

# SECURITIES REPORT

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

## **Fiscal Year (61st Term)**

(from January 1, 2023 to December 31, 2023)

**CTI Engineering Co., Ltd.**

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

(941-172)



61st Term (from January 1, 2023 to December 31, 2023)

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# SECURITIES REPORT

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

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

CTI Engineering Co., Ltd.

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## Cover

Document submitted	Securities report
Legal basis	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Recipient of document	Director of the Kanto Local Finance Bureau
Date of submission	March 29, 2024
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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		57th term	58th term	59th term	60th term	61st term
Fiscal year-end		December 2019	December 2020	December 2021	December 2022	December 2023
Sales amount	(million yen)	62,649	65,190	74,409	83,485	93,057
Ordinary profit	(million yen)	4,397	5,216	7,118	8,235	10,153
Net income attributable to owners of the parent	(million yen)	2,808	3,650	4,471	5,874	7,534
Comprehensive income	(million yen)	3,766	3,656	6,082	6,196	9,667
Net assets	(million yen)	30,929	34,016	38,820	47,719	55,093
Total assets	(million yen)	59,013	63,980	71,880	73,296	79,914
Net assets per share	(yen)	2,169.53	2,393.36	2,734.99	3,360.83	3,958.89
Net income per share	(yen)	198.59	258.17	316.25	415.49	542.13
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	52.0	52.9	53.8	64.8	68.7
Profit ratio of net worth	(%)	9.6	11.3	12.3	13.1	14.7
Price earnings ratio	(times)	11.38	9.22	7.90	7.73	9.70
Cash flow from operating business activities	(million yen)	4,798	8,687	5,344	3,804	874
Cash flow from investment activities	(million yen)	-1,051	-779	-671	-752	-912
Cash flow from financial activities	(million yen)	-545	-1,185	-1,128	-1,291	-3,291
Closing balance of cash and cash equivalents	(million yen)	9,873	16,684	20,527	22,589	19,654
Number of employees (plus average number of temporary employees)	(persons)	3,012 (919)	3,088 (936)	3,359 (1,078)	3,716 (1,094)	3,830 (1,109)

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.

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

Fiscal year		57th term	58th term	59th term	60th term	61st term
Fiscal year-end		December 2019	December 2020	December 2021	December 2022	December 2023
Sales amount	(million yen)	41,068	44,322	48,591	51,359	57,439
Ordinary profit	(million yen)	3,942	5,019	6,085	7,024	8,912
Net income	(million yen)	2,629	3,613	3,922	5,167	6,652
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)	30,583	33,610	37,146	44,436	48,924
Total assets	(million yen)	48,687	52,628	57,510	58,392	62,979
Net assets per share	(yen)	2,162.91	2,377.00	2,627.07	3,142.70	3,528.78
Cash dividend per share (Interim dividend per share)	(yen)	35.00 (-)	45.00 (-)	60.00 (-)	100.00 (-)	150.00 (-)
Net income per share	(yen)	185.99	255.53	277.39	365.43	478.66
Net income per share after adjustment of potential shares	(yen)	-	-	-	-	-
Net worth ratio	(%)	62.8	63.9	64.6	76.1	77.7
Profit ratio of net worth	(%)	9.0	11.3	11.1	12.2	14.3
Price earnings ratio	(times)	12.15	9.32	9.01	8.78	10.99
Dividend payout ratio	(%)	18.8	17.6	21.6	27.4	31.3
Number of employees (plus average number of temporary employees)	(persons)	1,633 (491)	1,729 (507)	1,815 (520)	1,912 (531)	2,023 (564)
Total shareholder return (Comparative indicator: TOPIX Net Total Return Index)	(%) (%)	147.9 (118.1)	158.6 (126.8)	170.0 (143.0)	222.3 (139.5)	364.0 (178.9)
Highest stock price	(yen)	2,295	2,538	2,861	3,450	5,330
Lowest stock price	(yen)	1,335	1,241	2,204	2,106	2,930

- 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.

## 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



### 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-three 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.

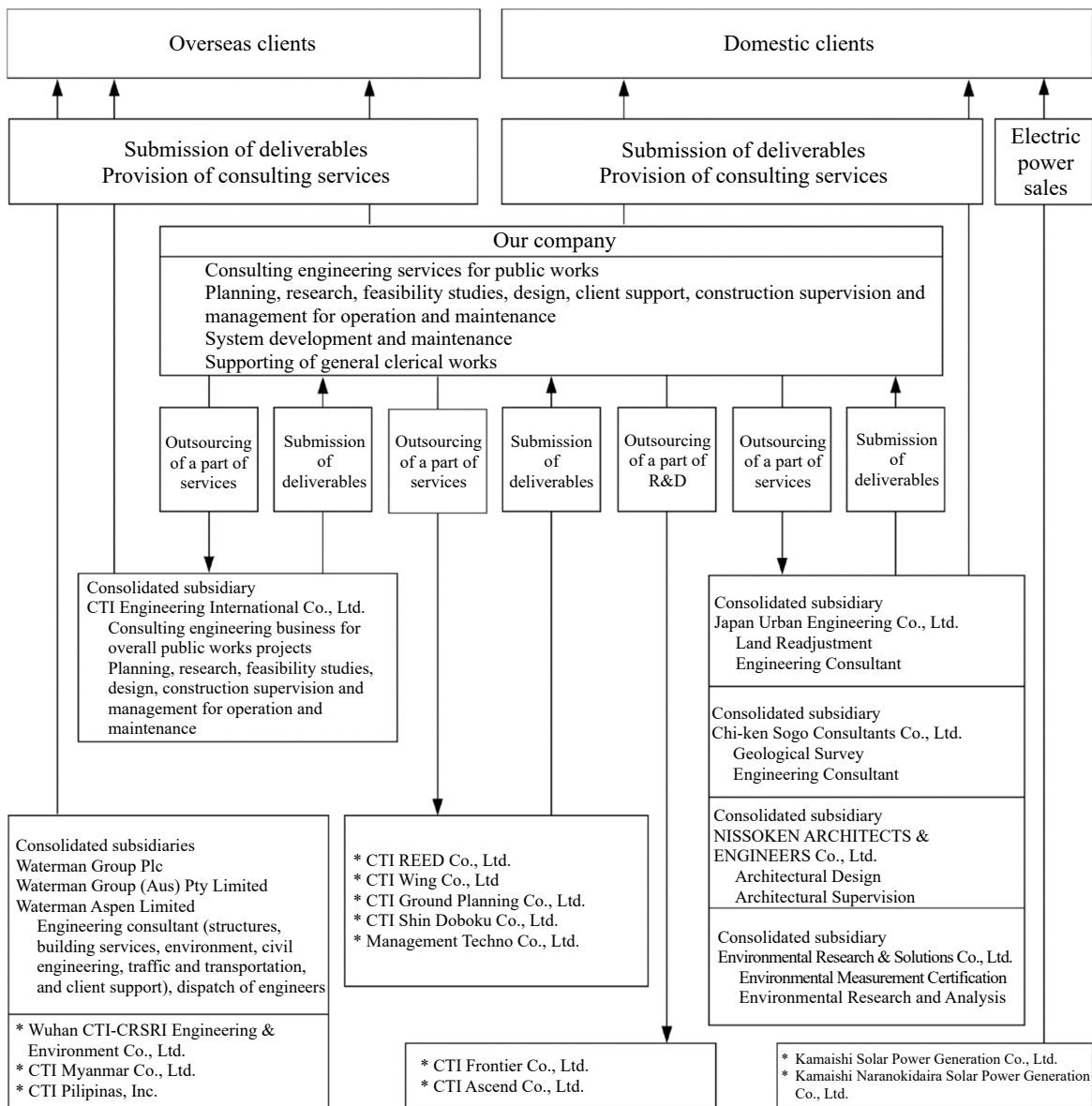
#### (i) Domestic consulting engineering business

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 is 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.



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

#### 4. Situation of Consolidated Subsidiaries

Company name	Address	Capital	Major business contents	Voting right ratio (indirect ratio) (%)	Relation contents
CTI Engineering International Co., Ltd.	Koto-ku, Tokyo	100 million yen	Overseas consulting engineering	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: 15 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.

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	11,254 million yen
	(2) Ordinary profit	556 million yen
	(3) Net income	424 million yen
	(4) Net assets	2,221 million yen
	(5) Total assets	3,848 million yen

#### 5. Situation of Employees

##### (1) Consolidation basis

As of December 31, 2023

Segment name	Number of employees (persons)
Domestic consulting engineering business	2,477 (638)
Overseas consulting engineering business	1,353 (471)
Total	3,830 (1,109)

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, 2023

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
2,023 (564)	42.51	12.51	9,583,020

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: 1,229 (as of December 31, 2023)
- (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 (%) (Note 2)	Wage differential between male and female workers (%) (Notes 1 and 3)		
		All workers	Full-time permanent employees	Part-time/fixed-term employees
2.0	63.0	50.3	67.8	55.2

- 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").
3. There is no gender differential in the Company's wages structure, and the cause of the large gap for all workers is that a high percentage—60%—of female workers are part-time and fixed-term workers, including casual workers, whereas a low 19% of male workers are part-time and fixed-term workers.

(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)
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. (Note 3)	29	50	(Note 4)
Environmental Research & Solutions Co., Ltd.	20	100	(Note 4)

- 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. Calculations of indicators were aggregated based on information for 2022.
4. 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 targets sales of 89,000 million yen, operating income of 8,400 million yen, ordinary profit of 8,500 million yen, and net income attributable to owners of the parent of 6,100 million yen, as management indices for the fiscal year ending December 31, 2024.

In addition, the performance targets for the fiscal year ending December 31, 2024 under the Medium-term Business Plan 2024 are as follows:

(Consolidated)	Sales of 85,000 million yen, operating income of 7,700 million yen, operating margin of 9.1%, and ROE of 10% or more
(Non-consolidated)	Sales of 55,000 million yen, operating income of 6,400 million yen, and operating margin of 11.6%

#### (3) Management strategy

Based on the CTI Group's medium- to long-term vision "SPRONG 2030" with 2030 as the target year, we aim to make great strides forward as a "global infrastructure solution group," by working our way towards resolving various issues surrounding infrastructure development both in Japan and overseas, and by contributing to the achievement of SDGs.

Further, we formulated the Medium-term Business Plan 2024 (January 2022 - December 2024) to work toward the realization of "SPRONG 2030." To enhance corporate value and contribute to the sustainable advancement of society, the CTI Group are working as one to pursue the Plan based on concrete management numerical targets and actions with the aim of growing as a "global infrastructure solution group."

In addition, in June 2022, we formulated and announced the "CTI Engineering Group Challenges for Sustainability" as one of our initiatives to make a leap forward. Under the "CTI Group Sustainability Challenge," we aim to realize sustainability via infrastructure development. By having diverse entities come together to co-create, and by utilizing the power of nature skillfully, we will propose and disclose new value that contributes to the simultaneous achievement of "disaster prevention," "environmental conservation," and "regional revitalization" in local regions.

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

The Japanese economy in the current consolidated fiscal year continued its moderate recovery thanks in part to the effects of various policies amid the improvement of the employment and income environments. However, risk factors exist that are placing downward pressure on economic conditions, including the impact of global monetary tightening and the future of the Chinese economy. In addition, we need to continue monitoring the impact of various factors, including rising prices, the situation in the Middle East, and fluctuations in financial and capital markets.

With regard to the business environment that the CTI Group finds itself in, 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, the impacts of COVID-19 have been mostly eliminated in the Asian and the UK markets, and their business environments are returning to their previous state, but in addition to the growing uncertainty caused by the situations in the Middle East and Ukraine, events worthy of concern, including the global progression of inflation and monetary tightening, have emerged.

Under this business environment, in 2023, the middle 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) Strengthening governance, and 4) Promotion of sustainability management.

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 and promotion of disaster prevention/mitigation and national land resilience are expected to remain at the same level in 2024 as in the previous fiscal year. The promotion of disaster prevention/mitigation measures such as river basin flood control and river and road maintenance projects as a measure against aging infrastructure is forecast to continue. It is also expected that social demands related to disaster responses, promotion of DX (digital transformation), and carbon neutrality will further increase.

In the overseas consulting engineering business, the business in Southeast Asia overseen by CTI Engineering International Co., Ltd. continues to recover, but in the UK and Australia, where Waterman Group Plc oversees business, conditions for order intake remain uncertain due to the high inflation rate, rising wages, and other economic trends, requiring continued monitoring.

Under this business environment, in the fiscal year ending December 31, 2024, which is the final year of the Medium-term Business Plan 2024, the Company will work on the following priority agenda items with the aim of improving outstanding issues and achieving the goals of the Medium-term Business Plan 2024.

##### (a) Promotion of business structural reform

The Company will further enhance the competitiveness of its core businesses, including disaster prevention/mitigation, and seek to expand orders in key business fields such as information systems development, urban communities and architecture, and energy. In addition, the Company will pursue sales and marketing activities, such as the use of webinars, to facilitate market development, targeting local governments, private sectors, overseas, and elsewhere.

##### (b) Promotion of production system reform

The Company will work to strengthen human resources as the driving force behind growth, placing priority on securing, developing, and making active use of its human resources. Further, the Company will strive to ensure quality and increase productivity through the enhancement of project management and promotion of DX.

##### (c) Strengthening governance through risk management

In addition to thoroughly engaging in compliance under its risk management framework that was strengthened in the previous year, the Company will further reinforce internal control throughout the Group by comprehensively and selectively monitoring issues surrounding the Group, including business risk, product quality, labor management, and information security.

##### (d) Promotion of sustainability management

In addition to continuing to promote actions in line with the Challenges for Sustainability Promotion Plan, initiatives that will contribute to an increase in engagement, and diversity-related initiatives, the Company will strive to actively disclose details of such initiatives.

(5) Incident of inappropriate cost management

On February 6, 2024, a self-declaration was received from an employee of the Company to the effect that personnel expenses and other costs incurred in the execution of work contracted to the Company were not recorded in that work, but were instead transferred to other work.

To investigate the contents of this report, the Company established the Internal Investigating Committee and conducted an investigation of the details of this matter and whether or not there were any other similar cases.

Various investigative methods were employed, including interviews of relevant parties, digital forensic investigation, and questionnaires. In addition to the members of the department to which the employee who had submitted the self-declaration belonged, 832 managers (including 116 from Group companies) with cost management authority at the Company and the Company's main Group companies were selected as subjects of the investigation.

As a result of the various investigations, it was confirmed that inappropriate cost management has been conducted at multiple locations. This involved manipulating costs on which calculations of net sales, etc. are based, using such means as recording and applying for costs to work to which they should not, by rights, be allocated in monthly operational reports, primarily for the purpose of avoiding deficits or disparities with budgeted cost percentages.

As measures to prevent the recurrence of such incidents, the Company will work to strengthen the check functions related to cost management and conduct thorough compliance training.

The Company will not rest in its efforts to prevent recurrences and restore trust.

## 2. Basic Policy and Initiatives on Sustainability

The Company’s basic policy and initiatives on sustainability are as follows.

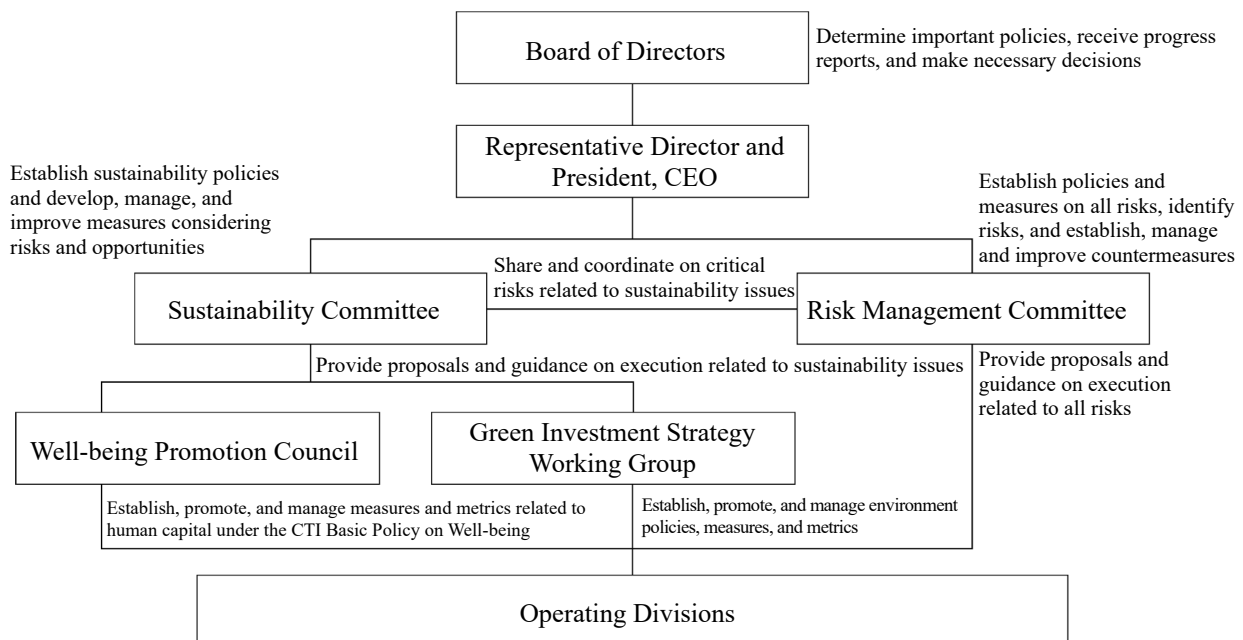
Matters related to the future stated herein were decided by the Group as of the end of the current consolidated fiscal year.

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, solve social issues, and foster and 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.

### (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 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

<p>I. Contribute to infrastructure development that supports safety and security</p> <p>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.</p>
<p>II. Contribute to the sustained development of countries, communities and society</p> <p>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.</p>
<p>III. Contribute to a decarbonized and recycling-oriented society and ecosystem preservation</p> <p>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.</p>
<p>IV. Create value through digital transformation (DX)</p> <p>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.</p>
<p>V. Enhance human resources and achieve well-being</p> <p>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.</p>
<p>VI. Strengthen corporate governance</p> <p>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.</p>
<p>VII. Assure and improve the quality of final products and services</p> <p>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.</p>

Further, the Risk Management Committee extracts 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) 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. Therefore, it is extremely important for us to invest in hiring, training, and revitalizing our people. Strengthening and revitalizing our people will lead directly to the enhancement of productivity and product quality, contributing to returns to our employees and to the improvement of earnings.

In strengthening our human capital, the happiness of our employees will drive their creativity and productivity, which will in turn attract more talented people. The Company, therefore, regards well-being as the top priority and has established the CTI Basic Policy on Well-being, based on which top management is striving to promote well-being.

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.

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 and a “Thanks Points” program 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

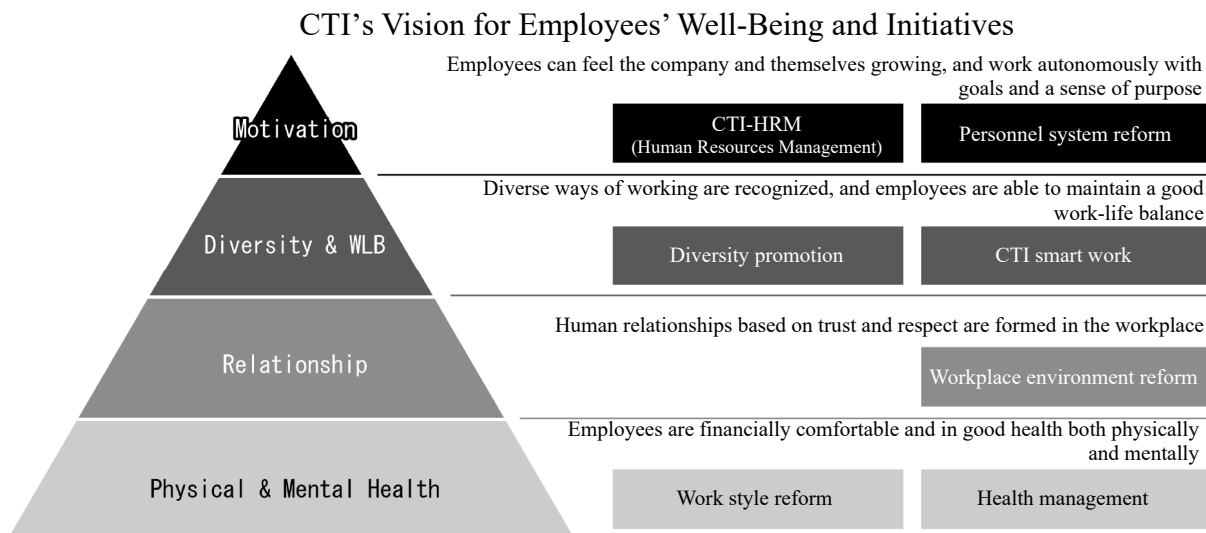
The enhancement of work-life balance will improve employee satisfaction and reduce the company’s employee turnover rates. The acceptance of diverse work styles makes it possible to take advantage of a variety of skills. The Company will, therefore, enhance employees’ work-life balance through the promotion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

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.

For details of initiatives, please see the CTI Engineering Co., Ltd. Integrated Report 2023 (Pages 38-43 of Integrated Report):

<https://www.ctie.co.jp/english/ir/financial/togo/uploads/2024/02/efddd28e12a167affd6e5a1f704c801577ad4ac9.pdf>



(ii) 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.

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

Basic Well-being Matters and Descriptions	Measures	Key Metrics	Target (2030)	Current Situation (2023)
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	2,170 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)	54.6 (Rank BB)
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 Diversity promotion plan	Ratio of female managers Ratio of childcare leave taken by men	10.0% 100%	2.0% 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	3.5% 30 hours

(4) Environmental information

(i) 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			Description	Financial Impact		Countermeasure
				1.5°C	4°C	
Transition	Risk	Policy/ regulation	<ul style="list-style-type: none"> <li>Increase in utility and energy management costs due to charges on fossil fuel use</li> </ul>	Medium	Small	<ul style="list-style-type: none"> <li>Transition to renewable energy</li> <li>Reduce CO<sub>2</sub> emissions by turning company buildings into net zero energy buildings, fully electrified buildings, etc.</li> </ul>
		Market	<ul style="list-style-type: none"> <li>Increased corporate responsibility due to heightened awareness of environmental considerations in society</li> </ul>	Medium	Medium	<ul style="list-style-type: none"> <li>Contribute to achieving the sustainability of local communities</li> </ul>
	Opportunity	Policy/ regulation	<ul style="list-style-type: none"> <li>Expanding demand for services related to regional and corporate decarbonization and climate change adaptation</li> </ul>	Medium	Small	<ul style="list-style-type: none"> <li>Conduct business in the public and private sectors related to building a decarbonized society</li> </ul>
			<ul style="list-style-type: none"> <li>Increasing demand for renewable energy, etc.</li> </ul>	Medium	Small	<ul style="list-style-type: none"> <li>Develop technologies and conduct business related to renewable energy</li> <li>Develop technologies and conduct business related to the creation and management of credit</li> </ul>
Physical	Risk	Acute	<ul style="list-style-type: none"> <li>Increase in business continuity risks due to natural disasters, such as typhoon and heavy rain</li> </ul>	Small	Medium	<ul style="list-style-type: none"> <li>Develop BCP for disaster measures</li> <li>Strengthen measures for avoiding natural disaster risks</li> </ul>
	Opportunity	Chronic	<ul style="list-style-type: none"> <li>Rising demand for consulting services related to disaster prevention, mitigation, and enhancing national resilience</li> </ul>	Large	Large	<ul style="list-style-type: none"> <li>Strengthen schemes for enhancing national resilience</li> <li>Develop technologies and conduct business aimed at disaster prevention and mitigation</li> </ul>

(ii) 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, we have established the following targets. For Scope 1 and Scope 2 emissions, “Reduce carbon dioxide emissions from corporate activities to virtually zero by 2030.” At the same time, “We will establish a budget line for CTI Group sustainable investment and invest in projects that improve the sustainability of local communities, while promoting related research and development and human resource development.”

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

Classification		Target (2030)	Current Situation (2022)
Net-zero emissions by the Group			
Greenhouse gas emissions	Emissions		4,451 t-CO <sub>2</sub> /year
	Breakdown	Scope 1	809 t-CO <sub>2</sub> /year
		Scope 2	3,641 t-CO <sub>2</sub> /year
	(Ref.) Scope 3		–
Contribution to the sustainability of local communities			
R&D investment (CTI Engineering Co., Ltd. only)	R&D investment allocation for sustainability	50% of R&D investment budget	32% (2023)

### 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 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 control 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, or various forms of harassment occur, 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, conduct education on preventing harassment, 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, and removal of confidential or personal information from company premises.

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

The Japanese economy in the current fiscal year continued its moderate recovery thanks in part to the effects of various policies amid the improvement of the employment and income environments. However, risk factors exist that are placing downward pressure on economic conditions, including the impact of global monetary tightening and the future of the Chinese economy. In addition, the impact of various factors, including rising commodity prices, the situation in the Middle East, and fluctuations in financial and capital markets, will require continued monitoring.

With regard to the business environment that the Group finds itself in, the domestic consulting engineering business remains 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, the impacts of COVID-19 have been mostly eliminated in the Asian and the UK markets and their business environments are returning to their previous state, but in addition to the growing uncertainty caused by the situations in the Middle East and Ukraine, events worthy of concern, including the global progression of inflation and monetary tightening, have emerged.

Under this business environment, in 2023, the middle 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) Strengthening 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 7.7% year-on-year to 92,473 million yen. Meanwhile, sales increased by 11.5% year-on-year to 93,057 million yen. Ordinary profit increased by 23.3% year-on-year to 10,153 million yen, and net income attributable to owners of the parent increased by 28.2% year-on-year to 7,534 million yen.

Results by reportable segment of the Group were as follows.

#### i) Domestic consulting engineering business

In the domestic consulting engineering business, orders received remained strong due to the Five-Year Road Program (until fiscal 2025) for disaster prevention, disaster mitigation, and building national resilience. This, in addition to orders received for large-scale projects, increases in service fee rates, and other factors, led to an increase in profit margins.

Accordingly, orders received for the domestic consulting engineering business increased by 6.8% year-on-year to 62,161 million yen, sales increased by 10.9% year-on-year to 64,473 million yen, and segment income increased by 29.9% year-on-year to 8,943 million yen.

#### ii) Overseas consulting engineering business

In the overseas consulting engineering business, order intake by CTI Engineering International Co., Ltd. based in Southeast Asia was robust, as was order intake by the public works division and other divisions of the Waterman Group Plc, which operates mainly in the UK, resulting in an increase in sales. On the other hand, profit margin decreased as a result of sharp rises in overseas labor costs and other factors. Accordingly, orders received for the overseas consulting engineering business increased by 9.4% year-on-year to 30,312 million yen, sales increased by 12.9% year-on-year to 28,583 million yen, and segment income decreased by 5.2% year-on-year to 1,073 million yen.

#### 2) Financial conditions

At the end of the current consolidated fiscal year, the Group's total assets totaled 79,914 million yen, an increase of 9.0% 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 24,820 million yen, a decrease of 3.0% compared to the end of the previous fiscal year. This was mainly due to a decrease in "accrued income taxes, while "reserve for bonuses" increased.

Net assets at the end of the current fiscal year totaled 55,093 million yen, an increase of 15.5% compared to the end of the previous fiscal year. This was mainly due to the posting of "net income attributable to owners of the parent," offsetting a decrease caused by an increase in treasury stock.



### 3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) decreased by 2,934 million yen year-on-year to 19,654 million yen.

Net cash provided by operating activities was 874 million yen, a YoY decrease of 77.0%. This was mainly because of proceeds owing to net income before income tax of 10,140 million yen, depreciation and amortization of 1,401 million yen, and an increase in accrued consumption taxes of 1,130 million yen, which offset payments due to an increase in trade receivables and contract assets of 7,027 million yen and payment of corporation income tax, etc. of 4,547 million yen.

Net cash used for investment activities was 912 million yen, a YoY increase of 21.3%. The major items were payments for acquisition of tangible fixed assets of 843 million yen, despite income from loan collection of 255 million yen.

Net cash used for financial activities was 3,291 million yen, a YoY increase of 155.0%. This was mainly because of acquisition of treasury stock of 1,025 million yen and dividend payments of 1,408 million yen.

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

#### 1) Production results

Segment name	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	64,473	10.9
Overseas consulting engineering business	28,583	12.9
Total	93,057	11.5

Notes: 1. The amounts are calculated according to the sales prices.

2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

#### 2) Order receiving results

Segment name	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)			
	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	62,161	6.8	38,856	(2.2)
Overseas consulting engineering business	30,312	9.4	26,497	5.8
Total	92,473	7.7	65,353	0.9

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, 2023 to December 31, 2023) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	64,473	10.9
Overseas consulting engineering business	28,583	12.9
Total	93,057	11.5

Notes: 1. The amounts are calculated according to the sales prices.

2. The amounts represent sales to outside customers and do not include inter-segment transactions and transfers.

3. Sales results by major client and ratios to the total sales results

Client	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)		Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National Government of Japan	29,532	35.4	32,125	34.5

(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 increased from 11.8% in the previous fiscal year to 13.9% in the current consolidated fiscal year. While profitability has improved due to the increase in the unit price of engineers in public works projects and the increase in the size of contract lots, labor costs have also increased. Nonetheless, business profitability still improved owing to the promotion of efforts to increase operational efficiency, such as DX (digital transformation).

The operating margin of the overseas consulting engineering business segment decreased from 4.5% in the previous fiscal year to 3.8% in the current consolidated fiscal year. With the impact from the COVID-19 pandemic having almost completely dissipated, sales increased, underpinned by the performance of the public works division in the UK, but efforts to pass inflation-induced cost increases onto prices failed to make progress, and profitability has declined.

### 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 79,914 million yen, an increase of 9.0% compared to the end of the previous fiscal year, while total liabilities were 24,820 million yen, a decrease of 3.0% compared to the end of the previous fiscal year. Net assets totaled 55,093 million yen, an increase of 15.5% 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 64.8% in the previous fiscal year to 68.7% 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

The Group develops business both in Japan and abroad and carries out research and development that contribute to its business expansion.

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 1,233 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 1,215 million yen for the domestic consulting engineering business and 18 million yen for the overseas consulting engineering business.

- 1) Planned research and development investments (traffic-oriented urban development, PPP in urban communities and architecture, disaster information sharing system, landslide disaster non-structural countermeasures, support system for disaster prevention, 3D data-based standard design, energy business, image analysis and other AI technologies, etc.)
- 2) Short-term research and development investments (32 topics including: 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, expansion of business areas by acquiring renovation design technologies for turning company buildings into net zero energy buildings, 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)
- 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 (international business promotion; 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 843 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) Company submitting the report

As of December 31, 2023

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and delivery equipment	Land (area: m <sup>2</sup> )	Lease assets	Other	Total	
Headquarters (Chuo-ku, Tokyo)	Domestic consulting engineering business	General administration facilities	35	–	–	3	43	82	148 (5)
Tokyo Main Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	Office	148	–	–	15	144	308	671 (227)
Tokyo Main Office Saitama Office (Urawa-ku, Saitama)	Domestic consulting engineering business	Office	749	0	772 (1,978)	2	32	1,557	79 (56)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Domestic consulting engineering business	Office and laboratory facilities	252	79	1,937 (50,605)	1	16	2,286	29 (8)
Yono Dormitory (Chuo-ku, Saitama)	Domestic consulting engineering business	Welfare facilities	140	–	820 (1,565)	–	0	961	– (–)
Kyushu Office (Chuo-ku, Fukuoka)	Domestic consulting engineering business	Office	395	0	1,025 (1,136)	–	57	1,478	190 (49)
CTI Keihanna Bldg. (Seika-cho, Soraku- gun, Kyoto)	Domestic consulting engineering business	Office and environmental research and analysis facilities	559	1	121 (4,660)	–	0	683	– (–)
CTI Okazaki Bldg. (Okazaki-shi, Aichi)	Domestic consulting engineering business	Office and environmental research and analysis facilities	172	–	109 (1,200)	–	0	282	– (–)

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

(ii) Number of shares issued

Class	Issued shares as of the end of the fiscal year (shares) (December 31, 2023)	Issued shares as of the date for submission (shares) (March 29, 2024)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	14,159,086	14,159,086	Tokyo Stock Exchange Prime Market	Number of shares in one voting unit: 100 shares
Total	14,159,086	14,159,086	–	–

(2) New share subscription acquisition rights, etc.

(i) Stock option system

Not applicable.

(ii) Rights plan

Not applicable.

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

Not applicable.

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

Not applicable.

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

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

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

## (5) Shareholders

As of December 31, 2023

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)	–	18	26	79	89	7	2,537	2,756	–
Number of shares held (units)	–	35,715	2,416	27,937	14,849	194	60,229	141,340	25,086
Shareholding ratio (%)	–	25.3	1.7	19.8	10.5	0.1	42.6	100.0	–

Notes: 1. Among treasury stocks (294,702 stocks), 2,947 units are counted as “Individuals etc.” and 2 shares are counted as “Shares below a unit” in the table above.

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

## (6) Major shareholders

As of December 31, 2023

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)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	1,423	10.27
HIKARI POWER LIMITED	314 Asahi Toranomom Mansion, 18-6, Toranomom 3-chome, Minato-ku, Tokyo	1,396	10.07
CTI Engineering Employees' Stock-sharing Association	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	1,075	7.76
Custody Bank of Japan, Ltd. (trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	477	3.44
Yasumitsu Shigeta	Minato-ku, Tokyo	396	2.86
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	371	2.68
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	354	2.56
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	2.17
Yutaka Takahashi	Toshima-ku, Tokyo	275	1.98
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	1.94
Total	–	6,340	45.73

Notes: 1. 1,420 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 476 thousand shares held in Custody Bank of Japan, Ltd. (trust account) are shares related to trust services.

2. The 294,702 shares in treasury stock held by the Company are not included in the above table.

3. As notified in the extraordinary report (Changes in Major Shareholders) dated January 15, 2024, HIKARI POWER LIMITED was a major shareholder at the end of the fiscal year under review.



## (7) Voting rights

## (i) Issued shares

As of December 31, 2023

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 294,700	–	–
Shares with complete voting rights (Other)	Common stock 13,839,300	138,393	–
Shares below a unit	Common stock 25,086	–	–
Total number of shares issued	14,159,086	–	–
Voting rights of total shareholders	–	138,393	–

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 2 treasury stocks held by the Company.

## (ii) Treasury Stocks, etc.

As of December 31, 2023

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	294,700	–	294,700	2.1
Total	–	294,700	–	294,700	2.1

## (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 6,000 shares

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

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

## 2. Acquisition of Treasury Stocks

Class of Shares Acquisition of ordinary shares in accordance with Article 155, Items 3 and 7 of the Companies Act.

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

None.

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

Acquisition based on the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the said Act

Category	Number of Shares	Total Price (Yen)
Resolution at the Board of Directors Meeting held on February 14, 2023 (Acquisition period: February 15, 2023 to July 31, 2023)	480,000	1,000,000,000
Treasury stock acquired before this fiscal year	–	–
Treasury stock acquired in this fiscal year	298,600	999,905,791
Total number of resolved shares remaining and total price	181,400	94,209
Unexercised ratio as of the fiscal year-end (%)	37.8	0.01
Treasury stock acquired in this period	–	–
Unexercised ratio as of the submission date (%)	37.8	0.01

Note: Treasury stock acquired in this period and unexercised ratio as of the submission date do not include shares acquired from March 1, 2024 to the date of the submission of the Securities Report.

(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	210	939,005
Treasury stock acquired in this period	115	685,720

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2024 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)	23,586	75,475,200	–	–
Held treasury stock	294,702	–	294,817	–

Note: The number of shares of treasury stock held in this period does not include treasury stock acquired from March 1, 2024 to the date of the submission of this Securities Report.

### 3. Dividend Policy

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

In determining dividends, while considering returns to investors, it is critical to maintain an appropriate level of internal reserves to ensure stable operations, as a construction consultancy engaged in operations of a highly public nature. Internal reserves are mainly utilized in investments related to cultivating human resources, our greatest management resource, in research and development investments for creating new businesses, and in strategic investments including M&As, based on the medium- to long-term management strategy.

As in the past, based on a policy of continuous, stable dividends, the Company will continue to provide returns on shareholder investment commensurate with consolidated business performance, taking the business environment and financial situation into comprehensive account, and will aim for a consolidated dividend payment ratio of around 30% or more for the medium to long term.

Note: In respect of the dividend for the record date, December 31, 2023, it was resolved at the 61st Ordinary General Meeting of Shareholders held on March 26, 2024 to pay a dividend of 150 yen per share (total dividend payment amount: 2,079 million yen).

### 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.

###### \* Board of Directors

The Board of Directors consists of 12 Directors (including 4 External Directors), as stated in "(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, and held 14 meetings in this fiscal year with all incumbent Directors and Auditors attending all of the meetings. 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 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 Mr. Shuichi Ikebuchi gave advice, etc. on the Group's business development, etc. at the Board of

Directors Meetings based on his knowledge and viewpoint accumulated as a disaster prevention expert, thereby appropriately supervising business execution. External Director Ms. Fumiko Kosao conducted supervision and gave advice, etc. to ensure the appropriateness of finance and accounting at the Board of Directors Meetings 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., at the Board of Directors Meetings based on his extensive insight and experience in finance and accounting, thereby appropriately supervising business execution. At the Board of Directors Meetings held after she assumed office in March 2023, External Director Ms. Atsuko Ogasawa gave advice, etc. on management issues, etc. of the Company based on her extensive experience and expertise related to the business community, thereby appropriately supervising business execution.

\* 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 Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara, and Representative Director and President, CEO Tatsuya Nishimura. The Committee, chaired by External Director Mr. Shuichi Ikebuchi, met six times a year in response to consultations from the Board of Directors, with all members attending all of the meetings. The Committee deliberates 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, reports the results of its deliberations to the Board of Directors, and thereby endeavors 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.

\* 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 Meeting

The Audit & Supervisory Board consists of 4 Auditors (including 2 External Auditors), as stated in "(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 Keizo Mitsuke 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 was newly established in the current fiscal year. This committee, which acts as an advisory body for the Representative Director and President, CEO, 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. The Risk Management Committee 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 Committee cooperates and shares information with the Sustainability Committee before responding to those risks. Meetings were held twice in this fiscal year.

\* Sustainability Committee

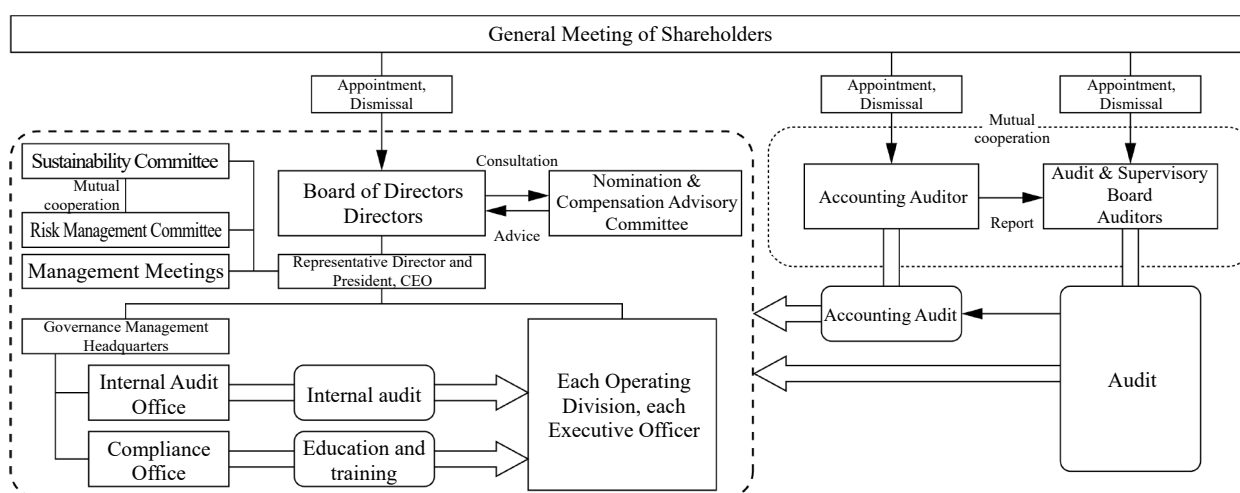
The Company has established the Sustainability Committee, an advisory body to the Representative Director and President, CEO. The Committee has two main goals: (1) increasing corporate value by promoting sustainability, considering measures that contribute to the creation of a sustainable society, and 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. The committee held three meetings in this fiscal year.

b. Reasons for employing the system

At the Company, the Board of Directors, consisting of 12 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.



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

The Company has newly established Risk Management Regulations in the current fiscal year. 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: 14 persons Female: 2 persons (Ratio of female Directors and Auditors: 12.5%)

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 Deputy Branch Administrator, Tokyo Main Office Deputy Administrator, Tokyo Main Office Executive Officer Principal, Tohoku Office Director Principal, Kyushu Office and Okinawa Office Managing Executive Officer 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	31
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 Deputy Branch Administrator, 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	23
Representative Director, Executive Vice President / Chief, Governance Management Headquarters	Yoshiaki Nanami	January 2, 1960	April 1982 June 2016 November 2017 March 2018 March 2019 March 2021 March 2023	Joined Ministry of Construction (currently Ministry of Land, Infrastructure, Transport and Tourism) Director-General, Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism Joined CTI Engineering, Executive Manager Executive Officer, Deputy Chief, Engineering Headquarters Director, Managing Executive Officer, Chief, Engineering Headquarters Senior Managing Executive Officer, Managing Principal, Tokyo Main Office Representative Director, Executive Vice President (present post) Chief, Governance Management Headquarters (present post)	1	7
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	6

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, Engineering Headquarters	Nobuyuki Maeda	September 23, 1959	April 1982 April 2006 April 2010 April 2014 March 2016 March 2019 April 2019 April 2021 March 2022	Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Tokyo Main Office Assistant Managing Principal, Tohoku Office President & Managing Director, Japan Urban Engineering Co., Ltd. Executive Officer Managing Executive Officer (present post) Managing Principal, Tohoku Office Chief, Engineering Headquarters (present post) Director (present post)	1	12
Director, Managing Executive Officer / Principal, Kyushu Office and Okinawa Office	Toshihide Uemura	January 11, 1960	April 1982 April 2007 April 2011 April 2014 March 2016 March 2019 April 2019 March 2022	Joined CTI Engineering General Manager, Waterworks Engineering Div., Kyushu Office Assistant Managing Principal, Kyushu Office Deputy Chief, Planning Headquarters; General Manager of Corporate Planning Div., Planning Headquarters Executive Officer Managing Executive Officer (present post) Managing Principal, Chubu Office Director (present post), Managing Principal, Kyushu Office and Okinawa Office (present post)	1	18
Director, Managing Executive Officer	Naoki Fujiwara	January 11, 1964	April 1989 April 2007 April 2012 April 2014 April 2016 June 2017 March 2018 April 2019 March 2020 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 Deputy Chief, Planning & Business Development Headquarters Director, CTI Engineering International Co., Ltd. Managing Executive Officer (present post) Director (present post) President and CEO, CTI Engineering International Co., Ltd. (present post)	1	10
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	3

Board member position / Company position	Name	Date of birth	Career	Term of office (Note no.)	Number of shares held (thousand)
Director	Shuichi Ikebuchi	July 5, 1943	February 1979 Professor, Disaster Prevention Research Institute, Kyoto University April 1996 Chief, Water Resources Research Center, Disaster Prevention Research Institute, Kyoto University May 1999 Director, Disaster Prevention Research Institute, Kyoto University October 2004 Director and General Manager, Research Institute, Meteorological Engineering Center, Inc. April 2007 Professor Emeritus, Kyoto University; Research Advisor, Foundation of River & Watershed Environment Management April 2013 Research Fellow, The River Foundation (present post) June 2016 Director, Kinki Construction Association (part-time) (present post) March 2017 Director, CTI Engineering (present post)	1	–
Director	Fumiko Kosao	April 17, 1954	April 1973 Employed by National Tax Agency July 1997 Teacher, Tokyo Training Center, National Tax College July 2011 District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau July 2014 District Director, Nihonbashi Tax Office, Tokyo Regional Taxation Bureau August 2015 Registered as Certified Public Tax Accountant June 2016 Fumiko Kosao Tax Accountant Office (present post) March 2017 External Auditor, TOBISHIMA CORPORATION June 2017 Director, CTI Engineering (present post) July 2020 External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. (present post) June 2023 Outside Director, THE NIPPON ROAD CO., LTD. (present post)	1	–
Director	Yoshihisa Sonobe	October 17, 1956	April 1980 Joined Teijin Limited June 2009 Corporate Officer; Head of Corporate Planning, Teijin Limited April 2011 CFO; General Manager, Accounting and Finance Unit, Teijin Limited April 2014 General Manager, Corporate Strategy Unit, Teijin Limited June 2014 Director, Teijin Limited April 2016 Executive Officer, Teijin Limited April 2017 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 April 2019 Senior Executive Officer; Chief Financial Officer; Teijin Limited April 2020 Representative Director, Teijin Limited April 2021 Director; Part-Time Advisor, Teijin Limited March 2022 Director, CTI Engineering (present post)	1	–
Director	Atsuko Ogasawara	October 6, 1960	April 1983 Joined The Mainichi Newspapers Co., Ltd. April 2006 General Manager, Okayama Bureau, The Mainichi Newspapers Co., Ltd. April 2008 General Manager, Economic Department, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. May 2011 General Manager, Kyoto Bureau, The Mainichi Newspapers Co., Ltd. April 2016 General Manager, General Business Bureau, The Mainichi Newspapers Co., Ltd. May 2017 Director, Japan High School Baseball Federation June 2018 Deputy Representative, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. June 2018 Director, The Daido Life Foundation (present post) April 2020 Executive Director (part-time), National University Corporation Osaka University June 2020 Outside Director, Senshu Ikeda Holdings, Inc. (present post) June 2020 Non-Executive Director (non-full time), The Senshu Ikeda Bank, Ltd. (present post) February 2021 Director, Kansai Innovation Center (present post) March 2023 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	Keizo Mitsuke	August 27, 1961	April 1986 January 1990 June 2009 April 2012 April 2017 April 2020 March 2023	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, CTI Engineering (present post)	2	4
Auditor	Shigeo Nakashita	October 22, 1961	April 1984 April 2003 April 2012 April 2017 March 2021 March 2023	Joined CTI Engineering Manager, Tohoku Geology Office, Geology Center, Headquarters Business Promotion Dept. General Manager, Geo-environment Div., Tokyo Main Office Assistant Managing Principal, Chubu Office Full-time Auditor Auditor (present post)	3	14
Auditor	Yasuro Tanaka	February 9, 1946	April 1971 April 1981 April 1985 April 1994 February 2003 February 2005 March 2009 February 2011 April 2011 March 2015	Appointed as Assistant Judge Judge of Tokyo District Court General Manager, Training Div., United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders General Judge of Tokyo District Court Director of Morioka District and Domestic Relations Courts General Judge of Tokyo High Court Director of Sapporo High Court Registered as attorney Professor at the Meiji University Graduate School of Law Auditor, CTI Engineering (present post)	2	-
Auditor	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 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	2	-
Total						132

- Notes: 1. From March 26, 2024 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2024.
2. 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.
3. From March 25, 2021 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2024.
4. Directors Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara are External Directors.
5. Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa are External Auditors.

6. 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.

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 4 External Directors.

External Director Mr. Shuichi Ikebuchi is an expert in disaster prevention, a field in which business operations are expected to expand in the future. He leverages his extensive experience, broad insight, and global perspectives 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 on management issues, etc. of the Company, based on his specialized knowledge and broad insight as an academic. Therefore, he has been appointed as an External Director.

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.

### 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.

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

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. In addition, the Company concluded a corporate lawyer agreement with External Auditor Mr. Go Ishikawa.

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	10/10
Auditor	Shigeo Nakashita	13/13
External Auditor	Yasuro Tanaka	13/13
External Auditor	Go Ishikawa	13/13

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 attend some of the audits to 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 3 Audit officers and 2 assisting staff members. 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

11 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 8 CPAs and 37 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	55	7	77	2
Consolidated subsidiaries	–	–	–	–
Total	55	7	77	2

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

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. In addition, part of the fixed compensation (monthly compensation) shall be allocated to the acquisition of the Company's shares under the Executive's Stock-sharing Association Program.

### (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, ROE and ESG using the following calculation formula, and shall be resolved at the Board of Directors meeting after deliberation by the Nomination & Compensation Advisory Committee.

	Payment Category	Method of Payment Calculation		
	Monetary bonuses	Payments as short-term incentives	Basic bonus amount	× 50%
Payment as long-term incentive		Basic bonus amount	× 50%	× ROE evaluation coefficient
		Basic bonus amount	× 20%	× ESG evaluation coefficient

#### i) Basic bonus amount

- Set the base bonus amount as fixed remuneration × 3.0 months

#### ii) 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 (10,011 million yen) ÷ Planned consolidated operating income (7,200 million yen) = Operating income achievement rate (139%)

#### iii) 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 (13.4%) over the last three fiscal years ÷ Standard value of 10.0% = ROE achievement rate (134%)

(ROE result for fiscal year ended December 31, 2023: 14.7%)

#### iv) 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 a Representative Director and other Officers in charge 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	290	198	58	34	10
External Directors	30	30	–	–	4
Auditor	34	34	–	–	3
External Auditor	13	13	–	–	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 two Directors and one Auditor who retired upon the expiration of their terms at the conclusion of the 60th Ordinary General Meeting of Shareholders held on March 28, 2023.

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.

For the fiscal year ended December 31, 2023, the Nomination & Compensation Advisory Committee's meetings were held 6 times, and for the fiscal year ending December 31, 2024, the Committee held a meeting on January 30, 2024, to deliberate on the compensation, etc. for Directors.

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.

The Company holds stock only if it deems that the holding is necessary strategically for the purposes of establishing favorable relationships with business partners, conducting smooth and efficient business operations, strengthening future business development, etc., 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	22	2,836

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

Not applicable.

(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	3	117

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)		
	Book value on balance sheet (million yen)	Book value on balance sheet (million yen)		
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)
	175	128		
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)
	30	28		
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)
	7	7		
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)
	294	264		
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
	501	501		
COMSYS Holdings Corporation	-	15,392	-	-
	-	35		
JAPAN FOUNDATION ENGINEERING CO., LTD	23,000	134,000	By leveraging the issuer's strengths in business fields such as ground improvement, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	10	64		
KAWADA technologies, inc.	12,000	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.	Yes (Note 2)
	78	39		
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
	55	40		
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)
	43	36		
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
	195	160		
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
	136	101		
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
	155	153		

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)		
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	21		
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
	98	79		
Founder's Consultants Holdings Inc.	54,917	49,925	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. The number of shares held increased due to a stock split.	Yes (Note 2)
	46	39		
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
	181	186		
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
	91	81		
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
	202	224		
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
	170	121		
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
	142	139		
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)
	141	126		
Maezawa Kasei Industries Co., Ltd.	36,000	36,000	By leveraging the issuer's strengths in the field of water, synergies with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	54	47		
UCHIDA YOKO CO., LTD.	-	3,200	-	-
	-	14		

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, 2023 to December 31, 2023) and the non-consolidated financial statements for the current fiscal year (from January 1, 2023 to December 31, 2023) 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, 2022)	Current consolidated Fiscal Year (as of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and bank deposits	22,589	19,654
Notes receivable, completed work receivables and contract assets	*1 25,979	*1 33,814
Prepaid expenses for uncompleted services	165	107
Other	1,298	1,434
Allowance for doubtful accounts	-500	-624
Total current assets	49,532	54,387
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,560	6,700
Accumulated depreciation	-3,617	-3,750
Buildings and structures, net	2,942	2,949
Machinery and transportation equipment	1,179	1,316
Accumulated depreciation	-948	-1,065
Machinery and transportation equipment, net	231	250
Land	4,787	4,787
Lease assets	440	372
Accumulated depreciation	-253	-234
Lease assets, net	186	137
Right-of-use assets	2,306	3,020
Accumulated depreciation	-1,163	-1,737
Right-of-use assets, net	1,142	1,282
Other	2,965	3,391
Accumulated depreciation	-2,357	-2,577
Other, net	608	813
Total tangible fixed assets	9,899	10,222
Intangible fixed assets		
Lease assets	20	12
Goodwill	4,058	4,266
Other	580	462
Total intangible fixed assets	4,658	4,741
Investments and other assets		
Investment securities	*2 4,205	*2 4,460
Long-term loans receivable from subsidiaries and affiliates	468	639
Deferred tax assets	1,122	876
Net defined benefit asset	1,794	2,961
Other	*2 1,720	*2 1,744
Allowance for doubtful accounts	-106	-119
Total investments and other assets	9,204	10,563
Total fixed assets	23,763	25,526
Total assets	73,296	79,914

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Current consolidated Fiscal Year (as of December 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	2,992	3,018
Short-term borrowings	1,190	1,190
Lease obligations	538	641
Accrued income taxes	2,801	1,123
Contract liabilities	4,547	3,690
Reserve for bonuses	3,240	3,946
Reserve for bonuses to directors	233	272
Allowance for losses in operations	84	111
Provision for warranties for completed operation	82	-
Other	5,973	7,540
<b>Total current liabilities</b>	<b>21,684</b>	<b>21,536</b>
Fixed liabilities		
Long-term borrowings	201	160
Lease obligations	960	887
Provision for warranties for completed operation	574	411
Deferred tax liabilities	120	111
Net defined benefit liability	1,161	867
Asset retirement obligations	258	268
Other	614	575
<b>Total fixed liabilities</b>	<b>3,891</b>	<b>3,283</b>
<b>Total liabilities</b>	<b>25,576</b>	<b>24,820</b>
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,535	3,616
Profit surplus	38,531	44,652
Treasury stock	-14	-939
<b>Total shareholders' equity</b>	<b>45,079</b>	<b>50,354</b>
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,338	1,513
Foreign currency translation adjustment	606	1,593
Remeasurements of defined benefit plans	496	1,425
<b>Total accumulated other comprehensive income</b>	<b>2,441</b>	<b>4,532</b>
Non-controlling interests	198	206
<b>Total net assets</b>	<b>47,719</b>	<b>55,093</b>
<b>Total liabilities and net assets</b>	<b>73,296</b>	<b>79,914</b>

(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, 2022 to December 31, 2022)	Current consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Sales	83,485	93,057
Cost of sales	60,066	65,996
Gross profit	23,419	27,060
Selling, general and administrative expenses	*1, *2 15,401	*1, *2 17,049
Operating income	8,017	10,011
Non-operating revenues		
Interest earned	14	39
Dividend earned	93	100
Insurance dividend earned	-	28
Foreign exchange gains	44	14
Rent earned	38	38
Other	89	57
Total non-operating revenues	280	279
Non-operating expenses		
Interest expense	54	54
Commission paid	2	2
Commission for acquisition of treasury stock	-	24
Expenses for the Company's 60th anniversary project	-	30
Other	5	25
Total non-operating expenses	62	137
Ordinary profit	8,235	10,153
Extraordinary gain		
Gain on sale of non-current assets	-	29
Gain on sale of investment securities	41	59
Other	0	0
Total extraordinary gain	41	89
Extraordinary loss		
Loss from fixed assets disposal	*3 5	*3 37
Allowance for doubtful accounts	-	13
Unrealized loss on investment securities	-	46
Impairment loss	17	-
Other	1	4
Total extraordinary loss	25	102
Net income before income tax	8,252	10,140
Corporation tax, inhabitants taxes and enterprise tax	3,937	2,813
Deferred income taxes etc.	-1,610	-242
Total income taxes	2,327	2,571
Net income	5,924	7,569
Net income attributable to non-controlling interests	49	34
Net income attributable to owners of the parent	5,874	7,534

Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Net income	5,924	7,569
Other comprehensive income		
Other valuation difference on available-for-sale securities	-75	174
Foreign currency translation adjustment	232	994
Remeasurements of defined benefit plans, net of tax	114	929
Total other comprehensive income	*1 271	*1 2,097
Comprehensive income	6,196	9,667
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	6,129	9,625
Comprehensive income attributable to non-controlling interests	67	41

(iii) Statement of Fluctuations in Consolidated Shareholders' Equity  
 Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	3,610	29,861	-13	36,484
Cumulative effects of changes in accounting policies			3,650		3,650
Restated balance reflecting changes in accounting policies	3,025	3,610	33,512	-13	40,134
Changes of items during the period					
Dividends from surplus			-848		-848
Net income attributable to owners of the parent			5,874		5,874
Acquisition of treasury stock				-0	-0
Change in scope of consolidation			-6		-6
Changes in liabilities for written put options over non-controlling interests		-75			-75
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	-75	5,019	-0	4,944
Balance at the end of current period	3,025	3,535	38,531	-14	45,079

(million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,414	391	381	2,187	148	38,820
Cumulative effects of changes in accounting policies						3,650
Restated balance reflecting changes in accounting policies	1,414	391	381	2,187	148	42,470
Changes of items during the period						
Dividends from surplus						-848
Net income attributable to owners of the parent						5,874
Acquisition of treasury stock						-0
Change in scope of consolidation						-6
Changes in liabilities for written put options over non-controlling interests						-75
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)	-75	214	114	254	50	304
Total changes of items during the period	-75	214	114	254	50	5,248
Balance at the end of current period	1,338	606	496	2,441	198	47,719

Current 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 this fiscal year 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

(million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	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 this fiscal year 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

## (iv) Consolidated Cash Flow Statement

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
<b>Cash flow from operating activities</b>		
Net income before income tax	8,252	10,140
Depreciation and amortization	1,227	1,401
Amortization of goodwill	283	305
Increase (decrease) in allowance for doubtful accounts	12	39
Increase (decrease) in net defined benefit liability	98	101
Decrease (increase) in net defined benefit asset	-105	-218
Increase (decrease) in reserve for bonuses	340	682
Increase (decrease) in reserve for bonuses to directors	13	14
Increase (decrease) in allowance for losses in operations	18	58
Increase (decrease) in provision for warranties for completed operation	-344	-312
Increase (decrease) in long-term accounts payable	-7	-
Interest and dividend earned	-107	-140
Interest payable	54	54
Foreign exchange loss (gain)	-39	-24
Commission for purchase of treasury shares	-	24
Unrealized loss (gain) on investment securities	-	46
Loss (gain) from fixed assets disposal	5	12
Loss (gain) on sale of investment securities	-40	-59
Impairment loss	17	-
Decrease (increase) in trade receivables and contract assets	-2,313	-7,027
Decrease (increase) in prepaid expenses for uncompleted services	113	58
Decrease (increase) in other current assets	-176	11
Increase (decrease) in account payable	718	-8
Increase (decrease) in contract liabilities	-837	-1,102
Increase (decrease) in accrued consumption taxes	-908	1,130
Increase (decrease) in other current liabilities	570	136
Other	35	10
<b>Subtotal</b>	<b>6,882</b>	<b>5,334</b>
Received interest and dividend	110	142
Interest payment	-54	-55
Payment of corporation income tax etc.	-3,133	-4,547
<b>Cash flow provided by operating activities</b>	<b>3,804</b>	<b>874</b>
<b>Cash flow from investment activities</b>		
Payments for acquisition of tangible fixed assets	-560	-843
Proceeds from sale of property, plant and equipment	24	143
Payments for acquisition of intangible fixed assets	-100	-127
Payments for acquisition of investment securities	-50	-5
Proceeds from sales of investment securities	118	111
Repayments for loans	-195	-350
Income from loan collection	105	255
Payments for investments in capital	-25	-50
Other payments	-68	-58
Other proceeds	-	13
<b>Cash flow used for investment activities</b>	<b>-752</b>	<b>-912</b>



(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
<b>Cash flow from financial activities</b>		
Net increase (decrease) in short-term borrowings	60	-
Proceeds from long-term borrowings	40	-
Repayments of long-term borrowings	-40	-40
Acquisition of treasury stock	-0	-1,025
Repayments of lease obligations	-478	-662
Dividend payments	-844	-1,408
Dividends paid to non-controlling interests	-17	-33
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-9	-120
Cash flow used for financial activities	-1,291	-3,291
Effect in fluctuation of exchange rate for cash and cash equivalents	184	395
Increase (decrease) in cash and cash equivalents	1,945	-2,934
Opening balance of cash and cash equivalents	20,527	22,589
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	116	-
Closing balance of cash and cash equivalents	*1 22,589	*1 19,654

Notes:

Basic Important Matters for Preparation of Consolidated Financial Statements

1. Consolidation range

(1) Number of consolidated subsidiaries: 23

Names of the major consolidated subsidiaries:

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

(2) Number of non-consolidated subsidiaries: 12

Names of the non-consolidated subsidiaries:

CTI Frontier Co., Ltd.  
Management Techno Co., Ltd.  
CTI Ascend Co., Ltd.  
Kamaishi Solar Power Generation Co., Ltd.  
Kamaishi Naranokidaira Solar Power Generation Co., Ltd.  
CTI REED Co., Ltd.  
CTI Shin Doboku Co., Ltd.  
CTI Wing Co., Ltd.  
CTI Ground Planning Co., Ltd.  
Wuhan CTI-CRSRI Engineering & Environment Co., Ltd.  
CTI Myanmar Co., Ltd.  
CTI 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, surplus and other of the current term do not largely influence the consolidated financial statements.

2. Application of equity method

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

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

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

CTI Frontier Co., Ltd., Management Techno Co., Ltd., CTI Ascend Co., Ltd., Kamaishi Solar Power Generation Co., Ltd., Kamaishi Naranokidaira Solar Power Generation Co., Ltd., CTI REED Co., Ltd., CTI Shin Doboku Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., CTI Myanmar Co., Ltd., CTI 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 and the profit surplus respectively, and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.

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

3. Fiscal year of the consolidated subsidiary

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

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

The Revised Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18 issued on 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 by moving average method.

###### 2) Inventories

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

##### (2) Depreciation and amortization method of important depreciable assets

###### 1) Tangible fixed assets (excluding lease assets 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

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

###### 2) Reserve for bonuses

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

###### 3) Reserve for bonuses to directors

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

###### 4) Allowance for losses in operations

Calculated according to the forecasted losses due to uncompleted services at the end of current consolidated fiscal year

in preparation for future losses related to ordered works.

5) Allowance for compensation for completed work

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

(5) Accounting treatment of retirement benefits obligations

1) Periodic allocation of retirement benefits forecast

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

2) Expense disposal of accounting disparity

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

3) Adoption of the simplified method in SMEs

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

(6) Entry standard of important revenues and expenses

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	4,058 million yen	4,266 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.

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	83,107 million yen	93,049 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.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Standard Implementation Guidance”) from the beginning of the current consolidated fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard Implementation Guidance in accordance with the transitional treatment as set forth in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance. This does not affect the consolidated financial statements. Furthermore, in “Notes on Financial Instruments,” notes on matters regarding the breakdown, etc. of financial instruments according to their fair values have been included. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Application Guidance No. 19, July 4, 2019), among the items in the said notes, items related to the previous consolidated fiscal year have not been listed.

(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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Notes receivable	22 million yen	18 million yen
Completed work receivables	7,288	9,888
Contract assets	18,669	23,906

\*2 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Investment securities (stock)	694 million yen	758 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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	64 million yen	118 million yen
CTI Ascend Co., Ltd. (non-consolidated subsidiary)	–	79
VESTA · CHP Co., Ltd. (affiliate)	209	186
Employees of the Group	20	17
Total	294	401

(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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Wages and allowances	5,060 million yen	5,529 million yen
Bonuses	765	774
Transferred reserve for bonuses	746	1,002
Reserve for bonuses to directors	202	226
Retirement benefits expenses	257	242
Research and investigation expenses	1,112	1,233
Allowance for doubtful accounts	59	71

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

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
	1,112million yen	1,233million yen

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

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Buildings and structures in tangible fixed assets	1 million yen	31 million yen
Other tangible fixed assets	3	3
Other intangible fixed assets	1	2
Total	5	37

## (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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Other valuation difference on available-for-sale securities		
Amount recognized in the period	-58 million yen	304 million yen
Reclassification adjustments to net income	-40	-55
Before tax-effect adjustment	-98	248
Amount of tax effects	23	-74
Other valuation difference on available-for-sale securities	-75	174
Foreign currency translation adjustment		
Amount recognized in the period	232	994
Before tax-effect adjustment	232	994
Foreign currency translation adjustment	232	994
Remeasurements of defined benefit plans, net of tax		
Amount recognized in the period	181	1,472
Reclassification adjustments to net income	-15	-129
Before tax-effect adjustment	166	1,343
Amount of tax effects	-51	-414
Remeasurements of defined benefit plans, net of tax	114	929
Total other comprehensive income	271	2,097



(Statement of Fluctuations in Consolidated Shareholders' Equity)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1. Issued shares

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

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock	19,335	143	–	19,478

Note: The increase in the amount of treasury stock of 143 shares was due to acquisition of shares constituting less than one transaction unit.

3. New share subscription acquisition rights

Not applicable.

4. Dividends

(1) Dividend payment amount

Resolution	Type of Share	Total Dividend Amount (million yen)	Dividend Per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 24, 2022	Common stock	848	60	December 31, 2021	March 25, 2022

(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 28, 2023	Common stock	Profit surplus	1,413	100	December 31, 2022	March 29, 2023

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, 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	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	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.

#### (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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Cash and bank deposit account	22,589million yen	19,654million yen
Cash and cash equivalents	22,589	19,654

#### (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, 2022 to December 31, 2022)

The table below does not include the book values of stocks, etc. that do not have market values (847 million yen of unlisted stocks).

	Book value on the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
Investment securities			
1) Held-to-maturity securities	708	672	-35
2) Available-for-sale securities	2,649	2,649	-

Note 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, 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."

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, 2022)

	Within 1 year (million yen)	Over 1 years but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	22,589	–	–	–
Notes receivable and completed work receivables	7,310	–	–	–
Investment securities				
Held-to-maturity securities				
Corporate bonds	–	208	500	–
Total	29,900	208	500	–

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

	Within 1 year (million yen)	Over 1 years 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	–

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, 2022)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	2,649	–	–	2,649

Current 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				
Stocks	2,838	–	–	2,838

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

Previous Consolidated Fiscal Year (as of December 31, 2022)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Bonds and Notes	–	–	672	672

Current 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

(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, 2022)

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	708	672	-35
	(3) Other	–	–	–
	Subtotal	708	672	-35
Total		708	672	-35

Current 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

## 2. Available-for-sale securities

Previous Consolidated Fiscal Year (as of December 31, 2022)

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	2,608	740	1,867
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	2,608	740	1,867
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	41	51	-9
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	41	51	-9
Total		2,649	791	1,858

Current 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

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

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

Not applicable.

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

Not applicable.

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

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	118	41	1

Current 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	–

5. Securities written down

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

Not applicable.

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

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

(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

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Balance of retirement benefit obligations at the beginning of year	15,311	15,266
Labor costs	1,148	1,127
Interest costs	47	147
Accounting disparity	-911	-679
Retirement benefits paid	-329	-550
Balance of the retirement benefit obligations at the end of year	15,266	15,311

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

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Balance of pension assets at the beginning of year	15,876	16,014
Expected operating profit	317	320
Accounting disparity	-729	793
Contribution from employer	832	858
Retirement benefits paid	-282	-500
Balance of the pension assets at the end of year	16,014	17,485



(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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Funded retirement benefits obligations	14,283	14,597
Pension assets	-16,014	-17,485
	-1,730	-2,888
Unfunded retirement benefits obligations	982	713
Net amount of relevant liabilities and assets on the consolidated balance sheets	-748	-2,174
Net defined benefit liability	982	713
Net defined benefit asset	-1,730	-2,888
Net amount of relevant liabilities and assets on the consolidated balance sheets	-748	-2,174

(4) Retirement benefits costs and related accounting items

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Labor costs	1,148	1,127
Interest costs	47	147
Expected operating profit	-317	-320
Cost disposal amount arising from accounting disparity	-15	-129
Retirement benefits costs under the defined benefit system	862	825

(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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Accounting disparities	166	1,343
Total	166	1,343

(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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Previously unrecognized accounting disparities	718	2,062
Total	718	2,062

(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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Domestic bonds	11%	9%
Domestic stocks	10	12
Foreign bonds	6	7
Foreign stocks	11	14
Life insurance general accounts	54	51
Other	8	7
Total	100	100

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (8% for the previous consolidated fiscal year, and 7% 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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Discount percentage	Primarily 1.0%	Primarily 1.1 %
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, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Balance of net defined benefit liability at the beginning of year	105	115
Retirement benefits costs	125	80
Retirement benefits paid	-29	-21
Contribution to systems	-87	-93
Net amount of relevant benefit liability and asset	115	80
Net defined benefit liability	178	154
Net defined benefit asset	-63	-73
Net amount of relevant benefit liability and asset	115	80

(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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Funded retirement benefits obligations	1,025	1,071
Pension assets	-910	-991
	115	80
Unfunded retirement benefits obligations	-	-
Net amount of relevant liabilities and assets on the consolidated balance sheets	115	80
Net defined benefit liability	178	154
Net defined benefit asset	-63	-73
Net amount of relevant liabilities and assets on the consolidated balance sheets	115	80

(3) Retirement benefits costs

Retirement benefits costs calculated using the simplified method

Previous Consolidated Fiscal Year 125 million yen  
Current Consolidated Fiscal Year 80 million yen

4. Defined Contribution System

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

Previous Consolidated Fiscal Year 277 million yen  
Current Consolidated Fiscal Year 335 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 166 million yen for the previous consolidated fiscal year and 176 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, 2022	Current Consolidated Fiscal Year As of March 31, 2023
Pension assets	93,421	92,768
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	71,564	72,477
Balance	21,856	20,291

2) Surveying & Design Enterprises Multi Employers Pension Fund

(million yen)

	Previous Consolidated Fiscal Year As of March 31, 2022	Current Consolidated Fiscal Year As of March 31, 2023
Pension assets	63,939	61,549
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	47,175	47,138
Balance	16,763	14,410

(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 8.52% (from April 1, 2021 to March 31, 2022)

Current Consolidated Fiscal Year 8.66% (from April 1, 2022 to March 31, 2023)

2) Surveying & Design Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year 0.38% (from April 1, 2021 to March 31, 2022)

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

(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 (1,502 million yen for the previous consolidated fiscal year and 1,162 million yen for the current consolidated fiscal year) and surplus brought forward (-23,359 million yen for the previous consolidated fiscal year and -21,453 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method, with an amortization period of 5 years in the previous consolidated fiscal year, and an amortization period of 3 years in the current consolidated fiscal year. A special premium (26 million yen for the previous consolidated fiscal year and 28 million yen for the current consolidated fiscal year) was amortized in the consolidated financial statements.

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

2) Surveying & Design Enterprises Multi Employers Pension Fund

Major reason for the balance described in (1) above was surplus brought forward (-16,763 million yen for the previous consolidated fiscal year and -14,410 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.

(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, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Deferred tax assets		
Accrued enterprise tax	178 million yen	104 million yen
Allowance for losses in operations	29	36
Provision for warranties for completed operation	25	–
Reserve for bonuses	942	1,165
Social insurance premiums for bonuses	144	173
Net defined benefit liability	431	245
Unrealized loss of securities	76	76
Asset retirement obligations	86	85
Loss brought forward	238	146
Other	540	527
Subtotal	2,694	2,562
Allowance account	-750	-504
Total	1,944	2,057
Deferred tax liabilities		
Net defined benefit asset	271	532
Tangible fixed assets	65	75
Other valuation difference on available-for-sale securities	519	593
Other	86	90
Total	942	1,292
Net of deferred tax assets	1,001	765

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

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Current Consolidated Fiscal Year (as of December 31, 2023)
Legal effective tax rate	30.62%	30.62%
(Adjustment)		
No entry of loss from entertainment expense, etc.	0.61	0.51
Per capita inhabitant tax	1.20	0.95
No entry of profit from dividends earned etc.	-0.06	-0.04
Tax credit of experiment and research expenses	-0.62	-0.42
Tax credit of tax system for promotion of wage increases	–	-4.77
Tax credit of tax system for promotion of securing human resources	-2.78	–
No entry of loss from bonuses to directors	0.18	0.21
Amortization of goodwill	1.05	0.92
Increase/decrease in allowance account	-0.46	-2.60
Other	-1.54	-0.02
Bearing rate of corporation tax or the like after application of tax effect accounting	28.20	25.36

(Notes on Revenue Recognition)

1. Breakdown of revenue from contracts with customers

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Goods and services transferred at a point in time	378	–	378
Goods and services transferred over a period of time	57,781	25,325	83,107
Revenue from contracts with customers	58,160	25,325	83,485
Other revenue	–	–	–
Sales to outside customers	58,160	25,325	83,485

Current 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

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, 2022 to December 31, 2022)

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

	Current Consolidated Fiscal Year (as of December 31, 2022)
Receivables arising from contracts with customers (Balance at beginning of period)	9,113
Receivables arising from contracts with customers (Balance at end of period)	7,310
Contract assets (Balance at beginning of period)	14,191
Contract assets (Balance at end of period)	18,669
Contract liabilities (Balance at beginning of period)	5,324
Contract liabilities (Balance at end of period)	4,547

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 4,787 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:

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Transaction price allocated to remaining performance obligations	39,727	25,034	64,761

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 six 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 seven years.

Current 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:

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
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.

(Segment Information)

Segment Information

1. Outline of reportable segments

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

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

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



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

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

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

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

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(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	58,160	25,325	83,485	–	83,485
Inter-segment sales or transfers	41	27	68	-68	–
Total	58,201	25,352	83,554	-68	83,485
Segment income	6,885	1,131	8,016	1	8,017
Segment assets	54,519	19,627	74,147	-850	73,296
Other items					
Depreciation	740	486	1,227	–	1,227
Amortization of goodwill	–	283	283	–	283

Notes: 1. Adjustments to inter-segment sales or transfers (-68 million yen), adjustments to segment income (1 million yen), and adjustments to segment assets (-850 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, 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.

## Relevant Information

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

### 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		
58,277	3,634	18,077	1,682	1,813	83,485

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		
8,418	0	1,275	123	82	9,899

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	29,532	Domestic consulting engineering business

Current 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

(million yen)					
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

(million yen)

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

(million yen)

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

## Impairment losses on fixed assets by reportable segments

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Impairment losses	17	–	–	17

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

Not applicable.

## Amortized amount and unamortized balance of goodwill by reportable segments

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	–	283	–	283
Balance at the end of current period	–	4,058	–	4,058

Current 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

Gain on negative goodwill by reportable segments

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

Not applicable.

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

Not applicable.

Information on related parties

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

Not applicable.

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

Not applicable.

(Notes on Investment and Rental Property)

Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)

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

Current 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.

(Information per Share)

	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Net assets per share	3,360.83 yen	3,958.89 yen
Net income per share	415.49 yen	542.13 yen

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

2. Basis of calculation of net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Consolidated Fiscal Year (from January 1, 2023 to December 31, 2023)
Net income attributable to owners of the parent (million yen)	5,874	7,534
Amounts not belonging to ordinary shareholders (million yen)	–	–
Net income attributable to owners of the parent related to common shares (million yen)	5,874	7,534
Average number of common shares for the entire fiscal year (shares)	14,139,660	13,898,060

(Significant Subsequent Event)

Not applicable.

## (v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

## Specifications about borrowings

Category	Current term opening balance (million yen)	Current term closing balance (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	1,150	1,150	0.5	–
Long-term borrowings to be repaid within 1 year	40	40	0.5	–
Lease obligations to be repaid within 1 year	538	641	–	–
Long-term borrowings except those to be repaid within 1 year	201	160	0.5	2026 to 2033
Lease obligations except those to be repaid within 1 year	960	887	–	2025 to 2028
Other Interest-bearing Liabilities	–	–	–	–
Total	2,892	2,880	–	–

- 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	40	31	26
Lease obligations	475	354	52	4

## Specifications about asset retirement obligations

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

## (2) Other

## Quarterly financial information for the current consolidated fiscal year

(Cumulative period)	Three months ended March 31, 2023	First half ended June 30, 2023	Nine months ended September 30, 2023	Current consolidated fiscal year
Sales (million yen)	24,760	47,623	69,015	93,057
Net income before income tax (million yen)	3,779	7,299	8,441	10,140
Net income attributable to owners of the parent (million yen)	2,770	5,289	6,122	7,534
Net income per share (yen)	197.83	379.67	440.16	542.13

(Fiscal period)	First quarter from January 1, 2023 to March 31, 2023	Second quarter from April 1, 2023 to June 30, 2023	Third quarter from July 1, 2023 to September 30, 2023	Fourth quarter from October 1, 2023 to December 31, 2023
Net income per share (yen)	197.83	181.76	60.07	101.86

## 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, 2022)	Current Fiscal Year (as of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and bank deposits	17,057	14,816
Notes receivable, completed work receivables and contract assets	14,777	20,561
Prepaid expenses for uncompleted services	86	16
Advance payment	327	405
Short-term loans	*1 1,895	*1 2,049
Other	103	115
<b>Total current assets</b>	<b>34,247</b>	<b>37,964</b>
Fixed assets		
Tangible fixed assets		
Buildings	5,391	5,620
Accumulated depreciation	-2,822	-2,950
Buildings, net	2,568	2,669
Structures	763	771
Accumulated depreciation	-627	-636
Structures, net	136	134
Machinery and equipment	328	310
Accumulated depreciation	-241	-229
Machinery and equipment, net	87	80
Furniture and fixtures	1,526	1,789
Accumulated depreciation	-1,198	-1,304
Furniture and fixtures, net	327	485
Land	4,787	4,787
Lease assets	219	148
Accumulated depreciation	-133	-87
Lease assets, net	85	60
<b>Total tangible fixed assets</b>	<b>7,992</b>	<b>8,219</b>
Intangible fixed assets		
Leasehold	16	16
Software	482	349
Telephone rights	22	22
Lease assets	1	0
<b>Total intangible fixed assets</b>	<b>522</b>	<b>389</b>

(million yen)

	Previous Fiscal Year (as of December 31, 2022)	Current Fiscal Year (as of December 31, 2023)
<b>Investments and other assets</b>		
Investment securities	3,492	3,677
Shares in subsidiaries and affiliates	8,078	8,142
Investments	115	153
Long-term loans	*1 468	*1 639
Long-term prepaid expenses	15	15
Deferred tax assets	1,152	1,331
Lease and guarantee deposit	*1 1,318	1,273
Prepaid pension cost	1,088	1,288
Other	6	3
Allowance for doubtful accounts	-106	-119
Total investments and other assets	15,629	16,406
Total fixed assets	24,145	25,015
Total assets	58,392	62,979
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for services	*1 2,408	*1 2,371
Lease obligations	39	29
Accounts payable	471	717
Accrued income taxes	2,439	984
Accrued consumption taxes	-	1,093
Accrued expenses	1,378	1,595
Contract liabilities	2,227	1,296
Deposits received	765	919
Revenue received in advance	16	17
Asset retirement obligations	15	-
Reserve for bonuses	2,748	3,459
Reserve for bonuses to directors	37	58
Allowance for losses in operations	24	97
Provision for warranties for completed operation	82	-
Other	-	0
Total current liabilities	12,655	12,642
<b>Fixed liabilities</b>		
Lease obligations	50	34
Reserve for retirement benefits	1,054	1,174
Asset retirement obligations	191	200
Other	3	3
Total fixed liabilities	1,299	1,413
Total liabilities	13,955	14,055

(million yen)

	Previous Fiscal Year (as of December 31, 2022)	Current Fiscal Year (as of December 31, 2023)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus		
Capital reserve	4,122	4,122
Other capital surplus	-	0
Total capital surplus	4,122	4,122
Profit surplus		
Profit reserve	176	176
Other profit surplus		
General reserve	8,700	8,700
Profit surplus brought forward	27,086	32,325
Total profit surplus	35,963	41,202
Treasury stock	-14	-939
Total shareholders' equity	43,097	47,410
Valuation and translation differences		
Other valuation difference on available-for-sale securities	1,338	1,513
Total valuation and translation adjustment	1,338	1,513
Total net assets	44,436	48,924
Total liabilities and net assets	58,392	62,979



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

(million yen)

	Previous Fiscal Year (from January 1, 2022 to December 31, 2022)	Current Fiscal Year (from January 1, 2023 to December 31, 2023)
Sales	*1 51,359	*1 57,439
Cost of sales	*1 35,006	*1 38,150
Gross profit	16,353	19,288
Selling, general and administrative expenses	*2 9,647	*2 10,725
Operating income	6,705	8,563
Non-operating revenues		
Interest earned	*1 17	*1 19
Dividend earned	*1 190	*1 286
Interest from securities	4	4
Rent earned	*1 101	*1 101
Other	70	66
Total non-operating revenues	384	478
Non-operating expenses		
Commission paid	2	2
Rental expenses	54	54
Commission for acquisition of treasury stock	-	24
Expenses for the Company's 60th anniversary project	-	30
Other	9	17
Total non-operating expenses	66	129
Ordinary profit	7,024	8,912
Extraordinary gain		
Gain on sale of investment securities	41	59
Other	-	0
Total extraordinary gain	41	59
Extraordinary loss		
Loss from fixed assets disposal	*3 5	*3 37
Unrealized loss on shares in subsidiaries and affiliates	-	36
Allowance for doubtful accounts	-	13
Other	1	4
Total extraordinary loss	7	92
Net income before income tax	7,058	8,880
Corporation tax, inhabitants tax and enterprise tax	3,364	2,481
Deferred income taxes etc.	-1,472	-253
Total income taxes	1,891	2,228
Net income	5,167	6,652

Specifications for Cost of Sales

Category	Note No.	Previous Fiscal Year (from January 1, 2022 to December 31, 2022)		Current Fiscal Year (from January 1, 2023 to December 31, 2023)		Ratio (%)
		Amount (million yen)		Amount (million yen)		
I Labor cost						
1. Salaries		11,132		12,346		
2. Bonuses		2,162		2,430		
3. Provision of reserve for bonuses		2,037		2,534		
4. Retirement benefits expenses		632		609		
5. Other		2,608	18,573	2,892	20,814	54.7
II Amount paid to subcontractors			11,796		12,042	31.6
III Expenses						
1. Traveling expenses		749		990		
2. Printing and copying expenses		309		362		
3. Expendables cost		452		563		
4. Rents		1,796		2,036		
5. Depreciation		167		187		
6. Provision of allowance for losses in operations		11		73		
7. Allowance for provision for warranties for completed operation		-115		-82		
8. Other		1,111	4,483	1,092	5,224	13.7
Current general business expenses			34,853		38,081	100.0
Opening prepaid expenses for uncompleted services			239		86	
Total			35,092		38,167	
Closing prepaid expenses for uncompleted services			86		16	
Current cost of sales			35,006		38,150	

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

(iii) Statement of Fluctuations in Shareholders' Equity  
 Previous Fiscal Year (from January 1, 2022 to December 31, 2022)

(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	-	4,122	176	8,700	19,720	28,597
Cumulative effects of changes in accounting policies							3,047	3,047
Restated balance reflecting changes in accounting policies	3,025	4,122	-	4,122	176	8,700	22,768	31,644
Changes of items during the period								
Dividends from surplus							-848	-848
Net income							5,167	5,167
Acquisition of treasury stock								
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)								
Total changes of items during the period	-	-	-	-	-	-	4,318	4,318
Balance at the end of current period	3,025	4,122	-	4,122	176	8,700	27,086	35,963

(million yen)

	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	-13	35,731	1,414	1,414	37,146
Cumulative effects of changes in accounting policies		3,047			3,047
Restated balance reflecting changes in accounting policies	-13	38,779	1,414	1,414	40,193
Changes of items during the period					
Dividends from surplus		-848			-848
Net income		5,167			5,167
Acquisition of treasury stock	-0	-0			-0
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			-75	-75	-75
Total changes of items during the period	-0	4,318	-75	-75	4,242
Balance at the end of current period	-14	43,097	1,338	1,338	44,436

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

(million yen)

	Shareholders' equity							
	Capital	Capital surplus			Profit surplus			
		Capital reserve	Other capital surplus	Total capital surplus	Profit reserve	Other profit surplus		Total profit surplus
						General reserve	Profit surplus brought forward	
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

(million yen)

	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

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.

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, regarding the real value of Waterman Group Plc's stock which reflects its excess earning power, etc., after an evaluation was conducted, as described in "Notes (Important Accounting Estimates)" of the consolidated financial statements, it was deemed that there was no significant decline in the real value. Therefore, 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.

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	51,357 million yen	57,439 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 Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Standard Implementation Guidance”) from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard Implementation Guidance in accordance with the transitional treatment as set forth in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance. This does not affect the non-consolidated financial statements.



(Notes on Balance Sheet)

\*1 Assets and liabilities for subsidiaries and affiliates

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

	Previous Fiscal Year (as of December 31, 2022)	Current Fiscal Year (as of December 31, 2023)
Shot-term monetary claims	1,913 million yen	2,103 million yen
Shot-term monetary debts	574	463
Long-term monetary claims	366	639

2 Warranty for liabilities

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

	Previous Fiscal Year (as of December 31, 2022)	Current Fiscal Year (as of December 31, 2023)
CTI Frontier Co., Ltd. (non-consolidated subsidiary)	64 million yen	118 million yen
CTI Ascend Co., Ltd. (non-consolidated subsidiary)	–	79
VESTA·CHP Co., Ltd. (affiliate)	209	186
Employees of the Group	20	17
Total	294	401

(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, 2022 to December 31, 2022)	Current Fiscal Year (from January 1, 2023 to December 31, 2023)
Turnover of operating transactions		
Sales	95 million yen	104 million yen
Subcontractor cost	2,047	1,930
Other operating transactions	113	111
Turnover of transactions other than operating transactions	229	322

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

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

	Previous Fiscal Year (From January 1, 2022 to December 31, 2022)	Current Fiscal Year (from January 1, 2023 to December 31, 2023)
Wages and allowances	2,991 million yen	3,268 million yen
Transferred reserve for bonuses	640	885
Reserve for bonuses to directors	37	58
Retirement benefits expenses	155	151
Depreciation and amortization	143	169
Research and investigation expenses	1,086	1,209

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

	Previous Fiscal Year (From January 1, 2022 to December 31, 2022)	Current Fiscal Year (from January 1, 2023 to December 31, 2023)
Buildings	1 million yen	31 million yen
Furniture and fixtures	3	3
Software	1	2
Total	5	37

(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, 2022)	Current Fiscal Year (as of December 31, 2023)
Shares in subsidiaries	8,028 million yen	8,092 million yen
Shares in subsidiaries and affiliates	50	50
Total	8,078	8,142

(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, 2022)	Current Fiscal Year (as of December 31, 2023)
Deferred tax assets		
Accrued enterprise tax	157 million yen	98 million yen
Allowance for losses in operations	7	29
Provision for warranties for completed operation	25	–
Reserve for bonuses	841	1,059
Social insurance premiums for bonuses	125	154
Reserve for retirement benefits	400	376
Allowance for doubtful accounts	–	36
Unrealized loss of securities	76	76
Asset retirement obligations	63	61
Officers' stock compensation expenses	–	17
Other	305	334
Subtotal	2,003	2,246
Allowance account	-292	-281
Total	1,710	1,964
Deferred tax liabilities		
Tangible fixed assets	38	39
Other valuation difference on available-for-sale securities	519	593
Total	557	632
Net of deferred tax assets	1,152 million yen	1,331 million yen

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

	Previous Fiscal Year (as of December 31, 2022)	Current Fiscal Year (as of December 31, 2023)
Legal effective tax rate	30.62%	30.62%
(Adjustment)		
No entry of loss from entertainment expense etc.	0.04	0.06
Per capita inhabitant tax	1.17	0.90
No entry of profit from dividend earned etc.	-0.49	-0.69
Tax credit of experiment and research expenses	-0.72	-0.48
Tax credit of tax system for promotion of wage rises	–	-5.30
Tax credit of tax system for promotion of securing human resources	-3.25	–
No entry of loss from bonuses to directors	0.18	0.20
Increase/decrease in allowance account	-0.24	-0.12
Other	-0.51	-0.10
Bearing rate of corporation tax or the like after application of tax effect accounting	26.80	25.09

(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)

Not applicable.

## (iv) Supplemental specifications

## Specifications of tangible fixed assets and other

Type of assets	Opening balance (million yen)	Increase during the year (million yen)	Decrease during the year (million yen)	Depreciation or amortization in the current term (million yen)	Closing balance (million yen)	Accumulated depreciation or amortization (million yen)
Tangible fixed assets						
Buildings	2,568	322	36	184	2,669	2,950
Structures	136	7	–	9	134	636
Machinery and equipment	87	–	0	6	80	229
Furniture and fixtures	327	323	3	162	485	1,304
Land	4,787	–	–	–	4,787	–
Lease assets	85	14	–	39	60	87
Total tangible fixed assets	7,992	668	39	402	8,219	5,208
Intangible fixed assets						
Leasehold	16	–	–	–	16	–
Software	482	93	2	222	349	–
Telephone rights	22	–	–	–	22	–
Lease assets	1	–	–	0	0	–
Other	–	–	–	–	–	–
Total intangible fixed assets	522	93	2	223	389	–

## 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	106	119	106	119
Reserve for bonuses	2,748	3,459	2,748	3,459
Reserve for bonuses to directors	37	58	37	58
Allowance for losses in operations	24	97	24	97
Provision for warranties for completed operation	82	–	82	–
Reserve for retirement benefits	1,054	164	45	1,174

## (2) Details of major assets/liabilities

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

## (3) Other

Not applicable.

## CHAPTER 6: SHAREHOLDER RELATED INFORMATION

Fiscal year	January 1 to December 31
Ordinary general meeting of shareholders	In March
Record date	December 31
Record date of dividends from surplus	June 30, December 31
Unit of shares	100 shares
Purchase of shares below one unit of shares	
Place of purchase	(Special Account) Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	(Special Account) Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Service office	—
Service charge for purchase	Free of charge
Media of public notice	The Company's notices are published on its website. However, where due to unforeseen circumstances website publication is not possible, notices will be published in the Nihon Keizai Shimbun. The Company's website for public notices is as follows: <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 (60th fiscal year) (from January 1, 2022 to December 31, 2022)

Submitted to the director of the Kanto Local Finance Bureau on March 29, 2023.

(2) Internal Control Report

Submitted to the director of the Kanto Local Finance Bureau on March 29, 2023.

(3) Quarterly Report and confirmation note

(First quarter of 61st fiscal year) (from January 1, 2023 to March 31, 2023)

Submitted to the director of the Kanto Local Finance Bureau on May 12, 2023.

(Second quarter of 61st fiscal year) (from April 1, 2023 to June 30, 2023)

Submitted to the director of the Kanto Local Finance Bureau on August 14, 2023.

(Third quarter of 61st fiscal year) (from July 1, 2023 to September 30, 2023)

Submitted to the director of the Kanto Local Finance Bureau on November 13, 2023.

(4) Extraordinary Report

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

Submitted to the director of the Kanto Local Finance Bureau on March 29, 2023.

The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 4 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the director of the Kanto Local Finance Bureau on January 15, 2024.

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.

(5) Share Buyback Report

Share Buyback Report subject to the provisions of Article 24-6, Paragraph 1 of the Financial Instruments and Exchange Act

Submitted to the director of the Kanto Local Finance Bureau on April 11, 2023.

Submitted to the director of the Kanto Local Finance Bureau on May 12, 2023.

Submitted to the director of the Kanto Local Finance Bureau on June 12, 2023.

Submitted to the director of the Kanto Local Finance Bureau on July 12, 2023.

Submitted to the director of the Kanto Local Finance Bureau on August 7, 2023.

Part 2: SURETY COMPANY INFORMATION

Not applicable.







