented above, the number of shares presented is the number prior to this stock split.

## (6) Major shareholders

As of December 31, 2024

Name	Address	Number of shares held (thousand)	Ratio of the number of shares held against the number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	8-1, 1-chome, Akasaka, Minato-ku, Tokyo	1,501	10.8
HIKARI POWER LIMITED	314 Asahi Toranomom Mansion, 18-6, Toranomom 3-chome, Minato-ku, Tokyo	1,396	10.1
CTI Engineering Employees' Stock-sharing Association	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	1,068	7.7
Yasumitsu Shigeta	Minato-ku, Tokyo	396	2.9
MUFG Bank, Ltd.	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	371	2.7
Custody Bank of Japan, Ltd. (trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	368	2.7
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo (8-1, 1-chome, Akasaka, Minato-ku, Tokyo)	354	2.6
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	2-1, Yaesu 2-chome, Chuo-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	300	2.2
Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	269	1.9
Yutaka Takahashi	Toshima-ku, Tokyo	235	1.7
Total	—	6,262	45.1

- Notes: 1. 1,501 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 367 thousand shares held in Custody Bank of Japan, Ltd. (trust account) are shares related to trust services.
2. The 278,858 shares in treasury stock held by the Company are not included in the above table.
3. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. In the status of major shareholders presented above, the number of shares held is the number prior to this stock split.



## (7) Voting rights

## (i) Issued shares

As of December 31, 2024

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 278,800	—	—
Shares with complete voting rights (Other)	Common stock 13,853,400	138,534	—
Shares below a unit	Common stock 26,886	—	—
Total number of shares issued	14,159,086	—	—
Voting rights of total shareholders	—	138,534	—

- 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 58 treasury stocks held by the Company.
3. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. The number of shares presented above is the number prior to this stock split.

## (ii) Treasury Stocks, etc.

As of December 31, 2024

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	278,800	—	278,800	2.0
Total	—	278,800	—	278,800	2.0

Note: The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. The number of shares presented above is the number prior to this stock split.

(8) Contents of shareholding system for executives and employees

Incentive plan for employees, etc. of Waterman Group Plc and some of its subsidiaries

The Company approved at the Board of Directors' meeting held on September 27, 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  
14,000 shares

Note: The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. The number of shares presented above is the number after this stock split.

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. Acquisition of Treasury Stocks

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

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

Not applicable.

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

Not applicable.

(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	463	2,381,420
Treasury stock acquired in this period	92	234,600

Note: 1. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. For treasury stock acquired in this fiscal year, the number of shares prior to this stock split is presented, and for treasury stock acquired in this period, the number of shares after this stock split is presented.

2. Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2025 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, share issuances, and company split-offs	—	—	—	—
Other (acquired treasury stock disposed of for restricted stock compensation)	16,307	77,539,785	—	—
Held treasury stock	278,858	—	557,808	—

Note: 1. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. For held treasury stock in this fiscal year, the number of shares prior to this stock split is presented, and for held treasury stock in this period, the number of shares after this stock split is presented.

2. The number of shares of treasury stock held in this period does not include treasury stock acquired from March 1, 2025 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, our policy is to pay continuous, stable dividends. However, we consider that 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. After securing internal reserves equivalent to approximately two months of sales as cash on hand, the Company utilizes those reserves as internal investments in human resources, our greatest management resource, in research and development investments for creating new businesses, in DX investments for the improvement of production efficiency, and in strategic investments including M&As as external investments, based on the medium- to long-term management strategy.

Regarding dividends, while maintaining a minimum level of 30% for the consolidated dividend payout ratio, the Company will aim to conduct additional shareholder returns in a flexible manner, aiming for a total return ratio of 35-50%, taking the financial situation, including the progress of the aforementioned investments and business performance, into consideration.

Note: In respect of the dividend for the record date, December 31, 2024, it was resolved at the 62nd Ordinary General Meeting of Shareholders held on March 25, 2025 to pay a dividend of 150 yen per share (total dividend payment amount: 2,082 million

yen).

The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. The dividend amount per share presented above is the dividend amount prior to this stock split.

## 4. Corporate Governance

### (1) Outline of corporate governance

#### 1) Basic policy of corporate governance

The Company has formulated the Code of Corporate Conduct to realize its business philosophy to “contribute to a progressive, safe, pleasant and prosperous living environment through the Group’s globally recognized professional expertise and technical capabilities,” and has fulfilled its social mission based on a corporate culture defined by the keywords integrity and technology. It is the Company’s basic policy to continue improving and strengthening corporate governance in order to realize decision-making that is not only transparent and fair, but also swift and decisive, in further pursuit of sustainable corporate growth and increased corporate value over the medium to long term.

#### 2) Implementation of corporate governance measures

##### (i) Outline of the corporate governance system and reasons for employing the system

###### a. Outline of the corporate governance system

The Company has opted to become a company with an Audit & Supervisory Board with enriched statutory auditing functions. In addition, the Company has established a Nomination & Compensation Advisory Committee made up of independent External Directors as its principal members in order to enhance managerial transparency and fairness. The Company has also established an Executive Officer system to reinforce the Board of Directors’ functions of making decisions and supervising business execution, in order to improve its managerial efficiency including accelerating decision-making.

Furthermore, with a view to strengthening the governance of the entire Group, the Company has established a Governance Management Headquarters to develop and promote governance. However, as the range of risks surrounding the Company expands, we recognize that the development of a robust risk management framework is a challenge that is directly linked to the sustainable enhancement of corporate value. Under these circumstances, the Company abolished the Governance Management Headquarters on April 1, 2025 and brought its subordinate bodies, the Audit Section, Compliance Section, and Legal Affairs Section, under the direct jurisdiction of the President. In addition to the oversight of internal audits and internal control as key management issues, it ensures the appropriate and prompt responses under the direction of the Representative Director and President, CEO, thereby further strengthening governance.

###### \* Board of Directors

The Board of Directors consists of 11 Directors (including 4 External Directors), as stated in “CHAPTER 4: STATUS OF THE COMPANY, 4. Corporate Governance, (2) Executive Management” as of the date of the submission of this Securities Report. The Board is chaired by Tatsuya Nishimura, Representative Director and President, CEO. In addition to matters prescribed in laws and regulations and the Articles of Incorporation, it resolves matters stipulated in the Regulations of the Board of Directors and particularly important matters pertaining to the management of the Group, such as the Group’s medium- to long-term vision, medium-term business plan, and global strategies. With regard to decisions on other business execution, necessary and appropriate authority in accordance with duties of the Managing Directors or Executive Directors is determined in the Authority Regulations or other internal regulations.

External Director Ms. Fumiko Kosao conducted supervision and gave advice, etc. to ensure the appropriateness of finance and accounting, based on her viewpoint as an experienced Certified Public Tax Accountant, thereby appropriately supervising business execution. External Director Mr. Yoshihisa Sonobe gave advice, etc. on the Group’s management strategies, including business development, and capital policies, etc., based on his extensive insight and experience in finance and accounting, thereby appropriately supervising business execution. External Director Ms. Atsuko Ogasawara gave advice based on her extensive experience and expertise related to the business community, thereby appropriately supervising business execution. External Director Mr. Toru Kuwano was newly elected as an External Director at the 62nd Ordinary General Meeting of Shareholders held on March 25, 2025. The Company expects him to play appropriate roles in ensuring the adequacy and appropriateness of its decision-making process

through supervision and advice based on his perspective in IT and DX and his extensive experience and expertise as an experienced manager.

Meetings were held 16 times in this fiscal year. The attendance record of each executive is as follows.

Position	Name	Attendance at the Board of Directors meetings
Representative Director, Chairman	Tetsumi Nakamura	16/16
Representative Director and President, CEO	Tatsuya Nishimura	16/16
Representative Director, Executive Vice President	Yoshiaki Nanami	14/16
Director, Senior Managing Executive Officer	Naoto Suzuki	16/16
Director, Managing Executive Officer	Nobuyuki Maeda	15/16
Director, Managing Executive Officer	Toshihide Uemura	16/16
Director, Managing Executive Officer	Naoki Fujiwara	16/16
Director, Managing Executive Officer	Toshikazu Matsuoka	11/11
External Director	Shuichi Ikebuchi	16/16
External Director	Fumiko Kosao	15/16
External Director	Yoshihisa Sonobe	16/16
External Director	Atsuko Ogasawara	16/16
Full-time Auditor	Keizo Mitsuke	16/16
Auditor	Shigeo Nakashita	16/16
External Auditor	Yasuro Tanaka	16/16
External Auditor	Go Ishikawa	16/16

Note: As Toshikazu Matsuoka was newly appointed as a Director in this fiscal year, the number of Board of Directors meetings held differs from that of the other executives.

\* Nomination & Compensation Advisory Committee

The Company has established the Nomination & Compensation Advisory Committee, an advisory body to the Board of Directors, consisting of External Directors Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, Ms. Atsuko Ogasawara, and Mr. Toru Kuwano, Representative Director, Chairman Tetsumi Nakamura, and Representative Director and President, CEO Tatsuya Nishimura as of the date of submission of this Securities Report. Chaired by External Director Ms. Fumiko Kosao, the Committee will deliberate the selection of candidates for the Representative Director and President, CEO, formulation of officer succession plans, reviews of officers' compensation, and other matters related to the personnel affairs, compensation, etc. of Directors and Auditors, report the results of its deliberations to the Board of Directors, and thereby endeavor to enhance managerial fairness and transparency and strengthen the independence and objectivity of the functions of the Board of Directors as well as its accountability.

Meetings were held five times in this fiscal year. The attendance record of each executive is as follows.

Category	Name	Attendance at the Nomination & Compensation Advisory Committee meetings
External Director (Chair)	Shuichi Ikebuchi	5/5
External Director	Fumiko Kosao	5/5
External Director	Yoshihisa Sonobe	5/5
External Director	Atsuko Ogasawara	5/5
Representative Director, Chairman	Tetsumi Nakamura	5/5
Representative Director and President, CEO	Tatsuya Nishimura	5/5

\* Corporate Governance Committee (scheduled to be established on April 1, 2025)

The Corporate Governance Committee is an advisory body to the Board of Directors consisting of four External Directors and two Representative Directors. Chaired by External Director Mr. Yoshihisa Sonobe, this committee deliberates and reports to the Board of Directors, at the Board's request, on matters related to the evaluation of the effectiveness of the Board of Directors, matters related to measures to improve the effectiveness of the Board of Directors, and other matters related to the Company's corporate governance, thereby improving the effectiveness of the Board of Directors.

\* Management Meeting

The Company holds a regular Management Meeting, an advisory body to the Representative Director and President, CEO, consisting of Representative Directors, Chiefs of the Head Office, and representatives of business establishments, etc., once a month in principle. The Management Meeting is chaired by Representative Director and President, CEO Tatsuya Nishimura, and holds substantive discussion on matters necessary for the business execution in response to consultations from the Representative Director and President, CEO prior to deliberations at the Board of Directors Meetings. The Management Meeting also decides subjects of discussion and agenda items to be reported to the Board of Directors in a flexible manner to enhance managerial efficiency.

\* Executive Officers' Meeting

The Company has an Executive Officers' Meeting, consisting of the Representative Director and President, CEO and Executive Officers, held once a month in principle. At the Executive Officers' Meeting, which is chaired by Representative Director and President, CEO Tatsuya Nishimura, the Executive Officers are made fully aware of the decisions reached at the Board of Directors Meetings and exchange reports in response to the instructions from the Representative Director and President, CEO and on the status of their business execution to promote mutual cooperation. Through these initiatives, the Executive Officers' Meeting operates to strengthen the Board of Directors' functions of making decisions and supervising business execution, in order to improve its managerial efficiency including accelerating decision-making.

\* Group Management Meeting

The Company holds a Group Management Meeting 4 times a year (every quarter) as an advisory body to the Representative Director and President, CEO consisting of Representative Directors, the Presidents of consolidated subsidiaries, Directors responsible for supervising consolidated subsidiaries, etc. The Group Management Meeting, chaired by Representative Director and President, CEO Tatsuya Nishimura, deliberates and reports matters necessary for Group management, and thereby functions to strengthen cooperation in Group management.

\* Audit & Supervisory Board

The Audit & Supervisory Board consists of 4 Auditors (including 2 External Auditors), as stated in "CHAPTER 4: STATUS OF THE COMPANY, 4. Corporate Governance, (2) Executive Management" as of the date of the submission of this Securities Report, and Audit & Supervisory Board Meetings are held once a month in principle. The Audit & Supervisory Board is chaired by Full-time Auditor Akira Tateyama and appropriately fulfills its functions of operational and financial auditing from the perspective of fiduciary duties to shareholders, based on the Auditing Standards by Auditors stipulated by the Audit & Supervisory Board. The Audit & Supervisory Board also exercises its authority from the viewpoint of the Group's sustainable growth and increased corporate value, and conducts active and aggressive activities to audit the Board of Directors and the management team. External Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa report on the audits they conducted, closely cooperate with other Auditors for information exchange, and give necessary opinions based on their insight centering around the legal field and the wealth of experience they have accumulated as lawyers.

\* Risk Management Committee

The Risk Management Committee has been established as an advisory body to the Representative Director and President, CEO. This committee establishes policies and measures related to risk management, identifies risks, and formulates countermeasures to those risks, based on which individual risks are managed by the individual departments. It also determines the status of and provides supervision and guidance for the management of individual risks. Control and administration of risk management overall is achieved through the Committee's regular reports to the Board of Directors on the status of its initiatives and deliberations in the Board of Directors. For key risks pertaining to non-financial indicators, the Risk Management Committee cooperates and shares information with the Sustainability Committee before responding to those risks. Meetings were held twice in this fiscal year.

\* Sustainability Committee

The Sustainability Committee has been established as an advisory body to the Representative Director and President, CEO. This committee has two main goals: (1) increasing corporate value by promoting sustainability, considering measures that contribute to the creation of a sustainable society, and overseeing information related to ESG that should be disclosed; and (2) supervising activities of the CTI Group Sustainable Challenge, while proposing and evaluating measures related to sustainability management (mainly non-financial information such as ESG), and promoting sustainability management. Further, it monitors the materiality issues identified as issues that the Group should address as a particular priority, and revises the materiality issues as necessary in cooperation with the Risk Management Committee. Meetings were held five times in this fiscal year.

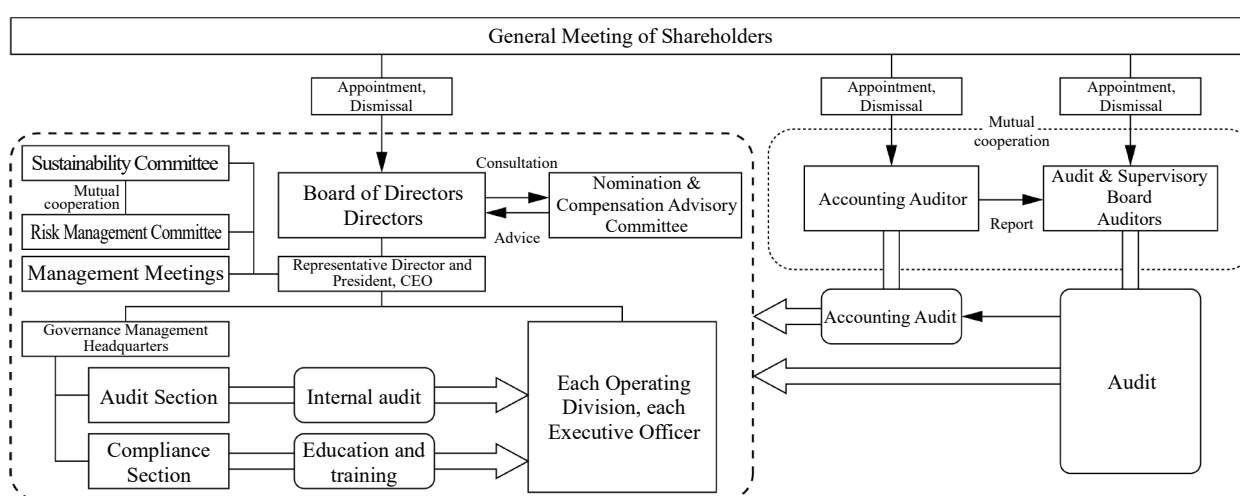
b. Reasons for employing the system

At the Company, the Board of Directors, consisting of 11 Directors, including 4 External Directors, makes decisions on the execution of important business and supervises the business execution of Directors and Executive Officers, and 4 Auditors, including 2 External Auditors, ensure independence from the executive Directors to audit Directors' duties in cooperation with the Accounting Auditor and the internal audit department. This system is intended to strengthen the objective and neutral monitoring function over management from an external standing and ensures appropriateness of business operations. The Company also reinforces the Board of Directors' functions of making decisions and supervising business execution, and has introduced an Executive Officer system to accelerate decision-making and strives to improve managerial efficiency.

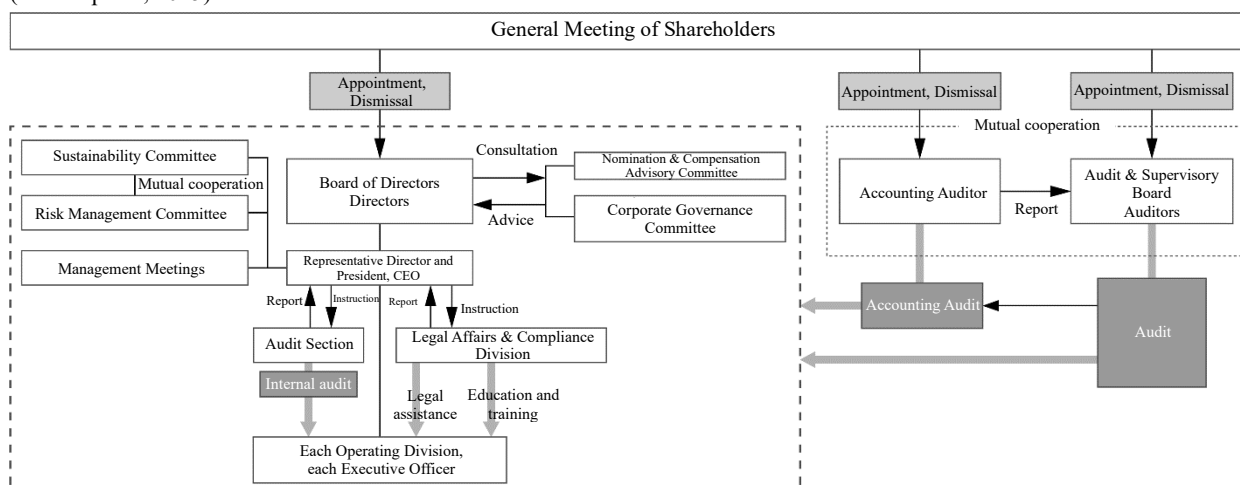
The Company has adopted the current system because it believes that it can ensure the transparency of management, maintain and strengthen fairness, and make swift and decisive decisions through the above system.

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

(As of the submission date (March 26, 2025))



(From April 1, 2025)





(ii) Other matters related to corporate governance

a. Internal control system

The Group's business philosophy is to "contribute to a progressive, safe, pleasant and prosperous living environment through the Group's globally recognized professional expertise and technical capabilities." The Company recognizes that the development and operation of an appropriate system for business execution under this business philosophy is an important responsibility of management that leads to increased corporate value. Accordingly, the Company has established systems to ensure appropriateness of business operations as follows.

1) System to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

The Company clarifies matters that the Group's Directors and employees should observe in executing their duties, enhances the compliance system and the business management system, and improves them mainly by monitoring. Specifically, the Company shall have no relationship whatsoever with antisocial forces or organizations that threaten the order and safety of society, adopt a resolute stance to unreasonable demands, and reject them. Moreover, the Company enhances the whistleblowing system in accordance with the Regulations for Handling Whistleblowing, in order to prevent any illegal or unfair practices, early detect and rectify them, and prevent recurrence.

2) System concerning the storage and management of information on the execution of duties by Directors

Directors strive for transparency in corporate governance, and develop an information management system for the management of documents and other information relating to business execution in accordance with the CTI Group Information Security Policy and other internal regulations, and appropriately disclose, store, abolish and manage the system.

3) Rules concerning management of risk of loss and other systems

The Company strengthens the risk management system to minimize risk occurrence and establishes a system that enables the Company to respond swiftly and appropriately in the event of risks. Moreover, the Company collects information for each of the subsidiaries to strengthen the risk management system.

4) System to ensure the efficient execution of duties by Directors

The Company clarifies duties and authority assigned to Directors such as decision-making on operations, supervisory functions, and the segregation of business execution, holds the Board of Directors Meeting and the Management Meeting regularly (once a month), respectively, and makes decisions through adequate discussions. Business plans are reviewed regularly to confirm results for brush ups. The Company establishes internal control systems designed to enhance the cooperation and coordination of each business establishment and division. In operating the subsidiaries, the Administration Headquarters and relevant departments in the Headquarters of the Company actively assist the subsidiaries to ensure efficient business execution.

5) System to ensure appropriateness of operations by the Group (including a system for reporting on the execution of duties by Directors, etc. of subsidiaries to the Company)

The Company establishes a management system covering the Group based on basic policies such as the business philosophy and management strategy of the Group. In addition, the Directors of subsidiaries report important managerial matters to the Company and obtain prior approval from the Company, as necessary, in accordance with the Regulations on the Management of Subsidiaries.

6) Employees who assist the duties of Auditors in the event that the Auditors request the appointment of such employees

If Auditors request the appointment of employees to assist them with their duties, the Company shall consult with the Auditors, select appropriate employees in consideration of their qualifications, and obtain consent from the Auditors with regard to such personnel transfers.

7) Independence of the employees in the preceding item from Directors, and ensuring the effectiveness of the instructions from Auditors

Employees appointed to assist Auditors shall not be subject to directions given by Directors. When these employees concurrently hold other positions, they shall not be subject to directions given by Directors while they assist the duties of Auditors. In addition, the Company shall obtain consent from Auditors with regard to the personnel reassignment, evaluation, reward and punishment, etc. of these employees.

- 8) System for reporting by Directors and employees to Auditors, systems for other reporting to Auditors, and the system to ensure that persons who report to Auditors are not treated disadvantageously on the grounds of such reporting

When any event that significantly affects the Company's management has occurred or is likely to occur, Directors and employees of the Group shall report it to the Auditors each time. The Company determines the matters to be reported to Auditors in advance through discussion between Directors and Auditors, and establishes an internal system related to reporting. In addition, it is not allowed to treat Directors and employees disadvantageously on the grounds that they reported to Auditors.

- 9) Matters related to procedures for the prepayment or redemption of expenses arising from the execution of duties by Auditors, and policies for the handling of other expenses or liabilities arising from the execution of their duties

With regard to expenses, etc. arising from the execution of duties by Auditors, such expenses, etc. are promptly paid to Auditors, including prepayments, and any liabilities are settled, unless Directors prove that such expenses, etc. are not required for the execution of duties by the Auditor.

- 10) Other systems for ensuring effective audits by Auditors

Directors and Auditors recognize the necessity of developing the auditing environment (cooperation with the internal audit department, etc.) and other matters to ensure the effectiveness of audits by Auditors, and confirm them through discussion as necessary to secure a system for implementation.

b. Improvement of the risk management system

Based on the Risk Management Regulations, the Risk Management Committee, chaired by the Representative Director and President, CEO, establishes policies and measures related to risk management, identifies risks, and formulates countermeasures to those risks, and the individual departments manage individual risks based on those countermeasures. The Risk Management Committee determines the status of and provides supervision and guidance for the management of individual risks. Control and administration of risk management overall is achieved through the Committee's regular reports to the Board of Directors on the status of its initiatives and deliberations in the Board of Directors. For key risks pertaining to non-financial indicators, the Risk Management Committee cooperates and shares information with the Sustainability Committee before responding to those risks. In addition, actions that the Company should take in the event of an emergency are set forth in the Guidelines for the Operation of Emergency Headquarter, in order to quickly resolve the emergency in an appropriate manner, and restore trust in the Company.

c. Improvement of a system to ensure the appropriateness of business operations at subsidiaries

The Company establishes the Regulations on the Management of Subsidiaries and assigns a person responsible for supervising Group companies. In addition, the Group Management Meeting, operational meetings, and liaison meetings are held between Group companies and the Company to share information and strengthen mutual cooperation.

(iii) 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 4 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.

(iv) Agreements set forth in Article 430-2, Paragraph 1 of the Companies Act (Compensation Agreements)

The Company continues to review the possibility of entering into a compensation agreement provided for in Article 430-2, Paragraph 1 of the Companies Act with each Director. Provided that there is no malice or gross negligence in the execution of duties, the Company plans to compensate for the expenses set forth in Item 1 of the same paragraph and the losses set forth in Item 2 of the same paragraph, to the extent provided for by applicable laws.

(v) Agreements set forth in Article 430-3, Paragraph 1 of the Companies Act (Directors and Officers Liability Insurance Agreements)

If the Company enters into a Directors and Officers liability insurance agreement provided for in Article 430-3, Paragraph

1 of the Companies Act with an insurance company, and receives a claim for damages due to acts performed by executives in their execution of duties, damages such as legal liability for damages and litigation expenses will be covered. Provided, however, that in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, an insured party shall not be eligible for compensation if the damages arose from the insured party obtaining private benefits or conveniences illegally. Under the said insurance agreement, the insured includes all Directors, Auditors and Executive Officers of the Company and its subsidiaries. In addition, the insurance premiums are fully borne by the Company for all insured parties.

(vi) 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.

(vii) 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.

(viii) 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.

Furthermore, in order to enable a flexible capital policy, the Company has established provisions in its Articles of Incorporation to enable the acquisition of treasury stock through market transactions, etc. by resolution at a Board of Directors Meeting.

(2) Executive management

1) Executives

Male: 13 persons; Female 2 persons (Ratio of female Directors and Auditors: 13.3%)

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Representative Director, Chairman	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 May 2023 March 2024	Joined CTI Engineering General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Tokyo Main Office Deputy Managing Principal, Tokyo Main Office Executive Officer, Managing Principal, Tohoku Office Director Principal, Kyushu Office and Okinawa Office Managing Executive Officer Managing Principal, Tokyo Main Office Senior Managing Executive Officer Representative Director and President, CEO Chairman, The Japan Civil Engineering Consultants Association (present post) Representative Director, Chairman (present post)	1	33
Representative Director and President, CEO	Tatsuya Nishimura	August 9, 1959	April 1985 April 2004 April 2006 April 2010 March 2015 April 2015 March 2017 April 2017 March 2019 April 2019 March 2021 March 2022 March 2024	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Chubu Office Executive Officer, Deputy Managing Principal, Tokyo Main Office Managing Executive Officer Managing Principal, Tohoku Office Director, Senior Managing Executive Officer Chief, Planning & Business Development Headquarters Representative Director (present post) Executive Vice President Representative Director and President, CEO (present post)	1	25
Director, Senior Managing Executive Officer / Chief, Planning & Business Development Headquarters	Naoto Suzuki	November 22, 1961	April 1987 May 1991 April 2006 April 2011 April 2012 March 2017 April 2017 March 2020 March 2022 March 2024	Joined Yachiyo Engineering Co., Ltd. Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Osaka Main Office General Manager, Sales & Marketing Division, Osaka Main Office Assistant Managing Principal, Osaka Main Office Executive Officer, Deputy Chief, Administration Headquarters, General Manager, Personnel Div. Director (present post), Chief, Administration Headquarters Managing Executive Officer Senior Managing Executive Officer (present post) / Chief, Planning & Business Development Headquarters (present post)	1	7
Director, Managing Executive Officer	Naoki Fujiwara	January 11, 1964	April 1989 April 2007 April 2012 April 2014 April 2016 June 2017 March 2018 March 2019 April 2019 March 2021 March 2023 March 2024	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Chubu Office General Manager, International Div. Executive Director, Waterman Group Plc (present post) Executive Officer, CTI Engineering Director, CTI Engineering International Co., Ltd. Deputy Chief, Planning & Business Development Headquarters, CTI Engineering Managing Executive Officer (present post) Director (present post) President and CEO, CTI Engineering International Co., Ltd. (present post)	1	11

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director, Managing Executive Officer / Chief, Administration Headquarters	Toshikazu Matsuoka	November 27, 1962	April 1988 February 1999 April 2011 April 2015 April 2017 April 2019 March 2020 April 2020 March 2022 March 2024	Joined Aoki Corporation (currently Asunaro Aoki Construction Co., Ltd.) Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Osaka Main Office Managing Principal, Chugoku Office Assistant Managing Principal, Osaka Main Office Deputy Chief, Administration Headquarters, General Manager, General Affairs Div. Executive Officer Deputy Chief, Administration Headquarters, General Manager, Personnel Div. Managing Executive Officer (present post) Director (present post), Chief, Administration Headquarters (present post)	1	4
Director, Managing Executive Officer / Managing Principal, Osaka Main Office	Masahiro Emori	May 14, 1963	April 1988 April 2014 April 2015 April 2017 March 2019 April 2019 March 2021 April 2021 March 2022 March 2024 March 2025	Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Tokyo Main Office General Manager, Transportation Systems Div., Tokyo Main Office Assistant Managing Principal, Tokyo Main Office Executive Officer Deputy Chief, Planning & Business Development Headquarters Managing Executive Officer (present post) Deputy Managing Principal, Tokyo Main Office Managing Principal, Chubu Office Managing Principal, Osaka Main Office (present post) Director (present post)	1	10
Director, Managing Executive Officer / Principal, Tokyo Main Office, / Chief, Engineering Headquarters	Mitsuho Amano	May 13, 1965	April 1991 April 2012 April 2014 April 2016 April 2017 March 2019 April 2019 March 2021 April 2021 March 2023 March 2025	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Chubu Office Assistant Managing Principal, Tokyo Main Office Executive Officer Deputy Managing Principal, Tokyo Main Office Managing Executive Officer (present post) Managing Principal, Tohoku Office Managing Principal, Tokyo Main Office (present post) Director (present post), Chief, Engineering Headquarters (present post)	1	5

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director	Fumiko Kosao	April 17, 1954	April 1973 July 1997 July 2011 July 2014 August 2015 June 2016 March 2017 June 2017 July 2020 June 2023	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, Tokyo Regional Taxation Bureau Registered as Certified Public Tax Accountant (present post) Fumiko Kosao Tax Accountant Office (present post) External Auditor, TOBISHIMA CORPORATION Director, CTI Engineering (present post) External Director, METAWATER Co., Ltd. (present post) External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. Outside Director, THE NIPPON ROAD CO., LTD. (present post)	1	—
Director	Yoshihisa Sonobe	October 17, 1956	April 1980 June 2009 April 2011 April 2014 June 2014 April 2016 April 2017 April 2019 April 2020 April 2021 March 2022	Joined Teijin Limited Corporate Officer; General Manager, Corporate Strategy Division, Teijin Limited CFO; General Manager, Accounting and Finance Unit, Teijin Limited General Manager, Corporate Strategy Unit, Teijin Limited Director, Teijin Limited Executive Officer, Teijin Limited Chief Officer, Corporate Strategy; Chief Officer, Legal Affairs & Intellectual Property (Chief Officer, Global Business Strategy (in charge of overseas financial management companies (Europe, US, China))), Teijin Limited Senior Executive Officer; Chief Financial Officer; Teijin Limited Representative Director, Teijin Limited Director; Part-Time Advisor, Teijin Limited Director, CTI Engineering (present post)	1	—
Director	Atsuko Ogasawara	October 6, 1960	April 1983 April 2006 April 2008 May 2011 April 2016 May 2017 June 2018 June 2018 April 2020 June 2020 June 2020 February 2021 March 2023	Joined The Mainichi Newspapers Co., Ltd. General Manager, Okayama Bureau, The Mainichi Newspapers Co., Ltd. General Manager, Economic Department, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. General Manager, Kyoto Bureau, The Mainichi Newspapers Co., Ltd. General Manager, General Business Bureau, The Mainichi Newspapers Co., Ltd. Director, Japan High School Baseball Federation Deputy Representative, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. Director, The Daido Life Foundation (present post)  Executive Director (part-time), National University Corporation Osaka University Outside Director, Senshu Ikeda Holdings, Inc. (present post) Non-Executive Director (non-full time), The Senshu Ikeda Bank, Ltd. (present post) Director, Kansai Innovation Center (present post) Director, CTI Engineering (present post)	1	—
Director	Toru Kuwano	May 3, 1952	April 1976 June 2000 April 2004 April 2008 April 2010 April 2011 June 2018 April 2021 March 2025	Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.) Director, Toyo Information Systems Co., Ltd. Executive Director, TIS Inc. Executive Managing Director, TIS Inc. Executive Vice President and Representative Director, TIS Inc. President and Representative Director, TIS Inc. Chairman, President and Representative Director, TIS Inc. Chairman and Director, TIS Inc (present post) Director, CTI Engineering (present post)	1	—

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Full-time Auditor	Akira Tateyama	June 7, 1965	April 1988 October 1999 April 2012 April 2014 April 2019 April 2022 March 2025	Joined Fujita Corporation Joined CTI Engineering General Manager, Asset Management Services Section, Tokyo Main Office General Manager, Infrastructure Management Div., Tokyo Main Office Assistant Managing Principal, Kyushu Office Deputy Chief, Engineering Headquarters Full-time Auditor, CTI Engineering (present post)	2	0
Auditors	Keizo Mitsuke	August 27, 1961	April 1986 January 1990 June 2009 April 2012 April 2017 April 2020 March 2023 March 2025	Joined TOKEN C.E.E. Consultants Co., Ltd. Joined NIKKEN Consultants, Inc. (currently IDEA Consultants, Inc.) Joined CTI Engineering General Manager, Public Relations Section, Administration Headquarters General Manager, General Affairs Div., Chubu Office Deputy Chief, Administration Headquarters, General Manager, General Affairs Div. Full-time Auditor Auditor (present post)	3	4
Auditors	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	—
Auditors	Go Ishikawa	July 8, 1968	April 1995 July 1998 September 2008 March 2011 February 2012 March 2015 March 2016 April 2016 March 2019 April 2022	Registered as attorney (present post) Partner, Kakimoto Law Office Partner, Kasumigaseki Law & Accounting Office External Auditor, Mediaflag Inc. (currently Impact HD Inc.) Outside Auditor, ALTECH CO., LTD. (present post) Senior Partner, SAKURADADORI PARTNERS (present post) External Director, Mediaflag Inc. (currently Impact HD Inc.) Deputy Chairman, Dai-Ichi Tokyo Bar Association Auditor, CTI Engineering (present post) Executive Governor, Japan Federation of Bar Associations	3	—
Total						104

- Notes: 1. From March 25, 2025 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2025.
2. From March 25, 2025 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2028.
3. From March 28, 2023 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2026.
4. Directors Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, Ms. Atsuko Ogasawara, and Mr. Toru Kuwano are External Directors.
5. Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa are External Auditors.
6. The number of shares of the Company held by Directors and Auditors are the number of shares prior to adjustment due to the stock split that was conducted effective January 1, 2025.
7. The number of shares of the Company held by Auditor Akira Tateyama is the number held by the Employees' Stock-sharing Association.

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

Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Setsuko Yufu	March 28, 1952	April 1981 January 2002 September 2016 June 2020	Registered as attorney (present post) Senior Partner, Atsumi & Usui Law Office (currently Atsumi & Sakai) (present post) Member of the Council on Antimonopoly Policy of the Japan Fair Trade Commission (JFTC) (present post) Outside Director Audit & Supervisory Board Member, Panasonic Corporation (currently Panasonic Holdings Corporation) (present post)	1	—

- Notes: 1. From March 28, 2023 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2026.
2. The reserve auditor, Ms. Setsuko Yufu, satisfies requirements as an External Auditor.



## 2) External Directors/Auditors

The Company appoints 4 External Directors and 2 External Auditors.

### a. External Directors

The Company strengthens its corporate governance through the participation of the External Directors in management.

External Director Ms. Fumiko Kosao has served in positions such as Tax Office District Director, and possesses extensive experience in heading organizations, as well as expertise related to tax affairs and corporate accounting as a Certified Public Tax Accountant. The Company has deemed that she can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice on management issues, etc. of the Company, based on her specialized knowledge and broad insight as a Certified Public Tax Accountant. Therefore, she has been appointed as an External Director.

External Director Mr. Yoshihisa Sonobe experienced management in a large company and leverages his insight in finance and accounting to contribute to maximizing corporate value by promoting business portfolio reform, management of global joint ventures, M&As overseas, and improvement of corporate governance as a corporate strategy officer and CFO. He leverages his extensive experience and broad insight in the overall management of the Company. The Company has deemed that he can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice based on his knowledge and broad insight related to finance, accounting and global business. Therefore, he has been appointed as an External Director.

External Director Ms. Atsuko Ogasawara has served in prominent positions at a major newspaper company and possesses extensive experience, a high level of expertise, and broad insight. In addition, she has served as Director of Japan High School Baseball Federation, and has achievements as Executive Director in charge of branding at a national university corporation. She leverages her extensive experience and broad insight in the overall management of the Company. The Company has deemed that she can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice on management issues, etc. of the Company, based on her extensive experience and expertise related to the business community. Therefore, she has been appointed as an External Director.

Mr. Toru Kuwano experienced management in a major IT service company and has been actively investing in and promoting collaboration with startups and domestic and overseas ventures to develop financial systems, promote AI and robot-related businesses, and advanced businesses incorporating new technologies. The Company has deemed that he will leverage his extensive experience, a high level of expertise, and broad insight in the overall management of the Company. Therefore, he has been appointed as an External Director. The Company has deemed that he can be expected to play appropriate roles in ensuring the adequacy and appropriateness of its decision-making process through supervision and advice regarding the Company's management issues based on his perspective in IT and DX and his extensive experience and expertise as an experienced manager.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 3 External Directors, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara. Although there are no human relationships or financial relationships between the Company and External Director, Mr. Toru Kuwano, there were transactions between TIS Inc., of which Mr. Kuwano serves as Chairman and Director. As the total amount of those transactions was insignificant at less than 10 million yen, the Company has deemed that there is no business relationship between Mr. Kuwano and the Company and that there is no risk of a conflict of interest arising between him and general shareholders.

### b. External Auditors

The Company has reinforced the objective and neutral functions of management supervision from outside by electing 2 External Auditors out of the 4 Auditors. Furthermore, the 2 External Auditors attended all of the Audit & Supervisory Board Meetings, and we believe that we have established a structure essential for corporate governance wherein the objective and neutral functions of management supervision from outside are fully operating. The Company thus adopts the present structure. 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.

At Board of Directors Meetings, External Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa actively pose questions to Directors, and make remarks and recommendations by utilizing their extensive experience cultivated as lawyers and insight centered on the legal field. In particular, Mr. Go Ishikawa utilizes his knowledge of finance and accounting cultivated through working as a lawyer. In addition, at Audit & Supervisory Board Meetings, they report on the audits conducted, exchange information closely with other Auditors, and express necessary opinions by utilizing their extensive experience cultivated as lawyers and insight centered on the legal field. By utilizing their high level of expertise and professional ethics as lawyers, they can be expected to play appropriate roles in making the Auditors system more effective. Therefore, they have been appointed as External Auditors.

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.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and External Auditor Yasuro Tanaka. Although there are no human relationships or financial relationships between the Company and External Auditor, Mr. Go Ishikawa, the Company has entered into a legal advisory agreement with Mr. Ishikawa. As the amount of compensation is insignificant at less than five million yen per year, the Company has deemed that there is no business relationship between Mr. Ishikawa and the Company and that there is no risk of a conflict of interest arising between him and general shareholders.

c. Independent External Directors/Auditors

External Directors, External Auditors and candidates thereof who satisfy the following requirements shall be deemed to be independent.

- (1) A person who is not currently or has not been in the past ten (10) years an executive\*<sup>1</sup> of the Company or its affiliated companies.
- (2) A person whose spouse or relative within the second degree of kinship is not an executive of the Company.
- (3) A person who is not a major business partner\*<sup>2</sup> of the Company or an executive of a corporation whose major business partner is the Company.
- (4) A person who is not a major shareholder of the Company (a person who directly or indirectly holds 5% or more of the total voting rights) or an executive thereof.
- (5) A person who is not an executive of a corporation whose shares are held by the Company for the purpose of cross shareholdings.
- (6) A person who does not belong to an audit corporation that is the Accounting Auditor of the Company.
- (7) A person who is not an attorney-at-law, certified public accountant, tax accountant, consultant, etc., or an executive of an organization, that receives a large amount\*<sup>3</sup> of compensation from the Company other than officer compensation.
- (8) A person who is not a person or an executive of an organization that receives a large amount\*<sup>3</sup> of donations or grants from the Company.
- (9) In the event that an Executive Director or a Full-time Auditor of the Company concurrently serves as an External Director or an External Auditor of another corporation, he/she is not an executive of such other corporation.
- (10) A person whose spouse or relative within the second degree of kinship does not fall under any of (3) to (9) above.
- (11) A person who did not fall under any of (2) to (10) above in the past five years.
- (12) A person whose total term of office as External Director or External Auditor of the Company is not more than 12 years.

However, this shall not apply to cases where it is recognized the candidate has made irreplaceable contribution to the Board of Directors or the Board of Auditors.

\*1: "An executive" refers to Director, Executive Officer, other persons equivalent thereto, or an employee.

\*2: "A major business partner" refers to a business partner whose transactions with the Company exceed 1% of the Company's consolidated net sales in any of the recent three fiscal years, or a business partner who has loaned the Company an amount equivalent to 1% or more of the Company's consolidated total assets.

\*3: “A large amount” refers to an average of five million yen or more per year in the case of an individual and 10 million yen or more per year in the case of an organization over the last three fiscal years.

3) Mutual cooperation between supervision or audits by External Directors/Auditors and internal audits, external audits, and financial audits, and relationship with the internal control department

The Company has 4 External Directors and 2 External Auditors (4 Auditors in total) as of the date of the submission of this Securities Report. External Directors and External Auditors attend a regular Board of Directors Meeting held once a month and an extraordinary Board of Directors Meeting, to supervise the execution of duties by Directors.

In addition, External Auditors hold a quarterly reporting meeting with the Accounting Auditor, as described in (3) below, grasp auditing activities and exchange information, and regularly stage an opinion-exchange meeting for the planning and execution of audits. External Auditors exchange information and opinions as appropriate with the Internal Audit Office, which is the internal audit department, about the planning and results of audits of the Company and Group companies.

(3) Status of audits

1) External audits

The Company is a company with an Audit & Supervisory Board, and 4 members, including 2 internal Auditors and 2 External Auditors, make up the Audit & Supervisory Board. Regarding audits by Auditors, operational and financial auditing are conducted based on the Auditing Standards by Auditors stipulated by the Audit & Supervisory Board.

Duties of the Audit & Supervisory Board include determining the audit policy, the audit plan and the allocation of duties for the current fiscal year, after reflecting on the audit activities that it conducted in the previous fiscal year, in order to improve the effectiveness of Auditors’ audit activities. In addition, the Board reviews mainly the propriety of the execution of duties by Directors, the appropriateness of the internal control system, the auditing method of the Accounting Auditor and the appropriateness of the results thereof. Auditors attend important meetings including Board of Directors Meetings, Management Meetings, Executive Officers’ Meetings, and Group Management Meetings, and directly check on the status of the execution of operations.

Audit & Supervisory Board Meetings are held once a month in principle. The attendance of each Auditor at the Audit & Supervisory Board Meetings in the current fiscal year is stated below.

Category	Name	Attendance at the Audit & Supervisory Board Meetings
Full-time Auditor	Keizo Mitsuke	14/14
Auditor	Shigeo Nakashita	14/14
External Auditor	Yasuro Tanaka	14/14
External Auditor	Go Ishikawa	14/14

From the perspective of appropriately improving and operating the internal control system in the Group and Group-wide management, Auditors hold cooperative meetings with auditors of the main Group companies in order to promote mutual understanding.

Full-time Auditors actively strive to improve the auditing environment and collect information within the Company, supervise and inspect the maintenance and operation of the internal control system on a daily basis, and share the relevant information with other Auditors.

Auditors hold a quarterly reporting meeting with the Accounting Auditor to grasp auditing activities and exchange information, and to regularly stage an opinion-exchange meeting for the planning and execution of audits. In addition, Auditors support the execution of efficient financial audits by the Accounting Auditor. Furthermore, discussions about Key Audit Matters (KAM) are held on an ongoing basis between Auditors and the Accounting Auditor. Auditors also take measures such as requesting explanations from those involved in business execution, as necessary.

Auditors exchange information and opinions as appropriate with the Audit Section, which is the internal audit department, about the planning and results of audits of the Company and Group companies. Besides receiving regular reports from the Compliance Section, Auditors also strive to exchange information with them to prevent the occurrence of corporate scandals, etc.

## 2) Internal audits

Internal audits are performed by the Audit Section that has the authority to request additional personnel as required. At present, the Audit Section staff is comprised of 6 Audit officers and 1 assisting staff member. Specifically, planned internal comprehensive operational audits are performed annually on all divisions and departments within the Company. The Audit Section regularly holds a meeting to exchange information with Auditors and the Accounting Auditor in pursuit of mutual cooperation.

As an initiative to ensure the effectiveness of internal audits, the General Manager of the Audit Section compiles the contents, results, and other details of audits conducted during the relevant fiscal year into an annual internal audit report and presents it directly to the Board of Directors. The General Manager of the Audit Section also seeks responses on corrective measures from audited organizations on matters that it has discovered and pointed out, and conducts follow-up surveys in the following year's audits to ascertain the status of the corrective measures contained in those responses. If any matters requiring urgency and matters recognized as having a serious impact on management are confirmed in the process of an audit, the General Manager of the Audit Section will immediately report them to the Representative Director and President, CEO and the Full-time Auditor, as well as reporting directly to the Board of Directors without delay.

## 3) Financial audits

### i) Name of the audit corporation

Deloitte Touche Tohmatsu LLC

### ii) Number of consecutive years of auditing

12 years

### iii) Certified Public Accountants (CPAs) who perform audits

Katsumi Takizawa, Designated Limited Liability Partner, Engagement Partner

Hajime Sato, Designated Limited Liability Partner, Engagement Partner

### iv) Composition of the Auditor's support staff

The Auditor's support staff relating to the Company's financial audits consists of 9 CPAs and 35 other staff members.

### v) Policy and reasons for selecting the audit corporation

When selecting the Accounting Auditor, the Audit & Supervisory Board comprehensively evaluates the auditing system within the candidate audit corporation, including its quality control system, the status of execution of auditing services in the previous fiscal year, the level of auditing compensation, etc. in consideration of the development status of the system for ensuring the appropriate performance of the Accounting Auditor's duties under Article 131 of the Regulation on Corporate Accounting. As a result of such evaluation, the Audit & Supervisory Board has judged it appropriate to reappoint Deloitte Touche Tohmatsu LLC.

If there is difficulty for the Accounting Auditor to execute its duties or the Audit & Supervisory Board determines it necessary to dismiss or not reappoint the Accounting Auditor, the Audit & Supervisory Board shall submit a proposal for the dismissal or non-reappointment of the Accounting Auditor to the general meeting of shareholders.

If the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed by the Audit & Supervisory Board with the unanimous approval of Auditors.

### vi) Evaluation of the audit corporation by Auditors and the Audit & Supervisory Board

Auditors and the Audit & Supervisory Board of the Company evaluate the execution status of auditing services upon confirming with the Accounting Auditor and related internal departments at each auditing phase, including the conclusion of the auditing agreement, the formulation of the auditing plan, and the evaluation of internal control relating to financial statements and financial reporting, in accordance with the evaluation items under the Practical Guidelines for Auditors, etc.

regarding the Evaluation and Selection Criteria of Accounting Auditor issued by the Accounting Committee of the Japan Audit & Supervisory Board Members Association.

As a result, Auditors and the Audit & Supervisory Board find no reasons for disqualification in any of the evaluation items and have judged that the status of the execution of duties by the Accounting Auditor is appropriate and fair in consideration of the status of the entire Group.

#### 4) Auditing compensation, etc.

##### i) 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	77	2	92	—
Consolidated subsidiaries	—	—	—	—
Total	77	2	92	—

The Company entrusts the Accounting Auditor with the tasks of providing guidance and advice on the accounting standard for revenue recognition, which is an operation other than those stated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

##### ii) Compensation for the same network (Deloitte) as auditing CPAs, etc. (excluding (i))

Not applicable.

##### iii) Other important compensation

Not applicable.

##### iv) Policy for decisions regarding auditing compensation

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

##### v) Reasons why the Audit & Supervisory Board agreed to compensation, etc. for the Accounting Auditor

The Audit & Supervisory Board agreed to the auditing compensation upon reviewing the method for computing the amount of auditing compensation, as well as the status of auditing for the previous fiscal year and details on the changes of the audit plan for the current fiscal year, etc., judging that the auditing compensation was appropriate with reasonable compensation unit price and audit hours.

#### (4) Executives' compensation, etc.

##### 1) Policies regarding the determination of the amount of compensation, etc. for executives and the method for computing such amounts

##### 1. Basic Policy

##### (1) Compensation for Directors (excluding External Directors)

Compensation for Directors (excluding External Directors) consists of fixed compensation (monthly compensation) as compensation for the execution of duties, compensation linked to consolidated business performance in the fiscal year under review (monetary bonuses), and non-monetary compensation (restricted stock compensation) as long-term incentive compensation. The standard ratio of each compensation is as follows.

Compensation items	Fixed compensation	Variable compensation	
	Monthly compensation	Monetary bonuses	Restricted stock compensation
Setting standard (ratios)	67.5%	20.0%	12.5%

(2) Compensation for External Directors and Auditors

i) Compensation for External Directors

Compensation for External Directors shall consist solely of fixed compensation (monthly compensation) from the perspective of their roles and independence. The specific amount of compensation shall be determined in accordance with the method of determining fixed compensation in the compensation of Internal Directors.

ii) Compensation for Auditors

From the perspective of high independence, compensation shall consist of monthly compensation only. The specific amount of compensation shall be determined through consultation among the Auditors.

2. Method of determining compensation for Directors (excluding External Directors), etc.

(1) Fixed compensation (monthly compensation)

Fixed compensation (monthly compensation) shall be appropriately calculated in accordance with a predetermined table of monthly compensation standards for executives within the range of maximum amount of compensation of Directors which was determined by the resolution of the General Meeting of Shareholders, and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee.

(2) Performance-linked compensation (monetary bonuses)

With regard to performance-linked compensation (monetary bonuses), the base amount of bonuses shall be set according to the consolidated business performance of the fiscal year under review, and the specific amount of each Director shall be set within the range of compensation, after evaluation by the Representative Director and President, CEO of the degree of contribution of each Director for each type of operating profit, orders received, ROE and ESG using the following calculation formula according to the assigned matters, and shall be resolved at the Board of Directors meeting after deliberation by the Council for Personnel Affairs of Officers and the Nomination & Compensation Advisory Committee.

Monetary bonuses	Payment Category	Eligible Executives	Method of Payment Calculation				
	Payments as short-term incentives	Directors (persons appointed to positions of representative and deputy representative of business establishments and president of Group companies)	Basic bonus amount	×	30%	×	Consolidated operating income coefficient
			Basic bonus amount	×	20%	×	Average of commissioned profit coefficient and commissioned order coefficient
		Directors (persons appointed to positions of officer responsible for departments, deputy officer responsible for departments, officer responsible for international affairs and deputy officer responsible for international affairs)	Basic bonus amount	×	30%	×	Consolidated operating income coefficient
			Basic bonus amount	×	20%	×	Commissioned order coefficient
		Directors other than the above	Basic bonus amount	×	50%	×	Consolidated operating income coefficient
	Payment as long-term incentive	All Directors	Basic bonus amount	×	50%	×	ROE evaluation coefficient
			Basic bonus amount	×	20%	×	ESG evaluation coefficient

i) Basic bonus amount

- Fixed compensation × 3.0 months

ii) Consolidated operating income coefficient

This is an indicator that shows the size of profits as a result of operating activities, and is selected as an important indicator for management.

- Consolidated operating income for the year (9,396 million yen) ÷ Planned consolidated operating income at the beginning of the fiscal year (8,400 million yen) = Operating income achievement rate (112%)
- iii) Operating income coefficient of assigned organization
  - Assigned organization's profit before tax for the year (yen) ÷ Assigned organization's planned profit before tax at the beginning of the fiscal year (yen) = Profit achievement rate (%)
- iv) Orders received coefficient of assigned organization
  - Assigned organization's orders received (yen) ÷ Assigned organization's planned orders received at the beginning of the fiscal year (yen) = Orders received achievement rate (%)
- v) ROE evaluation coefficient
 

By setting ROE, which is an important indicator of capital efficiency, as an evaluation index, the Company clarifies its responsibility for improving corporate value.

  - Average consolidated ROE (13.1%) over three fiscal years ÷ Standard value of 10.0% = ROE achievement rate (131%)
- vi) ESG evaluation coefficient
 

In accordance with the CTI Group Sustainable Challenge, which stipulates that the Company will work on various proposals to realize sustainability through infrastructure development, ESG indicators will be incorporated as additional factors when calculating compensation. The evaluation coefficient is evaluated on an S~D basis by the Council for Personnel Affairs of Officers at the end of each fiscal year.

(3) Non-monetary compensation (restricted stock compensation)

With regard to non-monetary compensation (restricted stock compensation), the number of shares granted shall be calculated according to the position, and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee. In addition, the Transfer Restriction Period shall expire at the time of retirement of officers.

With regard to non-monetary compensation (restricted stock), provisions shall be established to the effect that the Company may, after deliberation by the Board of Directors, acquire all shares granted without consideration in the following cases : (i) cases where the Director has been engaged in the business of a company that competes with the Group without the consent of the Company, (ii) cases where the Director has caused damage to the Group due to fraudulent accounting or large losses, etc., or (iii) other cases where the Company has judged that the shares should be acquired without consideration.

2) Resolutions for executive compensation, etc. at the general meeting of shareholders

The Ordinary General Meeting of Shareholders held on March 27, 2014 resolved the limit of annual Directors' compensation of 400 million yen (excluding salaries for Directors who serve concurrently as employees) with 11 Directors (including 0 External Directors) at the conclusion of the said General Meeting.

The Ordinary General Meeting of Shareholders held on March 30, 1994 resolved the limit of annual Auditors' compensation of 80 million yen with 3 Auditors at the conclusion of the said General Meeting.

At the Ordinary General Meeting of Shareholders held on March 28, 2023, the maximum amount of non-monetary compensation for Directors (excluding External Directors) was resolved to be 100 million yen per year, and the maximum number of shares is 50,000 shares. At the conclusion of the said general meeting, there were 12 Directors (including 4 External Directors).

- 3) 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)
		Fixed compensation	Performance-linked compensation (monetary bonuses)	Non-monetary compensation, etc.	
Directors	292	189	55	47	9
External Directors	33	33	—	—	4
Auditors	34	34	—	—	2
External Auditors	14	14	—	—	2

Notes: 1. The amounts of compensation, etc. for Directors do not include employee salaries for Directors who serve concurrently as employees.

2. The amount of performance-linked compensation for Directors has been reported as an expense and classified as reserve for bonuses to directors in the current fiscal year.

3. The content of non-monetary compensation, etc. is restricted stock of the Company, and Directors (excluding External Directors) are eligible for such compensation.

4. The number of persons stated above includes one Director who retired upon the expiration of their term at the conclusion of the 61st Ordinary General Meeting of Shareholders held on March 26, 2024.

- 4) Activities of the Nomination & Compensation Advisory Committee to determine the amount of executives' compensation, etc.

The Board of Directors determines the amount of executives' compensation, etc. after receiving a report from the Nomination & Compensation Advisory Committee.

There were five meetings of the Nomination & Compensation Advisory Committee held in the fiscal year ended December 31, 2024, and two meetings held in the fiscal year ending December 31, 2025 as of the date of submission of this Securities Report. The Committee deliberates on matters concerning Directors' compensation (compensation policy, total compensation amounts, setting of ESG evaluation index for performance-linked compensation, and calculation of performance-linked compensation).

- 5) The total amount, etc. of consolidated compensation, etc. for each executive

No executive in the Company has received a total consolidated compensation, etc. of 100 million yen or more, so description is omitted.

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

Not applicable.

#### (5) Holding of shares

- 1) Criteria and basic policy for the classification of investment stock

The Company classifies investment stock into two types, stock held for the purpose of yielding profit through changes in stock value and receiving dividends as those held for pure investment, and the other as stock held for purposes other than pure investment (cross-shareholdings).

- 2) Investment stock held for purposes other than pure investment

- i) The shareholding policy and method for verifying the rationality of holdings, and details of verification of the appropriateness of holding per individual issue by the Board of Directors, etc.

In principle, the Company does not engage in cross-shareholdings of listed stocks unless the significance and rationale for such holdings are recognized. This may include establishing favorable relationships with business partners, conducting smooth and efficient business operations, and strengthening future business development, from the perspective of aiming for sustainable growth of the Group and increasing corporate value over the medium to long term.

Every year, the Board of Directors concretely examines cross-shareholdings of the Company for economic rationality over the medium to long term and the necessity of holding per individual issue, and verifies the appropriateness of holding from



the perspective of risks and the capital cost, while considering whether the cross-shareholding may lead to technological development, corporate collaboration, or business synergies, etc. that contribute to the Group's business strategy.

If the necessity and rationality of holding an issue is not confirmed through such verification, the Company sells the relevant issue of stock in an appropriate and suitable manner, thereby reducing the amount of cross-shareholdings. In addition, even if the significance and rationality of the holding is recognized, in consideration of the market environment, the Company's management and financial strategies, etc., the Company may still decide to sell the holding.

ii) Number of issues and total book value on the balance sheet

	Number of issues (Issues)	Total book value on the balance sheet (million yen)
Non-listed stock	10	134
Stock other than the above	21	3,417

(Issues for which holdings increased during the current fiscal year)

	Number of issues (Issues)	Total acquisition price related to increase in the number of shares (million yen)	Reason for increase in shareholdings
Non-listed stock	—	—	—
Stock other than the above	1	224	Shares acquired as an investment for the promotion of new business.

(Issues for which holdings decreased during the current fiscal year)

	Number of issues (Issues)	Total sale price related to decrease in the number of shares (million yen)
Non-listed stock	—	—
Stock other than the above	2	79

iii) Information on the number of shares and book value on the balance sheet, etc. per specified investment stock and deemed holding stock

Specified Investment Stock

Issuer name	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, etc., quantitative effect of holding (Note 1), and reason for the increase in the number of shares held	Holding of the Company's stock
	Number of Shares (shares)	Number of Shares (shares)		
Mitsubishi UFJ Financial Group, Inc.	145,000	145,000	The holding is deemed to be rational, based on a comprehensive assessment of the medium- to long-term business strategy and the Company's transactional relationship with the issuer, a financial institution.	Yes (Note 2)
	267	175		
The Chiba Bank, Ltd.	30,000	30,000	The holding is deemed to be rational, based on a comprehensive assessment of the medium- to long-term business strategy and the Company's transactional relationship with the issuer, a financial institution.	Yes (Note 2)
	36	30		
Dai-ichi Life Holdings, Inc.	2,600	2,600	The holding is deemed to be rational, based on a comprehensive assessment of the medium- to long-term business strategy and the Company's relationship with the issuer in relation to the implementation of welfare measures.	Yes (Note 2)
	11	7		

Issuer name	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, etc., quantitative effect of holding (Note 1), and reason for the increase in the number of shares held	Holding of the Company's stock
	Number of Shares (shares)	Number of Shares (shares)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		
SHO-BOND Holdings Co., Ltd.	47,000	47,000	By leveraging the issuer's strengths in business fields such as repair methods, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	245	294		
RAITO KOGYO CO., LTD.	265,100	265,100	The Company and the issuer own a joint patent (No. 5439247, low frequency noise dampening structure for weirs). By leveraging the issuer's strengths in business fields such as measures for slopes, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	588	501		
JAPAN FOUNDATION ENGINEERING CO., LTD	—	23,000	—	—
	—	10		
KAWADA technologies, inc.	36,000	12,000	By leveraging the issuer's strengths in business fields such as construction work and system design and development, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational. This company conducted a stock split in this fiscal year, so the Company's shareholding increased.	Yes (Note 2)
	99	78		
Yokogawa Bridge Holdings Corp.	21,700	21,700	By leveraging the issuer's strengths in business fields such as construction work, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	61	55		
Ube Industries, Ltd.	19,040	19,040	By leveraging the issuer's strengths in business fields such as the chemical industry, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	45	43		
E・J Holdings Inc.	120,680	120,680	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	205	195		
NJS CO., LTD.	50,000	50,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	178	136		
Oriental Consultants Holdings Co., Ltd.	57,200	57,200	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	277	155		
Kawasaki Geological Engineering Co., Ltd.	9,400	9,400	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	23	23		
ASIA AIR SURVEY CO., LTD.	102,000	102,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	117	98		
Founder's Consultants Holdings Inc.	54,917	54,917	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	49	46		
People, Dreams & Technologies Group Co., Ltd.	105,000	105,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	157	181		
Wesco Holdings Inc.	180,000	180,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	109	91		
OYO Corporation	98,500	98,500	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	223	202		

Issuer name	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, etc., quantitative effect of holding (Note 1), and reason for the increase in the number of shares held	Holding of the Company's stock
	Number of Shares (shares)	Number of Shares (shares)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		
OHBA CO., LTD.	186,000	186,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	187	170		
IDEA Consultants, Inc.	81,900	81,900	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	195	142		
DN HOLDINGS CO., LTD.	100,000	100,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes (Note 2)
	164	141		
Maczawa Kasei Industries Co., Ltd.	—	36,000	—	—
	—	54		
Informetis Co., Ltd.	129,032	—	By leveraging the issuer's expertise in AI technologies, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational. Through the investment in and business alliance with this company, the Company will work on the development of technologies related to power supply management using AI technologies and the infrastructure sector, as well as the planning and commercialization of associated energy management services, etc.	—
	140	—		

Notes: 1. Though the quantitative effect of holding is difficult to describe, every year, the Board of Directors concretely examines cross-shareholdings for economic rationality over the medium to long term and the necessity of holding per individual issue, and verifies the appropriateness of holding from the perspective of risks and the capital cost, while considering whether the cross-shareholding may lead to technological development, corporate collaboration, or business synergies, etc. that contribute to the Group's business strategy.

2. The Company's stock is held by Group companies of the issuers whose stock is held by the Company.

Deemed Holding Stock

Not applicable.

- 3) Investment stock held for the purpose of pure investment  
Not applicable.
- 4) Investment stock, for which the holding purpose was changed from pure investment to other purposes during the current fiscal year  
Not applicable.
- 5) Investment stock, for which the holding purpose was changed to pure investment from other purposes during the current fiscal year  
Not applicable.

## 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, 2024 to December 31, 2024) and the non-consolidated financial statements for the current fiscal year (from January 1, 2024 to December 31, 2024) 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, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
<b>Assets</b>		
Current assets		
Cash and bank deposits	19,654	15,523
Notes receivable, completed work receivables and contract assets	*1 33,814	*1 40,053
Prepaid expenses for uncompleted services	107	97
Other	1,434	1,809
Allowance for doubtful accounts	-624	-516
Total current assets	54,387	56,967
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,700	7,542
Accumulated depreciation	-3,750	-4,360
Buildings and structures, net	2,949	3,181
Machinery and transportation equipment	1,316	1,344
Accumulated depreciation	-1,065	-1,075
Machinery and transportation equipment, net	250	268
Land	4,787	4,903
Lease assets	372	493
Accumulated depreciation	-234	-275
Lease assets, net	137	217
Right-of-use assets	3,020	3,699
Accumulated depreciation	-1,737	-2,084
Right-of-use assets, net	1,282	1,614
Construction in progress	-	24
Other	3,391	3,887
Accumulated depreciation	-2,577	-2,919
Other, net	813	967
Total tangible fixed assets	10,222	11,178
Intangible fixed assets		
Lease assets	12	9
Goodwill	4,266	6,874
Other	462	363
Total intangible fixed assets	4,741	7,246
Investments and other assets		
Investment securities	*2 4,460	*2 5,029
Long-term loans receivable from subsidiaries and affiliates	639	711
Deferred tax assets	876	222
Net defined benefit asset	2,961	4,468
Other	*2 1,744	*2 2,000
Allowance for doubtful accounts	-119	-131
Total investments and other assets	10,563	12,301
Total fixed assets	25,526	30,726
Total assets	79,914	87,694

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	3,018	3,609
Short-term borrowings	1,190	1,990
Lease obligations	641	780
Accrued income taxes	1,123	1,144
Contract liabilities	3,690	4,048
Reserve for bonuses	3,946	3,490
Reserve for bonuses to directors	272	219
Allowance for losses in operations	111	90
Other	7,540	6,958
Total current liabilities	21,536	22,333
Fixed liabilities		
Long-term borrowings	160	119
Lease obligations	887	1,137
Provision for warranties for completed operation	411	452
Deferred tax liabilities	111	169
Net defined benefit liability	867	898
Provision for loss on guarantees	-	27
Asset retirement obligations	268	302
Other	575	577
Total fixed liabilities	3,283	3,686
Total liabilities	24,820	26,019
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,616	3,650
Profit surplus	44,652	49,318
Treasury stock	-939	-890
Total shareholders' equity	50,354	55,104
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,513	1,781
Foreign currency translation adjustment	1,593	2,549
Remeasurements of defined benefit plans	1,425	2,017
Total accumulated other comprehensive income	4,532	6,348
Non-controlling interests	206	221
Total net assets	55,093	61,674
Total liabilities and net assets	79,914	87,694

## (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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Sales	93,057	97,678
Cost of sales	65,996	69,251
Gross profit	27,060	28,427
Selling, general and administrative expenses	*1, *2 17,049	*1, *2 19,030
Operating income	10,011	9,396
Non-operating revenues		
Interest earned	39	76
Dividend earned	100	126
Insurance dividend earned	28	29
Foreign exchange gains	14	-
Rent earned	38	38
Other	57	46
Total non-operating revenues	279	317
Non-operating expenses		
Interest payable	54	72
Commission paid	2	16
Loss on investments in investment partnerships	13	27
Foreign exchange losses	-	58
Commission for acquisition of treasury stock	24	-
Expenses for the Company's 60th anniversary project	30	-
Other	12	4
Total non-operating expenses	137	178
Ordinary profit	10,153	9,535
Extraordinary gain		
Gain on sale of non-current assets	*3 29	*3 2
Gain on sale of investment securities	59	46
Gain on liquidation of subsidiaries and associates	-	9
Other	0	-
Total extraordinary gain	89	58
Extraordinary loss		
Loss from fixed assets disposal	*4 37	*4 63
Allowance for doubtful accounts	13	11
Provision for loss on guarantees	-	27
Unrealized loss on investment securities	46	-
Other	4	-
Total extraordinary loss	102	103
Net income before income tax	10,140	9,489
Corporation tax, inhabitants taxes and enterprise tax	2,813	2,436
Deferred income taxes etc.	-242	267
Total income taxes	2,571	2,704
Net income	7,569	6,785
Net income attributable to non-controlling interests	34	39
Net income attributable to owners of the parent	7,534	6,746



## Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Net income	7,569	6,785
Other comprehensive income		
Other valuation difference on available-for-sale securities	174	267
Foreign currency translation adjustment	994	950
Remeasurements of defined benefit plans, net of tax	929	591
Total other comprehensive income	*1 2,097	*1 1,809
Comprehensive income	9,667	8,595
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	9,625	8,562
Comprehensive income attributable to non-controlling interests	41	33

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

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	3,535	38,531	-14	45,079
Changes of items during the period					
Dividends from surplus			-1,413		-1,413
Net income attributable to owners of the parent			7,534		7,534
Acquisition of treasury stock				-1,000	-1,000
Disposal of treasury stock		0		75	75
Changes in liabilities for written put options over non-controlling interests		80			80
Fluctuations during the period for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	80	6,120	-925	5,275
Balance at the end of current period	3,025	3,616	44,652	-939	50,354

	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	1,338	606	496	2,441	198	47,719
Changes of items during the period						
Dividends from surplus						-1,413
Net income attributable to owners of the parent						7,534
Acquisition of treasury stock						-1,000
Disposal of treasury stock						75
Changes in liabilities for written put options over non-controlling interests						80
Fluctuations during the period for items other than shareholders' equity (Net amount)	174	987	929	2,090	7	2,098
Total changes of items during the period	174	987	929	2,090	7	7,374
Balance at the end of current period	1,513	1,593	1,425	4,532	206	55,093

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	3,616	44,652	-939	50,354
Changes of items during the period					
Dividends from surplus			-2,079		-2,079
Net income attributable to owners of the parent			6,746		6,746
Acquisition of treasury stock				-2	-2
Disposal of treasury stock		25		52	77
Changes in liabilities for written put options over non-controlling interests		8			8
Fluctuations during the period for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	33	4,666	49	4,749
Balance at the end of current period	3,025	3,650	49,318	-890	55,104

	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	1,513	1,593	1,425	4,532	206	55,093
Changes of items during the period						
Dividends from surplus						-2,079
Net income attributable to owners of the parent						6,746
Acquisition of treasury stock						-2
Disposal of treasury stock						77
Changes in liabilities for written put options over non-controlling interests						8
Fluctuations during the period for items other than shareholders' equity (Net amount)	267	956	591	1,815	14	1,830
Total changes of items during the period	267	956	591	1,815	14	6,580
Balance at the end of current period	1,781	2,549	2,017	6,348	221	61,674

## (iv) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Cash flow from operating activities		
Net income before income tax	10,140	9,489
Depreciation and amortization	1,401	1,609
Amortization of goodwill	305	338
Increase (decrease) in allowance for doubtful accounts	39	-153
Increase (decrease) in net defined benefit liability	101	-52
Decrease (increase) in net defined benefit asset	-218	-509
Increase (decrease) in reserve for bonuses	682	-495
Increase (decrease) in reserve for bonuses to directors	14	-72
Increase (decrease) in allowance for losses in operations	58	-47
Increase (decrease) in provision for loss on guarantees	-	27
Increase (decrease) in provision for warranties for completed operation	-312	-0
Interest and dividend earned	-140	-202
Interest payable	54	72
Foreign exchange loss (gain)	-24	-51
Commission for acquisition of treasury stock	24	-
Unrealized loss (gain) on investment securities	46	-
Loss (gain) from fixed assets disposal	12	61
Loss (gain) on sale of investment securities	-59	-46
Loss (gain) on liquidation of subsidiaries and associates	-	-9
Decrease (increase) in trade receivables and contract assets	-7,027	-4,822
Decrease (increase) in prepaid expenses for uncompleted services	58	10
Decrease (increase) in other current assets	11	36
Increase (decrease) in account payable	-8	338
Increase (decrease) in contract liabilities	-1,102	85
Increase (decrease) in accrued consumption taxes	1,130	-494
Increase (decrease) in other current liabilities	136	-503
Other	10	29
Subtotal	5,334	4,639
Received interest and dividend	142	201
Interest payment	-55	-72
Payment of corporation income tax etc.	-4,547	-2,357
Cash flow provided by operating activities	874	2,410
Cash flow from investment activities		
Payments for acquisition of tangible fixed assets	-843	-850
Proceeds from sale of property, plant and equipment	143	2
Payments for acquisition of intangible fixed assets	-127	-102
Payments for acquisition of investment securities	-5	-225
Proceeds from sales of investment securities	111	94
Repayments for loans	-350	-389
Income from loan collection	255	209
Payments for investments in capital	-50	-75
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 -3,340
Proceeds from liquidation of associates	-	67
Other payments	-58	-205
Other proceeds	13	10
Cash flow used for investment activities	-912	-4,805

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Cash flow from financial activities		
Net increase (decrease) in short-term borrowings	-	800
Repayments of long-term borrowings	-40	-40
Acquisition of treasury stock	-1,025	-2
Repayments of lease obligations	-662	-727
Dividend payments	-1,408	-2,072
Dividends paid to non-controlling interests	-33	-18
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-120	-50
Cash flow used for financial activities	-3,291	-2,111
Effect in fluctuation of exchange rate for cash and cash equivalents	395	374
Increase (decrease) in cash and cash equivalents	-2,934	-4,131
Opening balance of cash and cash equivalents	22,589	19,654
Closing balance of cash and cash equivalents	*1 19,654	*1 15,523

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 Group (Aus) Pty Limited  
Waterman Aspen Limited  
Japan Urban Engineering Co., Ltd.  
Chi-ken Sogo Consultants Co., Ltd.  
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.  
Environmental Research & Solutions Co., Ltd.  
HIROKEN CONSULTANTS Co., LTD.

On November 12, 2024, the Company acquired shares of HIROKEN CONSULTANTS Co., LTD. Accordingly, that company and its two subsidiaries became consolidated subsidiaries of the Company from the current consolidated fiscal year. As the deemed acquisition date is set at December 31, 2024, for current consolidated fiscal year, they are consolidated only in the balance sheet and not consolidated in the profit and loss account.

#### (2) Number of non-consolidated subsidiaries: 11

Names of the non-consolidated subsidiaries:

CTI Frontier Co., Ltd.  
CTI Ascend Co., Ltd.  
Kamaishi Solar Power Generation Co., Ltd.  
Kamaishi Naranokidaira Solar Power Generation Co., Ltd.  
CTI REED Co., Ltd.  
CTI Wing Co., Ltd.  
CTI Ground Planning Co., Ltd.  
Yuasa Consultant Co., Ltd.  
Wuhan CTI-CRSRI Engineering & Environment Co., Ltd.  
CTI Myanmar Co., Ltd.  
CTI Pilipinas, Inc.

#### (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 (amount commensurate with holding), profit surplus (amount commensurate with holding) 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 or affiliates.

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

CTI Frontier Co., Ltd., CTI Ascend Co., Ltd., Kamaishi Solar Power Generation Co., Ltd., Kamaishi Naranokidaira Solar Power Generation Co., Ltd., CTI REED Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., Yuasa Consultant Co., Ltd., Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., CTI Myanmar Co., Ltd., CTI Pilipinas, Inc., Sogo Setsubi Consulting Co., Ltd., SAPPORO NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. and VESTA·CHP Co., Ltd. have only a slight influence on the consolidated net income or loss (amount commensurate with holding), profit surplus (amount commensurate with holding) and other, 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 subsidiaries

The fiscal year of some consolidated subsidiaries of Waterman Group Plc and of HIROKEN CONSULTANTS Co., LTD. and its consolidated subsidiaries ends on either March 31 or September 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 June 28, 2019) 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

\* Securities other than stocks, etc. with no market value

Calculated on the market value method based upon stock market prices as of the consolidated 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.)

\* Stocks, etc. with no market value

Cost method according to 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 and right-of-use 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

The straight-line method is adopted for right-of-use assets.

###### 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. Meanwhile, 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

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 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) Provision for warranties for completed operation
 

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.
- 6) Provision for loss on guarantees
 

Calculated according to the forecasted loss burden, taking into account the financial condition and other relevant factors of the guaranteed party, in preparation for losses related to losses on guarantees of subsidiaries and associates
- (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
 

The Group provides consulting engineering services such as research, planning, and design, etc. in various fields related to social capital development for public and private works both in Japan and overseas.

These services are provided on the basis of performance obligations set forth in contracts with customers. Revenue from contracts expected to satisfy performance obligations over time is recognized over time by estimating progress towards satisfaction of performance obligations, while revenue from contracts expected to satisfy performance obligations at a point in time is recognized when performance obligations are satisfied.

Progress toward satisfaction of performance obligations is estimated using the ratio of actual costs to estimated total costs (input method). Furthermore, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.
- (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.



(Important Accounting Estimates)

Valuation of goodwill concerning Waterman Group Plc

(1) The amount recorded on the consolidated financial statements for the current consolidated fiscal year

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	4,266 million yen	4,351 million yen

(2) Information on the details of important accounting estimates concerning the item identified

The said goodwill was generated by the business combination that occurred when the shares of Waterman Group Plc were acquired. The amount recorded was based on the future excess earning power, etc. predicted at the time of acquisition.

Indications of impairment of the said goodwill are determined via a reasonable examination of whether Waterman Group Plc's business environment has deteriorated significantly, the comparison between actual performance and the business plan used to calculate the acquisition cost at the time of acquisition of the said shares, and whether there has been a significant decrease in excess earning power based on the latest business plan.

In the current consolidated fiscal year, the said goodwill was deemed to be an appropriate reflection of future excess earning power, etc., and no indications of impairment were found.

In determining the indications of impairment of goodwill, judgments made reflect the market environment, such as the capital investment budget of the local government office where an investment has been made or trends in capital investment by private companies, as well as the future projection of the economy as a whole, including the impact of inflation caused by the current state of international affairs.

Future cash flows estimates based on business plans that reflect these future projections may vary in the long term, primarily due to external factors such as market conditions.

Going forward, if it becomes necessary to review the future business plan, such as when the original business plan made at the time of acquisition deviates from actual performance and results in deteriorated business conditions, impairment loss of the said goodwill may arise, which may have a significant impact on the consolidated financial statements from the next consolidated fiscal year onwards.

Valuation of goodwill concerning HIROKEN CONSULTANTS Co., LTD.

(1) The amount recorded on the consolidated financial statements for the current consolidated fiscal year

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	—	2,523 million yen

(2) Information on the details of important accounting estimates concerning the item identified

The said goodwill was generated by the business combination that occurred during the current consolidated fiscal year. The amount recorded was based on the future excess earning power, etc. expected from the acquired company's future business developments.

The amount of the said goodwill was calculated on a tentative basis as the allocation of the acquisition cost had not yet been completed in the current consolidated fiscal year.

The said goodwill has been assessed by considering the reasonableness of the business plan at the time of acquisition.

This business plan has been prepared based on certain assumptions, such as market environment trends, including the capital investment budget of government offices.

Future cash flows estimates based on business plans that reflect future projections may vary in the long term, primarily due to external factors such as market conditions.

Going forward, if it becomes necessary to review the future business plan, such as when the business plan made at the time of acquisition deviates from actual performance and results in deteriorated business conditions, impairment loss of the said goodwill may arise, which may have a significant impact on the consolidated financial statements from the next consolidated fiscal year onwards.

Estimating total costs by applying the method of recognizing revenue over time

(1) The amount recorded on the consolidated financial statements for the current consolidated fiscal year

	Previous consolidated fiscal year	Current consolidated fiscal year
Sales recognized over time	93,049 million yen	97,670 million yen

(2) Information on the details of important accounting estimates concerning the item identified

Regarding the recording of revenue from consulting engineering service projects (hereinafter the “projects”), for performance obligations satisfied over time, revenue is recognized on the basis of the level of progress in satisfying a performance obligation if the level can be reasonably estimated. If the level of progress cannot be reasonably estimated, but the costs incurred is expected to be recoverable, revenue is recognized on a cost recovery basis until a reasonable estimate of progress can be made.

The level of progress is estimated using the ratio of costs incurred to estimated total costs (input method).

The amount of estimated total costs is projected as a working budget for each project. When formulating a working budget, the work content and man-hours required to complete the project are estimated, and such estimates depend on the realization of the effects of future cost reduction measures and the quality of process management, etc. Therefore, they involve the judgment of management and project managers, and such judgments can have a material impact on the estimate of total costs.

In addition, as projects are related to new designs and plans, the latest technology and specific technical capabilities, estimates for work content and man-hours, etc. may change due to the existence of certain facts that are only identified after the project has begun, such as additional requests from customers, or changes in the project situation. Therefore, the amount of estimated total costs is subject to uncertainty. As a result, the level of progress related to the satisfaction of project performance obligations may fluctuate, which may have a material impact on the amount of sales in the next consolidated fiscal year.

(Unapplied Accounting Standards, etc.)

(Accounting Standards for Leases, etc.)

\* Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

\* Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Outline

As part of its efforts to align Japanese accounting standards with international standards, the Accounting Standards Board of Japan (ASBJ) has deliberated on the development of accounting standards for leases that require lessees to recognize assets and liabilities for all leases, based on international accounting standards. As a basic policy, although the single accounting treatment model of International Financial Reporting Standards No. 16 (IFRS 16) formed the foundations, instead of adopting all provisions of IFRS 16, only the key provisions were adopted, and a simplified, more convenient lease accounting standard and other relevant regulations were issued that would basically not require adjustments even if IFRS 16 were to be applied to non-consolidated financial statements.

In the accounting of leases by lessees, the method of expense allocation of leases follows a single accounting model, similar to IFRS 16, under which depreciation of the right-of-use asset and the interest expense on the lease liability are recognized for all leases, regardless of whether they are finance leases or operating leases.

(2) Planned application date

The Company plans to apply these standards from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of applying these accounting standards, etc.

The impact of applying the Accounting Standard for Leases, etc. on the consolidated financial statements is currently being assessed.

(Changes in Presentation Method)

(Notes on Consolidated Profit and Loss Account)

“Loss on investments in investment partnerships” included in “Other” under “Non-operating expenses” in the previous consolidated fiscal year has taken on greater importance in terms of amount, and is therefore separately presented in the current consolidated fiscal year. To reflect this change in presentation method, the account items in the consolidated profit and loss account for the previous consolidated fiscal year have been restated.

As a result, 25 million yen presented in “Other” under “Non-operating expenses” in the consolidated profit and loss account for the previous consolidated fiscal year has been restated as “Loss on investments in investment partnerships” of 13 million yen and “Other” of 12 million yen.

(Notes on Consolidated Balance Sheet)

- \*1 Out of notes receivable, completed work receivables and contract assets, the amounts of receivables and contract assets arising from contracts with customers are as follows:

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Notes receivable	18million yen	14 million yen
Completed work receivables	9,888	10,715
Contract assets	23,906	29,322

- \*2 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Investment securities (stock)	758 million yen	749 million yen
“Other” in investments and other assets	0	0

- \*3 Warranty for liabilities

Warranty for liabilities, etc. of the following companies, etc. borrowed from financial institutions:

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	118 million yen	75 million yen
CTI Ascend Co., Ltd. (non-consolidated subsidiary)	79	68
VESTA・CHP Co., Ltd. (affiliate)	186	164
Employees of the Group	17	14
Total	401	323

(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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Wages and allowances	5,529 million yen	6,286 million yen
Bonuses	774	925
Transferred reserve for bonuses	1,002	871
Reserve for bonuses to directors	226	152
Retirement benefits expenses	242	220
Research and investigation expenses	1,233	1,437
Allowance for doubtful accounts	71	62

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

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
	1,233 million yen	1,437 million yen

\*3 Gain on sale of non-current assets can be broken down as follows:

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Buildings and structures in tangible fixed assets	29 million yen	–million yen
Vehicles in tangible fixed assets	0	2
Other tangible fixed assets	0	–
Total	29	2

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

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Buildings and structures in tangible fixed assets	31 million yen	54 million yen
Other tangible fixed assets	3	7
Other intangible fixed assets	2	1
Total	37	63

## (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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Other valuation difference on available-for-sale securities		
Amount recognized in the period	304 million yen	434 million yen
Reclassification adjustments to net income	-55	-44
Before tax-effect adjustment	248	390
Amount of tax effects	-74	-122
Other valuation difference on available-for-sale securities	174	267
Foreign currency translation adjustment		
Amount recognized in the period	994	950
Before tax-effect adjustment	994	950
Foreign currency translation adjustment	994	950
Remeasurements of defined benefit plans, net of tax		
Amount recognized in the period	1,472	1,328
Reclassification adjustments to net income	-129	-482
Before tax-effect adjustment	1,343	845
Amount of tax effects	-414	-253
Remeasurements of defined benefit plans, net of tax	929	591
Total other comprehensive income	2,097	1,809

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

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

## 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 (shares)	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 (shares)	19,478	298,810	23,586	294,702

Note: The change in the number of treasury shares in the current fiscal year can be broken down as follows:

- Increase due to acquisition of shares, by resolution at the Board of Directors Meeting held on February 14, 2023  
298,600 shares
- Decrease due to disposal of treasury stock as restricted stock compensation, by resolution at the Board of Directors Meeting held on April 28, 2023  
23,586 shares
- Increase due to purchase of shares less than one transaction unit  
210 shares

## 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 28, 2023	Common stock	1,413	100	December 31, 2022	March 29, 2023

(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, 2024	Common stock	Profit surplus	2,079	150	December 31, 2023	March 27, 2024

## 5. Changes in liabilities for written put options over non-controlling interests

The Group has granted written puts options concerning shares of consolidated subsidiaries that apply the international financial reporting standards (IFRS) to non-controlling interests of the consolidated subsidiaries. The expected future payment amount is recorded in other liabilities, and the same amount is deducted from capital surplus. Any fluctuations that occur after the initial recognition is recognized through an increase or decrease in capital surplus.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

## 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 (shares)	14,159,086	—	—	14,159,086

Note: The Company conducted a stock split at a ratio of 1 share for 2 shares of common stock as of January 1, 2025. The above numbers of shares are those prior to the stock split.

## 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 (shares)	294,702	463	16,307	278,858

Notes 1. The change in the number of treasury shares in the current fiscal year can be broken down as follows:

- Decrease due to disposal of treasury stock as restricted stock compensation, by resolution at the Board of Directors Meeting held on April 25, 2024  
16,307 shares
  - Increase due to purchase of shares less than one transaction unit  
463 shares
2. The Company conducted a stock split at a ratio of 1 share for 2 shares of common stock as of January 1, 2025. The above numbers of shares are those prior to the stock split.

### 3. New share subscription acquisition rights

Not applicable.

### 4. Dividends

#### (1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 26, 2024	Common stock	2,079	150	December 31, 2023	March 27, 2024

(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 25, 2025	Common stock	Profit surplus	2,082	150	December 31, 2024	March 26, 2025

Note: The Company conducted a stock split at a ratio of 1 share for 2 shares of common stock as of January 1, 2025. The above dividend per share is the dividend amount prior to the stock split.

### 5. Changes in liabilities for written put options over non-controlling interests

The Group has granted written puts options concerning shares of consolidated subsidiaries that apply the international financial reporting standards (IFRS) to non-controlling interests of the consolidated subsidiaries. The expected future payment amount is recorded in other liabilities, and the same amount is deducted from capital surplus. Any fluctuations that occur after the initial recognition is recognized through an increase or decrease in capital surplus.

#### (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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Cash and bank deposit account	19,654 million yen	15,523 million yen
Cash and cash equivalents	19,654	15,523

#### \*2 Breakdown of main assets and liabilities of companies that newly became consolidated subsidiaries due to acquisition of shares Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

#### Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

The breakdown of assets and liabilities at the commencement of consolidation of HIROKEN CONSULTANTS Co., LTD. due to acquisition of shares and the relationship between the acquisition price of said company’s shares and the expenditure (net amount) for the acquisition are as follows.

Current assets	3,025 million yen
Fixed assets	473
Goodwill	2,523
Current liabilities	-477
Fixed liabilities	-75
Stock acquisition price	5,470
Cash and cash equivalents	-2,129
Less: Expenditure for acquisition	3,340



(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.

In addition, 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 is measured based on market prices, if available, or a reasonably calculated value if a market price is not available. Because the calculation of the fair value of financial instruments 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.

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Stocks, etc. that do not have market values (book value on the consolidated balance sheet: 916 million yen) and investments in partnerships, etc. where the net equity amount is recorded on the consolidated balance sheet (book value on the consolidated balance sheet: 143 million yen) are not included in available-for-sale securities.

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Investment securities			
1) Held-to-maturity securities	705	686	-18
2) Available-for-sale securities	2,838	2,838	—

Note 1. The description of the following is omitted, as they are either in cash or have a relatively short period of accounts settlement, and therefore their fair value is almost equal to the book value: “Cash and bank deposits,” “Notes receivable, completed work receivables and contract assets,” “Accounts payable,” “Short-term borrowings,” and “Accrued income taxes.”

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

Stocks, etc. that do not have market values (book value on the consolidated balance sheet: 903 million yen) and investments in partnerships, etc. where the net equity amount is recorded on the consolidated balance sheet (book value on the consolidated balance sheet: 239 million yen) are not included in available-for-sale securities.

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Investment securities			
1) Held-to-maturity securities	702	675	-26
2) Available-for-sale securities	3,422	3,422	—

Note 1. The description of the following is omitted, as they are either in cash or have a relatively short period of accounts

settlement, and therefore their fair value is almost equal to the book value: “Cash and bank deposits,” “Notes receivable, completed work receivables and contract assets,” “Accounts payable,” “Short-term borrowings,” and “Accrued income taxes.”

Note 2. 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, 2023)

	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	19,654	—	—	—
Notes receivable and completed work receivables	9,907	—	—	—
Investment securities				
Held-to-maturity securities				
Corporate bonds	—	205	500	—
Total	29,562	205	500	—

Current Consolidated Fiscal Year (as of December 31, 2024)

	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	15,523	—	—	—
Notes receivable and completed work receivables	10,730	—	—	—
Investment securities				
Held-to-maturity securities				
Corporate bonds	—	202	500	—
Total	26,254	202	500	—

Note 3. Matters related to the breakdown, etc. of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs that have a material impact on the calculation of the fair value are used, the fair value is classified into the level of the lowest priority in the calculation of the fair value among the levels to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Previous Consolidated Fiscal Year (as of December 31, 2023)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	2,838	—	—	2,838

Current Consolidated Fiscal Year (as of December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	3,422	—	—	3,422

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Previous Consolidated Fiscal Year (as of December 31, 2023)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Bonds and Notes	—	—	686	686

Current Consolidated Fiscal Year (as of December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Bonds and Notes	—	—	675	675

(Note) Explanation of the valuation techniques used in the calculation of fair values and the inputs related to the calculation of fair values

Investment securities

Listed stocks are valued using quoted market prices. The fair values of listed stocks are classified as Level 1 fair values because they are traded in an active market. If significant unobservable inputs are used in the calculation, the fair values are be classified as Level 3 fair values.

## (Notes on Marketable Securities)

## 1. Held-to-maturity securities

Previous Consolidated Fiscal Year (as of December 31, 2023)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	—	—	—
	(2) Corporate bonds	705	686	-18
	(3) Other	—	—	—
	Subtotal	705	686	-18
Total		705	686	-18

Current Consolidated Fiscal Year (as of December 31, 2024)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Those whose fair value exceeds the amount recorded on the consolidated balance sheet	(1) Government bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Those whose fair value does not exceed the amount recorded on the consolidated balance sheet	(1) Government bonds	—	—	—
	(2) Corporate bonds	702	675	-26
	(3) Other	—	—	—
	Subtotal	702	675	-26
Total		702	675	-26

## 2. Available-for-sale securities

Previous Consolidated Fiscal Year (as of December 31, 2023)

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	2,838	731	2,107
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	2,838	731	2,107
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	—	—	—
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		2,838	731	2,107

Current Consolidated Fiscal Year (as of December 31, 2024)

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	3,279	696	2,582
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	3,279	696	2,582
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	143	228	-84
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	143	228	-84
Total		3,422	924	2,497

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

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

Not applicable.

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

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	117	55	—

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	79	44	—

5. Securities written down

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

For the previous consolidated fiscal year, the Company wrote down 46 million yen of investment securities.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

Not applicable.

(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 defined benefit corporate pension system and 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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Balance of retirement benefit obligations at the beginning of year	15,266	15,311
Labor costs	1,127	1,098
Interest costs	147	167
Accounting disparity	-679	-484
Retirement benefits paid	-550	-529
Balance of the retirement benefit obligations at the end of year	15,311	15,562

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

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Balance of pension assets at the beginning of year	16,014	17,485
Expected operating profit	320	349
Accounting disparity	793	843
Contribution from employer	858	901
Retirement benefits paid	-500	-477
Balance of the pension assets at the end of year	17,485	19,101

(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, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Funded retirement benefits obligations	14,597	14,780
Pension assets	-17,485	-19,101
	-2,888	-4,321
Unfunded retirement benefits obligations	713	782
Net amount of relevant liabilities and assets on the consolidated balance sheets	-2,174	-3,539
Net defined benefit liability	713	782
Net defined benefit asset	-2,888	-4,321
Net amount of relevant liabilities and assets on the consolidated balance sheets	-2,174	-3,539

(4) Retirement benefits costs and related accounting items

	(million yen)	
	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Labor costs	1,127	1,098
Interest costs	147	167
Expected operating profit	-320	-349
Cost disposal amount arising from accounting disparity	-129	-482
Retirement benefits costs under the defined benefit system	825	433

(5) 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 (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Accounting disparities	1,343	845
Total	1,343	845

(6) Accumulated remeasurements of defined benefit plans

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

	(million yen)	
	Previous Consolidated Fiscal Year (as of December 31, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Previously unrecognized accounting disparities	2,062	2,908
Total	2,062	2,908

(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, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Domestic bonds	9%	3%
Domestic stocks	12	11
Foreign bonds	7	9
Foreign stocks	14	13
Life insurance general accounts	51	49
Other	7	15
Total	100	100

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (7% for the previous consolidated fiscal year, and 6% for the current consolidated fiscal year).

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

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

(8) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations

	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current consolidated fiscal year Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Discount percentage	Primarily 1.1%	Primarily 1.4%
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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Balance of net defined benefit liability at the beginning of year	115	80
Retirement benefits expenses	80	90
Retirement benefits paid	-21	-34
Contribution to systems	-93	-99
Decrease associated with new consolidation	—	-68
Net amount of relevant benefit liability and asset	80	-30
Net defined benefit liability	154	116
Net defined benefit asset	-73	-147
Net amount of relevant benefit liability and asset	80	-30



(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, 2023)	Current Consolidated Fiscal Year (as of 31, 2024)
Funded retirement benefits obligations	1,071	1,147
Pension assets	-991	-1,178
	80	-30
Unfunded retirement benefits obligations	—	—
Net amount of relevant liabilities and assets on the consolidated balance sheets	80	-30
Net defined benefit liability	154	116
Net defined benefit asset	-73	-147
Net amount of relevant liabilities and assets on the consolidated balance sheets	80	-30

(3) Retirement benefits expenses

Retirement benefits costs calculated using the simplified method

Previous Consolidated Fiscal Year 80 million yen

Current Consolidated Fiscal Year 90 million yen

4. Defined Contribution System

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

Previous Consolidated Fiscal Year 335 million yen

Current Consolidated Fiscal Year 385 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 176 million yen for the previous consolidated fiscal year and 189 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, 2023	Current Consolidated Fiscal Year As of March 31, 2024
Pension assets	92,768	99,045
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	72,477	73,237
Balance	20,291	25,808

2) Surveying & Design Enterprises Multi Employers Pension Fund

	(million yen)	
	Previous Consolidated Fiscal Year As of March 31, 2023	Current Consolidated Fiscal Year As of March 31, 2024
Pension assets	61,549	66,465
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	47,138	47,151
Balance	14,410	19,314

(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 8.66% (from April 1, 2022 to March 31, 2023)

Current Consolidated Fiscal Year 8.79% (from April 1, 2023 to March 31, 2024)

2) Surveying & Design Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year 0.38% (from April 1, 2022 to March 31, 2023)

Current Consolidated Fiscal Year 0.40% (from April 1, 2023 to March 31, 2024)

(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 (1,162 million yen for the previous consolidated fiscal year and 805 million yen for the current consolidated fiscal year) and surplus brought forward (-21,453 million yen for the previous consolidated fiscal year and -26,614 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method with a period of 5 years. A special premium (28 million yen for the previous consolidated fiscal year and 30 million yen for the current consolidated fiscal year) was amortized in the Group's 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 reason for the balance described in (1) above was surplus brought forward (-14,410 million yen for the previous consolidated fiscal year and -19,314 million yen for the current consolidated fiscal year).

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

(Stock Options)

Not applicable.

## (Notes on 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, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Deferred tax assets		
Accrued enterprise tax	104 million yen	99 million yen
Allowance for losses in operations	36	20
Reserve for bonuses	1,165	1,038
Social insurance premiums for bonuses	173	157
Net defined benefit liability	245	89
Unrealized loss of securities	76	72
Asset retirement obligations	85	101
Loss brought forward	146	129
Other	527	661
Subtotal	2,562	2,370
Allowance account	-504	-556
Total	2,057	1,814
Deferred tax liabilities		
Net defined benefit asset	532	821
Tangible fixed assets	75	109
Other valuation difference on available-for-sale securities	593	716
Other	90	113
Total	1,292	1,760
Net of deferred tax assets	765	53

## 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 Consolidated Fiscal Year (as of December 31, 2023)	Current Consolidated Fiscal Year (as of December 31, 2024)
Legal effective tax rate	30.62%	30.62%
(Adjustment)		
No entry of loss from entertainment expense etc.	0.51	0.71
Per capita inhabitant tax	0.95	1.04
No entry of profit from dividend earned etc.	-0.04	-0.05
Tax credit of experiment and research expenses	-0.42	-0.23
Tax credit of tax system for promotion of wage rises	-4.77	-4.06
No entry of loss from bonuses to directors	0.21	0.22
Amortization of goodwill	0.92	1.09
Increase/decrease in allowance account	-2.60	0.21
Other	-0.02	-1.05
Bearing rate of corporation tax or the like after application of tax effect accounting	25.36	28.50

(Notes on Revenue Recognition)

1. Breakdown of revenue from contracts with customers

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Goods and services transferred at a point in time	7	—	7
Goods and services transferred over a period of time	64,446	28,583	93,049
Revenue from contracts with customers	64,473	28,583	93,057
Other revenue	—	—	—
Sales to outside customers	64,473	28,583	93,057

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Goods and services transferred at a point in time	8	—	8
Goods and services transferred over a period of time	66,936	30,733	97,670
Revenue from contracts with customers	66,945	30,733	97,678
Other revenue	—	—	—
Sales to outside customers	66,945	30,733	97,678

2. Information that forms the basis for understanding revenue arising from contracts with customers

Please refer to “Basic Important Matters for Preparation of Consolidated Financial Statements, 5. Accounting policy, (6)

Entry standard of important revenues and expenses.”

3. The relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts; and the amount and timing of revenue expected to be recognized in the next consolidated fiscal year and beyond from contracts with customers that exist at the end of the current consolidated fiscal year

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(1) Balance of contract assets and contract liabilities, etc.

	(million yen)
	Current Consolidated Fiscal Year (as of December 31, 2023)
Receivables arising from contracts with customers (Balance at beginning of period)	7,310
Receivables arising from contracts with customers (Balance at end of period)	9,907
Contract assets (Balance at beginning of period)	18,669
Contract assets (Balance at end of period)	23,906
Contract liabilities (Balance at beginning of period)	4,547
Contract liabilities (Balance at end of period)	3,690

Contract assets are rights to consideration related to sales revenue, which are recognized based on the progress of satisfaction of performance obligations as of the fiscal year-end, mainly for contract agreements. Contract assets are transferred to receivables arising from contracts with customers when the rights become unconditional (when legal claims are established). The consideration is mainly received within one year from the time the performance obligation is satisfied.

Contract liabilities are related to advances, etc. received from customers, and are reversed when revenue is recognized.

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liabilities balance at the beginning of the period was 4,078 million yen.

The amount of revenue recognized in the previous consolidated fiscal year from performance obligations satisfied in prior periods was immaterial.

(2) Transaction price allocated to remaining performance obligations

The transaction prices allocated to the remaining performance obligations as of the end of the current consolidated fiscal year are as follows:

	Reportable segment		(million yen)
	Domestic consulting engineering business	Overseas consulting engineering business	Total
Transaction price allocated to remaining performance obligations	38,856	26,497	65,353

Approximately 90% of the domestic consulting engineering business is expected to be recognized as revenue within one year, and the remaining 10% is expected to be recognized as revenue within a period between one and five years.

Approximately 60% of the overseas consulting engineering business is expected to be recognized as revenue within one year, and the remaining 40% is expected to be recognized as revenue within a period between one and six years.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

(1) Balance of contract assets and contract liabilities, etc.

(million yen)

	Current Consolidated Fiscal Year (as of December 31, 2024)
Receivables arising from contracts with customers (Balance at beginning of period)	9,907
Receivables arising from contracts with customers (Balance at end of period)	10,730
Contract assets (Balance at beginning of period)	23,906
Contract assets (Balance at end of period)	29,322
Contract liabilities (Balance at beginning of period)	3,690
Contract liabilities (Balance at end of period)	4,048

Contract assets are rights to consideration related to sales revenue, which are recognized based on the progress of satisfaction of performance obligations as of the fiscal year-end, mainly for contract agreements. Contract assets are transferred to receivables arising from contracts with customers when the rights become unconditional (when legal claims are established). The consideration is mainly received within one year from the time the performance obligation is satisfied.

Contract liabilities are related to advances, etc. received from customers, and are reversed when revenue is recognized.

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liabilities balance at the beginning of the period was 3,277 million yen.

The amount of revenue recognized in the current consolidated fiscal year from performance obligations satisfied in prior periods was immaterial.

(2) Transaction price allocated to remaining performance obligations

The transaction prices allocated to the remaining performance obligations as of the end of the current consolidated fiscal year are as follows:

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Transaction price allocated to remaining performance obligations	38,023	25,419	63,422

Approximately 90% of the domestic consulting engineering business is expected to be recognized as revenue within one year, and the remaining 10% is expected to be recognized as revenue within a period between one and five years.

Approximately 70% of the overseas consulting engineering business is expected to be recognized as revenue within one year, and the remaining 30% is expected to be recognized as revenue within a period between one and five years.

(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.

In the current consolidated fiscal year, the Company acquired the shares of HIROKEN CONSULTANTS Co., LTD., added it to the scope of consolidation, and included it in the reportable segment of "Domestic consulting engineering business."

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

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

(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	64,473	28,583	93,057	—	93,057
Inter-segment sales or transfers	130	17	147	-147	—
Total	64,604	28,600	93,204	-147	93,057
Segment income	8,943	1,073	10,016	-5	10,011
Segment assets	60,020	20,732	80,752	-838	79,914
Other items					
Depreciation	793	607	1,401	—	1,401
Amortization of goodwill	—	305	305	—	305

Notes: 1. Adjustments to inter-segment sales or transfers (-147 million yen), adjustments to segment income (-5 million yen), and adjustments to segment assets (-838 million yen) are attributable to inter-segment eliminations.

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

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

(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	66,945	30,733	97,678	—	97,678
Inter-segment sales or transfers	55	16	71	-71	—
Total	67,000	30,749	97,750	-71	97,678
Segment income	8,610	773	9,383	13	9,396
Segment assets	65,634	23,446	89,080	-1,386	87,694
Other items					
Depreciation	844	765	1,609	—	1,609
Amortization of goodwill	—	338	338	—	338

Notes: 1. Adjustments to inter-segment sales or transfers (-71 million yen), adjustments to segment income (13 million yen), and adjustments to segment assets (-1,386 million yen) are attributable to inter-segment eliminations.

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

3. HIROKEN CONSULTANTS Co., LTD., which was included in the scope of consolidation in the current consolidated fiscal year, has a deemed acquisition date of the last day of the current consolidated fiscal year. Therefore, the financial results of that company are not included in sales, segment income, and other items of the domestic consulting engineering business for the current consolidated fiscal year.

## Relevant Information

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

### 1. Information by products and services

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

### 2. Information by areas

#### (1) Sales

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
64,566	3,802	20,804	1,884	1,999	93,057

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

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

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

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

Asia: Philippines, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

#### (2) Tangible fixed assets

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
8,651	0	1,408	119	42	10,222

Notes: 1. Tangible fixed assets are classified based on the locations of the assets.

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, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

### 3. Information by major customers

Name of customer	Sales	Name of the relevant segment
National government of Japan	32,125	Domestic consulting engineering business



Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

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		
67,042	4,156	22,362	1,986	2,129	97,678

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

(2) Tangible fixed assets

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
9,245	5	1,643	93	190	11,178

- Notes: 1. Tangible fixed assets are classified based on the locations of the assets.  
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, etc.  
Europe other than UK: Ireland, etc.  
Other: Australia, etc.

3. Information by major customers

(million yen)

Name of customer	Sales	Name of the relevant segment
National government of Japan	32,052	Domestic consulting engineering business

Impairment losses on fixed assets by reportable segments

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

Not applicable.

Amortized amount and unamortized balance of goodwill by reportable segments

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

	(million yen)			
	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	—	305	—	305
Balance at the end of current period	—	4,266	—	4,266

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

	(million yen)			
	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	—	338	—	338
Balance at the end of current period	2,523	4,351	—	6,874

(Significant changes in amount of goodwill)

Goodwill has arisen in the “domestic consulting engineering business” as the Company acquired shares of HIROKEN CONSULTANTS Co., LTD. and made it a consolidated subsidiary in the current consolidated fiscal year. The increase in the amount of goodwill associated with this event is 2,523 million yen.

As the deemed acquisition date is set at the last day of the current consolidated fiscal year, the Company has not recorded amortization of goodwill for the current consolidated fiscal year.

Gain on negative goodwill by reportable segments

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

Not applicable.

Information on related parties

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

Not applicable.

(Notes on Business Combination, etc.)

(Business combination through acquisition)

1. Outline of business combination

(1) Name of the acquired company and description and scale of its business

Name of the acquired company: HIROKEN CONSULTANTS Co., LTD.

Description of business: Engineering consulting business

(2) Primary reason for the business combination

Since established in 1978, the company has been engaged in the businesses of engineering consulting, land surveying, and geological survey sector, primarily in Hiroshima Prefecture. Adding the company to the Group is expected to accelerate the development of business to local governments.

(3) Date of business combination

November 12, 2024 (The deemed acquisition date is December 31, 2024.)

(4) Legal form of the business combination

Share acquisition with cash consideration

(5) Company name after the business combination

HIROKEN CONSULTANTS Co., LTD.

(6) Number of shares acquired and the percentage of voting rights

Number of shares: 8,400 shares

Percentage of voting rights: 100%

(7) Main basis for determining the acquired company

The Company acquired the shares in exchange for cash.

2. Period of the acquired company's financial results included in the consolidated financial statements

Financial results of the acquired company are not included in the current consolidated fiscal year.

3. Acquisition cost of the acquired company and its breakdown by type of consideration

Consideration for acquisition (cash) 5,470 million yen

Acquisition cost 5,470 million yen

4. Major acquisition-related expenses and their amounts

Compensation and fees for advisors, etc. 188 million yen

5. Amount of goodwill incurred, its reason, and method and period of amortization

(1) Amount of goodwill incurred

2,523 million yen

The amount of goodwill is calculated on a tentative basis as the allocation of the acquisition has not yet been completed cost in the current consolidated fiscal year.

(2) Reason of incurrence

Goodwill has been incurred mainly due to the anticipated excess earning power from future business developments.

(3) Method and period of amortization

Evenly amortized over 15 years

6. Breakdown of assets acquired and liabilities assumed on the date of business combination

Current assets 3,025 million yen

Fixed assets 473 million yen

Total assets 3,499 million yen

Current liabilities 477 million yen

Fixed liabilities 75 million yen

Total liabilities 552 million yen

(Notes on Investment and Rental Property)

Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)

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

Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)

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, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Net assets per share	1,979.45 yen	2,213.71 yen
Net income per share	271.06 yen	243.10 yen

- Notes: 1. Net income per share after adjustment of potential shares is not stated because the Company has issued no potential shares.
2. The Company conducted a 2-for-1 stock split of its common shares as of January 1, 2025. Net assets per share and net income per share have been calculated on the premise that the stock split was conducted at the beginning of the previous consolidated fiscal year.
3. Basis of calculation of net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)
Net income attributable to owners of the parent (million yen)	7,534	6,746
Amounts not belonging to ordinary shareholders (million yen)	—	—
Net income attributable to owners of the parent related to common shares (million yen)	7,534	6,746
Average number of common shares for the entire fiscal year (shares)	27,796,120	27,749,982

(Significant Subsequent Event)

(Stock split and partial amendments to the Articles of Incorporation associated with the stock split)

The Company made partial amendments to its Articles of Incorporation, with January 1, 2025 as the effective date, in accordance with a resolution at a meeting of the Board of Directors held on November 12, 2024.

(1) Purpose of the stock split

By reducing the investment unit price of the Company's shares, the stock split is intended to create an environment where it is easier to invest for investors, expand its investor base, and increase the liquidity of its shares.

(2) Outline of the stock split

1) Method

The Company conducted a 2-for-1 stock split of its common shares owned by shareholders listed or recorded in the shareholder registry at the closing on the record date of December 31, 2024. (Since the shareholder registry administrator was closed on the record date, the practical record date was December 30, 2024.)

2) Increase in the number of shares due to the stock split

Total number of issued shares before the stock split	14,159,086 shares
Number of shares increased by the stock split	14,159,086 shares
Total number of issued shares after the stock split	28,318,172 shares
Total number of authorized shares after the stock split	80,000,000 shares

3) Schedule of the stock split

Date of public notice of the record date	December 13, 2024
Record date	December 31, 2024
Effective date	January 1, 2025

(3) Partial amendments to the Articles of Incorporation

1) Reason for amendments to the Articles of Incorporation

In conjunction with the stock split, the Company's Articles of Incorporation was partially amended effective January 1, 2025 to change the total number of authorized shares in Article 5 of the Articles of Incorporation, in accordance with the provisions in Article 184, Paragraph 2 of the Companies Act.

2) Details of the amendments to the Articles of Incorporation

The details of the amendments are as follows. (Amended parts are underlined.)

Before amendments	After amendments
(Total Number of Authorized Shares) Article 5. The total number of authorized shares of the Company shall be <u>forty</u> million (40,000,000) shares.	(Total Number of Authorized Shares) Article 5. The total number of authorized shares of the Company shall be <u>eighty</u> million (80,000,000) shares.

3) Schedule of the amendments to the Articles of Incorporation

Date of resolution by the Board of Directors	November 12, 2024
Effective date	January 1, 2025

(4) Other

1) Change in the amount of capital

The amount of capital did not change as a result of the stock split.

2) Year-end dividend for the fiscal year ended December 31, 2024

Since the effective date of the stock split is January 1, 2025, the year-end dividend for the fiscal year ended December 31, 2024 with a record date of December 31, 2024 is based on the number of shares before the stock split.

The impact of the stock split on per share information is presented in (Information per Share).

(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

Category	Balance at the beginning of current period (million yen)	Balance at the end of current period (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	1,150	1,950	0.7	—
Long-term borrowings to be repaid within 1 year	40	40	0.5	—
Lease obligations to be repaid within 1 year	641	780	—	—
Long-term borrowings except those to be repaid within 1 year	160	119	0.5	2026 to 2033
Lease obligations except those to be repaid within 1 year	887	1,137	—	2026 to 2029
Other Interest-bearing Liabilities	—	—	—	—
Total	2,880	4,028	—	—

- 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 long-term borrowings and 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)
Long-term borrowings	40	31	26	13
Lease obligations	623	376	120	17

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

	Three months ended March 31, 2024	First half ended June 30, 2024	Nine months ended September 30, 2024	Current consolidated fiscal year
Sales (million yen)	29,189	50,746	72,197	97,678
Net income before income tax (million yen)	6,114	6,842	7,401	9,489
Net income attributable to owners of the parent (million yen)	4,437	4,883	5,266	6,746
Net income per share (yen)	160.04	176.05	189.82	243.10

	First quarter from January 1, 2024 to March 31, 2024	Second quarter from April 1, 2024 to June 30, 2024	Third quarter from July 1, 2024 to September 30, 2024	Fourth quarter from October 1, 2024 to December 31, 2024
Net income per share (yen)	160.04	16.01	13.77	53.29

- Notes: 1. Review of financial information for the nine months ended September 30, 2024: Yes
2. The Company conducted a stock split at a ratio of 1 share for 2 shares of common stock as of January 1, 2025. Net income per share has been calculated on the premise that the stock split was conducted at the beginning of the current consolidated fiscal year.

## 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, 2023)	Current Fiscal Year (as of December 31, 2024)
<b>Assets</b>		
Current assets		
Cash and bank deposits	14,816	7,223
Notes receivable, completed work receivables and contract assets	20,561	24,725
Prepaid expenses for uncompleted services	16	20
Advance payment	405	470
Short-term loans	*1 2,049	*1 3,093
Other	115	219
Total current assets	37,964	35,751
Fixed assets		
Tangible fixed assets		
Buildings	5,620	5,838
Accumulated depreciation	-2,950	-3,106
Buildings, net	2,669	2,731
Structures	771	771
Accumulated depreciation	-636	-646
Structures, net	134	124
Machinery and equipment	310	283
Accumulated depreciation	-229	-209
Machinery and equipment, net	80	74
Furniture and fixtures	1,789	1,900
Accumulated depreciation	-1,304	-1,357
Furniture and fixtures, net	485	543
Land	4,787	4,787
Lease assets	148	253
Accumulated depreciation	-87	-102
Lease assets, net	60	150
Construction in progress	-	24
Total tangible fixed assets	8,219	8,438
Intangible fixed assets		
Leasehold	16	16
Software	349	233
Telephone rights	22	22
Lease assets	0	4
Total intangible fixed assets	389	276

(million yen)

	Previous Fiscal Year (as of December 31, 2023)	Current Fiscal Year (as of December 31, 2024)
Investments and other assets		
Investment securities	3,677	4,254
Shares in subsidiaries and affiliates	8,142	13,792
Investments	153	198
Long-term loans	*1 639	*1 711
Long-term prepaid expenses	15	13
Deferred tax assets	1,331	931
Lease and guarantee deposit	1,273	1,382
Prepaid pension cost	1,288	1,758
Other	3	3
Allowance for doubtful accounts	-119	-131
Total investments and other assets	16,406	22,915
Total fixed assets	25,015	31,631
Total assets	62,979	67,383
Liabilities		
Current liabilities		
Accounts payable for services	*1 2,371	*1 2,602
Lease obligations	29	49
Accounts payable	717	641
Accrued income taxes	984	964
Accrued consumption taxes	1,093	627
Accrued expenses	1,595	1,576
Contract liabilities	1,296	1,418
Deposits received	919	1,013
Revenue received in advance	17	23
Reserve for bonuses	3,459	3,108
Reserve for bonuses to directors	58	55
Allowance for losses in operations	97	47
Other	0	-
Total current liabilities	12,642	12,127
Fixed liabilities		
Lease obligations	34	109
Reserve for retirement benefits	1,174	1,160
Provision for loss on guarantees	-	27
Asset retirement obligations	200	233
Other	3	3
Total fixed liabilities	1,413	1,535
Total liabilities	14,055	13,662



(million yen)

	Previous Fiscal Year (as of December 31, 2023)	Current Fiscal Year (as of December 31, 2024)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus		
Capital reserve	4,122	4,122
Other capital surplus	0	25
Total capital surplus	4,122	4,148
Profit surplus		
Profit reserve	176	176
Other profit surplus		
General reserve	8,700	8,700
Profit surplus brought forward	32,325	36,778
Total profit surplus	41,202	45,655
Treasury stock	-939	-890
Total shareholders' equity	47,410	51,938
Valuation and translation differences		
Other valuation difference on available-for-sale securities	1,513	1,781
Total valuation and translation differences	1,513	1,781
Total net assets	48,924	53,720
Total liabilities and net assets	62,979	67,383

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

(million yen)

	Previous Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Sales	*1 57,439	*1 59,405
Cost of sales	*1 38,150	*1 39,531
Gross profit	19,288	19,873
Selling, general and administrative expenses	*2 10,725	*2 11,374
Operating income	8,563	8,499
Non-operating revenues		
Interest earned	*1 19	*1 22
Dividend earned	*1 286	*1 346
Interest from securities	4	4
Rent earned	*1 101	*1 101
Other	66	64
Total non-operating revenues	478	539
Non-operating expenses		
Commission paid	2	16
Rental expenses	54	53
Loss on investments in investment partnerships	13	27
Commission for acquisition of treasury stock	24	-
Expenses for the Company's 60th anniversary project	30	-
Other	4	8
Total non-operating expenses	129	105
Ordinary profit	8,912	8,932
Extraordinary gain		
Gain on sale of investment securities	59	46
Gain on liquidation of subsidiaries and associates	-	9
Other	0	-
Total extraordinary gain	59	55
Extraordinary loss		
Loss from fixed assets disposal	*3 37	*3 61
Unrealized loss on shares in subsidiaries and affiliates	36	-
Allowance for doubtful accounts	13	11
Provision for loss on guarantees	-	27
Other	4	-
Total extraordinary loss	92	100
Net income before income tax	8,880	8,888
Corporation tax, inhabitants tax and enterprise tax	2,481	2,077
Deferred income taxes etc.	-253	277
Total income taxes	2,228	2,355
Net income	6,652	6,532

Specifications for Cost of Sales

		Previous Fiscal Year (from January 1, 2023 to December 31, 2023)			Current Fiscal Year (from January 1, 2024 to December 31, 2024)		
Category	Note No.	Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I. Labor cost							
1. Salaries		12,346			13,088		
2. Bonuses		2,430			2,628		
3. Provision of reserve for bonuses		2,534			2,249		
4. Retirement benefits expenses		609			325		
5. Other		2,892	20,814	54.7	3,001	21,293	53.9
II. Amount paid to subcontractors			12,042	31.6		12,592	31.9
III. Expenses							
1. Traveling expenses		990			1,061		
2. Printing and copying expenses		362			318		
3. Expendables cost		563			626		
4. Rents		2,036			2,273		
5. Depreciation		187			230		
6. Provision of allowance for losses in operations		73			-50		
7. Allowance for provision for warranties for completed operation		-82			—		
8. Other		1,092	5,224	13.7	1,189	5,649	14.3
Current general business expenses			38,081	100.0		39,535	100.0
Opening prepaid expenses for uncompleted services			86			16	
Total			38,167			39,551	
Closing prepaid expenses for uncompleted services			16			20	
Current cost of sales			38,150			39,531	

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

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

Previous Fiscal Year (from January 1, 2023 to December 31, 2023)

(million yen)

	Shareholders' equity							
	Capital	Capital surplus			Profit reserve	Profit surplus		
		Capital reserve	Other capital surplus	Total capital surplus		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	27,086	35,963
Changes of items during the period								
Dividends from surplus							-1,413	-1,413
Net income							6,652	6,652
Acquisition of treasury stock								
Disposal 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	-	-	0	0	-	-	5,238	5,238
Balance at the end of current period	3,025	4,122	0	4,122	176	8,700	32,325	41,202

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation difference on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-14	43,097	1,338	1,338	44,436
Changes of items during the period					
Dividends from surplus		-1,413			-1,413
Net income		6,652			6,652
Acquisition of treasury stock	-1,000	-1,000			-1,000
Disposal of treasury stock	75	75			75
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			174	174	174
Total changes of items during the period	-925	4,313	174	174	4,487
Balance at the end of current period	-939	47,410	1,513	1,513	48,924

Current Fiscal Year (from January 1, 2024 to December 31, 2024)

(million yen)

	Shareholders' equity							
	Capital	Capital surplus			Profit reserve	Profit surplus		
		Capital reserve	Other capital surplus	Total capital surplus		Other profit surplus	Total profit surplus	
						General reserve	Profit surplus brought forward	
Balance at the beginning of current period	3,025	4,122	0	4,122	176	8,700	32,325	41,202
Changes of items during the period								
Dividends from surplus							-2,079	-2,079
Net income							6,532	6,532
Acquisition of treasury stock								
Disposal of treasury stock			25	25				
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)								
Total changes of items during the period	-	-	25	25	-	-	4,453	4,453
Balance at the end of current period	3,025	4,122	25	4,148	176	8,700	36,778	45,655

	Shareholders' equity		Valuation and translation differences		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation difference on available-for-sale securities	Total of valuation and translation differences	
Balance at the beginning of current period	-939	47,410	1,513	1,513	48,924
Changes of items during the period					
Dividends from surplus		-2,079			-2,079
Net income		6,532			6,532
Acquisition of treasury stock	-2	-2			-2
Disposal of treasury stock	52	77			77
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			267	267	267
Total changes of items during the period	49	4,528	267	267	4,795
Balance at the end of current period	-890	51,938	1,781	1,781	53,720

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

\* Securities other than stocks, etc. with no market 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.)

\* Stocks, etc. with no market 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 bonuses 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) Provision for warranties for completed operation

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

(6) Reserve for retirement benefits

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

(7) Provision for loss on guarantees

Calculated according to the forecasted loss burden, taking into account the financial condition and other relevant factors of the guaranteed party, in preparation for losses related to losses on guarantees of subsidiaries and associates

6. Entry standard of important revenues and expenses

The Company provides consulting engineering services such as research, planning, and design, etc. in various fields related to social capital development for public and private works both in Japan and overseas.

These services are provided on the basis of performance obligations set forth in contracts with customers. Revenue from contracts expected to satisfy performance obligations over time is recognized over time by estimating progress towards satisfaction of performance obligations, while revenue from contracts expected to satisfy performance obligations at a point in time is recognized when performance obligations are satisfied.

Progress toward satisfaction of performance obligations is estimated using the ratio of actual costs to estimated total costs (input method). Furthermore, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

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

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.

(Important Accounting Estimates)

Valuation of shares in subsidiaries and affiliates concerning Waterman Group Plc

(1) The amount recorded on the non-consolidated financial statements for the current fiscal year

	Previous fiscal year	Current fiscal year
Out of shares in subsidiaries and affiliates, shares concerning Waterman Group Plc	6,962 million yen	6,962 million yen

(2) Information on the details of important accounting estimates concerning the item identified

Waterman Group Plc shares are shares with no market value and were acquired at a price that reflects excess earning power, etc. For shares in subsidiaries and affiliates, the acquisition cost is used as the balance sheet value. However, impairment losses must be recorded when the real value falls significantly.

In the current fiscal year, as it was deemed that there was no significant decline in the real value, the acquisition price was recorded on the balance sheet.

In evaluating excess earning power, etc., judgments made reflect the market environment, such as the capital investment budget of the local government office where an investment has been made or trends in capital investment by private companies, as well as the future projection of the economy as a whole, including the impact of inflation caused by the current state of international affairs.

Future cash flows estimates based on business plans that reflect these future projections may vary in the long term, primarily due to external factors such as market conditions.

Going forward, if it becomes necessary to review the future business plan and the real value falls significantly, impairment loss of the said shares in subsidiaries and affiliates may arise, which may have a significant impact on the non-consolidated financial statements from the next fiscal year onwards.

Valuation of shares in subsidiaries and affiliates concerning HIROKEN CONSULTANTS Co., LTD.

(1) The amount recorded on the non-consolidated financial statements for the current fiscal year

	Previous fiscal year	Current fiscal year
Out of shares in subsidiaries and affiliates, shares concerning HIROKEN CONSULTANTS Co., LTD.	—	5,658 million yen

(2) Information on the details of important accounting estimates concerning the item identified

HIROKEN CONSULTANTS Co., LTD. shares are shares with no market value and were acquired at a price that reflects excess earning power, etc. For shares in subsidiaries and affiliates, the acquisition cost is used as the balance sheet value. However, impairment losses must be recorded when the real value falls significantly.

In the current fiscal year, as it was deemed that there was no significant decline in the real value, the acquisition price was recorded on the balance sheet.

Future cash flows estimates based on business plans that reflect these future projections may vary in the long term, primarily due to external factors such as market conditions.

Going forward, if it becomes necessary to review the future business plan and the real value falls significantly, impairment loss of the said shares in subsidiaries and affiliates may arise, which may have a significant impact on the non-consolidated financial statements from the next fiscal year onwards.



Estimating total costs by applying the method of recognizing revenue over time

(1) The amount recorded on the non-consolidated financial statements for the current fiscal year

	Previous fiscal year	Current fiscal year
Sales recognized over time	57,439 million yen	59,405 million yen

(2) Information on the details of important accounting estimates concerning the item identified

Regarding the recording of revenue from consulting engineering service projects (hereinafter the “projects”), for performance obligations satisfied over time, revenue is recognized on the basis of the level of progress in satisfying a performance obligation if the level can be reasonably estimated. If the level of progress cannot be reasonably estimated, but the costs incurred is expected to be recoverable, revenue is recognized on a cost recovery basis until a reasonable estimate of progress can be made.

The level of progress is estimated using the ratio of costs incurred to estimated total costs (input method).

The amount of estimated total costs is projected as a working budget for each project. When formulating a working budget, the work content and man-hours required to complete the project are estimated, and such estimates depend on the realization of the effects of future cost reduction measures and the quality of process management, etc. Therefore, they involve the judgment of management and project managers, and such judgments can have a material impact on the estimate of total costs.

In addition, as projects are related to new designs and plans, the latest technology and specific technical capabilities, estimates for work content and man-hours, etc. may change due to the existence of certain facts that are only identified after the project has begun, such as additional requests from customers, or changes in the project situation. Therefore, the amount of estimated total costs is subject to uncertainty. As a result, the level of progress related to the satisfaction of project performance obligations may fluctuate, which may have a material impact on the amount of sales in the next fiscal year.

(Changes in Presentation Method)

(Notes on Profit and Loss Account)

“Loss on investments in investment partnerships” included in “Other” under “Non-operating expenses” in the previous fiscal year has taken on greater importance in terms of amount, and is therefore separately presented in the current fiscal year. To reflect this change in presentation method, the account items in the non-consolidated profit and loss account for the previous fiscal year have been restated.

As a result, 17 million yen presented in “Other” under “Non-operating expenses” in the non-consolidated profit and loss account for the previous fiscal year has been restated as “Loss on investments in investment partnerships” of 13 million yen and “Other” of 4 million yen.

(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, 2023)	Current Fiscal Year (as of December 31, 2024)
Short-term monetary claims	2,103 million yen	3,223 million yen
Short-term monetary debts	463	540
Long-term monetary claims	639	711

2. Warranty for liabilities

Warranty for liabilities, etc. of the following companies, etc. borrowed from financial institutions:

	Previous Fiscal Year (as of December 31, 2023)	Current Fiscal Year (as of December 31, 2024)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	118 million yen	75 million yen
CTI Ascend Co., Ltd. (non-consolidated subsidiary)	79	68
VESTA・CHP Co., Ltd. (affiliate)	186	164
Employees of the Group	17	14
Total	401	323

(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, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Turnover of operating transactions		
Sales	104 million yen	123 million yen
Subcontractor cost	1,930	2,353
Other operating transactions	111	90
Turnover of transactions other than operating transactions	322	360

- \*2 The percentage of expenses included in selling expenses is approximately 26% for the previous year and 27% for the current fiscal year, and the percentage of expenses included in general and administrative expenses is 74% for the previous fiscal year and 73% for the current fiscal year.

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

	Previous Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Wages and allowances	3,268 million yen	3,566 million yen
Transferred reserve for bonuses	885	776
Reserve for bonuses to directors	58	54
Retirement benefits expenses	151	76
Depreciation and amortization	169	207
Research and investigation expenses	1,209	1,401

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

	Previous Fiscal Year (from January 1, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Buildings	31 million yen	52 million yen
Furniture and fixtures	3	7
Software	2	1
Total	37	61

(Notes on Securities)

The fair value of shares in subsidiaries and affiliates is not stated, as these shares have no market value. The book values on the balance sheet for shares in subsidiaries and affiliates that have no market value are as follows.

	Previous Fiscal Year (as of December 31, 2023)	Current Fiscal Year (as of December 31, 2024)
Shares in subsidiaries	8,092 million yen	13,742 million yen
Shares in affiliates	50	50
Total	8,142	13,792

## (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, 2023)	Current Fiscal Year (as of December 31, 2024)
Deferred tax assets		
Accrued enterprise tax	98 million yen	91 million yen
Allowance for losses in operations	29	14
Reserve for bonuses	1,059	951
Social insurance premiums for bonuses	154	139
Reserve for retirement benefits	376	193
Allowance for doubtful accounts	36	48
Unrealized loss of securities	76	72
Asset retirement obligations	61	71
Officers' stock compensation expenses	17	38
Other	334	355
Subtotal	2,246	1,976
Allowance account	-281	-286
Total	1,964	1,690
Deferred tax liabilities		
Tangible fixed assets	39	42
Other valuation difference on available-for-sale securities	593	716
Total	632	758
Net of deferred tax assets	1,331	931

## 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, 2023)	Current Fiscal Year (as of December 31, 2024)
Legal effective tax rate	30.62%	30.62%
(Adjustment)		
No entry of loss from entertainment expense etc.	0.06	0.08
Per capita inhabitant tax	0.90	0.92
No entry of profit from dividend earned etc.	-0.69	-0.81
Tax credit of experiment and research expenses	-0.48	-0.25
Tax credit of tax system for promotion of wage rises	-5.30	-4.30
No entry of loss from bonuses to directors	0.20	0.19
Increase/decrease in allowance account	-0.12	0.06
Other	-0.10	-0.01
Bearing rate of corporation tax or the like after application of tax effect accounting	25.09	26.50

(Notes on Business Combination, etc.)

The same information is presented in “Notes (Notes on Business Combination, etc.)” under the Consolidated Financial Statements section, and is therefore omitted here.

(Notes on Revenue Recognition)

Information that forms the basis for understanding revenue arising from contracts with customers is described in “Notes (Notes on Revenue Recognition)” under the Consolidated Financial Statements section, and is therefore omitted here.

(Significant Subsequent Event)

(Stock split and partial amendments to the Articles of Incorporation associated with the stock split)

The Company made partial amendments to its Articles of Incorporation, with January 1, 2025 as the effective date, in accordance with a resolution at a meeting of the Board of Directors held on November 12, 2024.

Details are as presented in “Notes (Significant Subsequent Event)” under the Consolidated Financial Statements section.

## (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	2,669	300	52	185	2,731	3,106
Structures	134	—	—	9	124	646
Machinery and equipment	80	—	0	6	74	209
Furniture and fixtures	485	291	7	225	543	1,357
Land	4,787	—	—	—	4,787	—
Lease assets	60	137	—	48	150	102
Construction in progress	—	24	—	—	24	—
Total tangible fixed assets	8,219	754	59	475	8,438	5,422
Intangible fixed assets						
Leasehold	16	—	—	—	16	—
Software	349	70	1	185	233	—
Telephone rights	22	—	—	—	22	—
Lease assets	0	4	—	0	4	—
Total intangible fixed assets	389	75	1	186	276	—

## 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	119	11	—	131
Reserve for bonuses	3,459	3,108	3,459	3,108
Reserve for bonuses to directors	58	55	58	55
Allowance for losses in operations	97	47	97	47
Reserve for retirement benefits	1,174	32	45	1,160
Provision for loss on guarantees	—	27	—	27

## (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	(Special Account)
Place of purchase	Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo (Special Account)
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Service office	—
Service charge for purchase	Free of charge
Media of public notice	The Company's notices are published on its website. However, where due to unforeseen circumstances website publication is not possible, notices will be published in the Nihon Keizai Shimbun. The Company's website for public notices is as follows: <a href="https://www.ctie.co.jp/">https://www.ctie.co.jp/</a>
Privilege to shareholders	None

## CHAPTER 7: REFERENCE MATERIAL

### 1. Parent Company Information

The Company has no parent company.

### 2. Other References

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

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

Fiscal year (61st fiscal year) (from January 1, 2023 to December 31, 2023)

Submitted to the director of the Kanto Local Finance Bureau on March 29, 2024

(2) Report of Corrections to Securities Report, its accompanying documents, and confirmation note

Fiscal year (61st fiscal year) (from January 1, 2023 to December 31, 2023)

Submitted to the director of the Kanto Local Finance Bureau on April 30, 2024

(3) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on March 29, 2024

(4) Quarterly Report and confirmation note

(First quarter of 62nd fiscal year) (from January 1, 2024 to March 31, 2024)

Submitted to the director of the Kanto Local Finance Bureau on May 14, 2024.

(5) Semi-annual Report and confirmation note

(First half of 62nd fiscal year) (from January 1, 2024 to June 30, 2024)

Submitted to the director of the Kanto Local Finance Bureau on August 13, 2024.

(6) 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, 2024.

The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the director of the Kanto Local Finance Bureau on January 14, 2025.

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 26, 2025.

## Part 2: SURETY COMPANY INFORMATION

Not applicable.