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.

SECURITIES REPORT

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

Fiscal Year (63rd Term)

(from January 1, 2025 to December 31, 2025)

CTI Engineering Co., Ltd.

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

(941-172)

63rd Term (from January 1, 2025 to December 31, 2025)

SECURITIES REPORT

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

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

CTI Engineering Co., Ltd.

Contents

63rd Term SECURITIES REPORT

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 26, 2026
Fiscal Year	63rd term (from January 1, 2025 to December 31, 2025)
Company name	CTI Engineering Co., Ltd.
Representative	Tatsuya Nishimura, Representative Director and President, CEO
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Telephone	+81-3-3668-4125
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Place Available for Public Inspection	Osaka Head Office of CTI Engineering Co., Ltd. (6-7, Doshomachi 1-chome, Chuo-ku, Osaka) Chubu Office of CTI Engineering Co., Ltd. (5-13, Nishiki 1-chome, Naka-ku, Nagoya) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

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Part 1: CORPORATE INFORMATION

CHAPTER 1: GENERAL

1. Changes in Major Management Indices

(1) Consolidated management indices of the Company

Fiscal year		59th term	60th term	61st term	62nd term	63rd term
Fiscal year-end		December 2021	December 2022	December 2023	December 2024	December 2025
Sales amount	(million yen)	74,409	83,485	93,057	97,678	101,038
Ordinary profit	(million yen)	7,118	8,235	10,153	9,535	9,350
Net income attributable to owners of the parent	(million yen)	4,471	5,874	7,534	6,746	5,952
Comprehensive income	(million yen)	6,082	6,196	9,667	8,595	7,639
Net assets	(million yen)	38,820	47,719	55,093	61,674	66,815
Total assets	(million yen)	71,880	73,296	79,914	87,694	96,344
Net assets per share	(yen)	1,367.49	1,680.41	1,979.45	2,213.71	2,412.45
Net income per share	(yen)	158.13	207.75	271.06	243.10	214.45
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	–
Net worth ratio	(%)	53.8	64.8	68.7	70.1	69.1
Profit ratio of net worth	(%)	12.3	13.1	14.7	11.6	9.3
Price earnings ratio	(times)	7.90	7.73	9.70	10.12	13.86
Cash flow from operating business activities	(million yen)	5,344	3,804	874	2,410	5,768
Cash flow from investment activities	(million yen)	-671	-752	-912	-5,658	-612
Cash flow from financial activities	(million yen)	-1,128	-1,291	-3,291	-2,111	-5,092
Closing balance of cash and cash equivalents	(million yen)	20,527	22,589	19,654	14,670	15,093
Number of employees (plus average number of temporary employees)	(persons)	3,359 (1,078)	3,716 (1,094)	3,830 (1,109)	3,966 (1,106)	4,087 (1,108)

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

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

3. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. Net assets per share and net income per share have been calculated on the premise that the stock split was conducted at the beginning of the 59th term.

(2) Non-consolidated Management Indices of the Company

Fiscal year		59th term	60th term	61st term	62nd term	63rd term
Fiscal year-end		December 2021	December 2022	December 2023	December 2024	December 2025
Sales amount	(million yen)	48,591	51,359	57,439	59,405	60,969
Ordinary profit	(million yen)	6,085	7,024	8,912	8,932	8,947
Net income	(million yen)	3,922	5,167	6,652	6,532	5,908
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	28,318,172
Net assets	(million yen)	37,146	44,436	48,924	53,720	57,043
Total assets	(million yen)	57,510	58,392	62,979	67,383	72,267
Net assets per share	(yen)	1,313.53	1,571.35	1,764.39	1,935.13	2,068.47
Cash dividend per share (Interim dividend per share)	(yen)	60.00 (–)	100.00 (–)	150.00 (–)	150.00 (–)	75.00 (–)
Net income per share	(yen)	138.69	182.71	239.33	235.41	212.88
Net income per share after adjustment of potential shares	(yen)	–	–	–	–	—
Net worth ratio	(%)	64.6	76.1	77.7	79.7	78.9
Profit ratio of net worth	(%)	11.1	12.2	14.3	12.7	10.7
Price earnings ratio	(times)	9.01	8.78	10.99	10.45	13.96
Dividend payout ratio	(%)	21.6	27.4	31.3	31.9	35.2
Number of employees (plus average number of temporary employees)	(persons)	1,815 (520)	1,912 (531)	2,023 (564)	2,151 (588)	2,263 (599)
Total shareholder return (Comparative indicator: TOPIX Net Total Return Index)	(%) (%)	107.4 (112.7)	141.5 (110.0)	233.9 (141.1)	226.0 (169.9)	275.3 (213.2)
Highest stock price	(yen)	2,861	3,450	5,330	3,060 (6,120)	3,575
Lowest stock price	(yen)	2,204	2,106	2,930	1,955 (3,910)	2,044

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

2. The highest and lowest stock prices on and before April 3, 2022 are those recorded on the First Section of the Tokyo Stock Exchange. The highest and lowest stock prices on and after April 4, 2022 are those recorded on the Prime Market of the Tokyo Stock Exchange.
3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020), etc. have been applied from the beginning of the 60th term. Accordingly, the major management indices for the 60th and subsequent terms are stated after applying the above accounting standards, etc.
4. The Company conducted a 2-for-1 stock split of its common shares, effective January 1, 2025. Net assets per share and net income per share have been calculated on the premise that the stock split was conducted at the beginning of the 59th term. The dividend amounts presented above are the actual dividend amounts prior to this stock split. The total shareholder return was calculated taking into account the impact of the stock split.
5. The dividend amount of 75.00 yen per share for the 63rd fiscal year is subject to resolution at the Ordinary General Meeting of Shareholders to be held on March 27, 2026.
6. For the stock prices for the 62nd term, the highest and lowest stock prices after the stock split are presented, with the highest and lowest stock prices prior to the stock split presented in brackets.

2. Chronology

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

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

Date	Outline
April 1963	Established “Kensetsu Giken KK” in Ginza-nishi (Ginza 3-chome at present), Chuo-ku, Tokyo to conduct engineering consulting business
April 1963	Started business at the Head Office and Osaka Office in Minami-ku (Chuo-ku at present), Osaka at the same time as company establishment
February 1964	Changed trading name to “KK Kensetsu Gijutsu Kenkyujo (= CTI Engineering Co., Ltd.)”
December 1964	Registered at the Ministry of Construction as a construction consultant (No. 39-133)
June 1967	Opened Fukuoka Liaison Office (Kyushu Office at present) in Fukuoka-shi, Fukuoka
April 1969	Moved the Head Office to Nihombashi-koamicho, Chuo-ku, Tokyo
September 1973	Moved the Head Office to Nihombashi-honcho, Chuo-ku, Tokyo
January 1975	Opened Overseas Project Office (CTI Engineering International Co., Ltd. at present) in the Head Office to increase the number of oversea project orders
April 1976	Opened Sendai Liaison Office (Tohoku Office at present) in Sendai, Miyagi
September 1976	Opened Nagoya Liaison Office (Chubu Office at present) in Nakamura-ku, Nagoya
April 1977	Opened Hiroshima Liaison Office (Chugoku Office at present) in Hiroshima-shi, Hiroshima
July 1980	Opened Okinawa Liaison Office (Okinawa Office at present) in Urazoe-shi, Okinawa
April 1983	Opened Niigata Liaison Office (Hokuriku Office at present) in Niigata-shi, Niigata and Takamatsu Liaison Office (Shikoku Office at present) in Takamatsu-shi, Kagawa
December 1983	Established “CTI Chousasekkei KK” (CTI 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. (Changed trading name to “CTI Frontier Co., Ltd.”) was established to specialize in training, the conducting of seminars, and other businesses.
May 2005	In the company’s 60th year of operations, the head office was relocated to Nihombashi Hamacho, Chuo-ku, Tokyo.
June 2006	On June 1, 2006, the Fukuoka Association of Land Readjustment transferred its commercial operations to the Company's wholly owned subsidiary, Fukuoka Land Readjustment Co., Ltd. (Newly founded and started operation on June 1, 2006) (presently Japan Urban Engineering Co., Ltd.)
January 2008	Established Wuhan CTI-CRSRI Engineering & Environment Co., Ltd. to implement environmental consulting services with Changjiang River Scientific Research Institute
October 2010	The Company’s wholly owned subsidiary, Chi-ken Sogo Consultants Co., Ltd., absorbed the construction consultant business of SUMIKO CONSULTANTS CO., LTD. (presently Sumiko Resources Exploration & Development Co., Ltd.) and started operations.
March 2014	Established CTI Myanmar Co., Ltd. to implement engineering consulting services jointly with Duwun Export & Import Co., Ltd.
July 2015	Environmental Research & Solutions Co., Ltd. started its operations as the Company’s wholly owned subsidiary, after receiving a share transfer from UNITIKA LTD.
November 2015	NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. started operations as the Company’s wholly owned subsidiary by way of a share transfer in the form of an incorporation-type company split.
June 2017	Waterman Group Plc started operations as the Company’s wholly owned subsidiary by way of a takeover bid.
October 2020	Acquired additional shares of the Company’s consolidated subsidiary CTI Engineering International Co., Ltd., and converted it into a wholly owned subsidiary
April 2021	Established a second-tier subsidiary of the Company CTI Pilipinas, Inc. in the Philippines as the location of local production and human resources cultivation in Asia
April 2021	The Company’s consolidated subsidiary CTI Engineering International Co., Ltd. acquired all shares of CTI Myanmar Co., Ltd. and converted it into a wholly owned subsidiary (a wholly owned second-tier subsidiary of the Company), and the joint venture between the Company and Duwun Export & Import Co., Ltd. was dissolved.
April 2022	Transitioned from the First Section to the Prime Market of the Tokyo Stock Exchange due to a restructuring of the said exchange’s market divisions
January 2023	Established CTI Ascend Co., Ltd., a subsidiary of the Company aimed at production and sales of alcoholic beverages
June 2024	Acquired shares of Yuasa Consultant Co., Ltd. and made it a wholly owned subsidiary
November 2024	Acquired shares of HIROKEN CONSULTANTS Co., Ltd. and made it a wholly owned subsidiary
July 2025	Dissolved capital relationship by transferring all shares of CTI Frontier Inc.

3. Business Contents

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

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

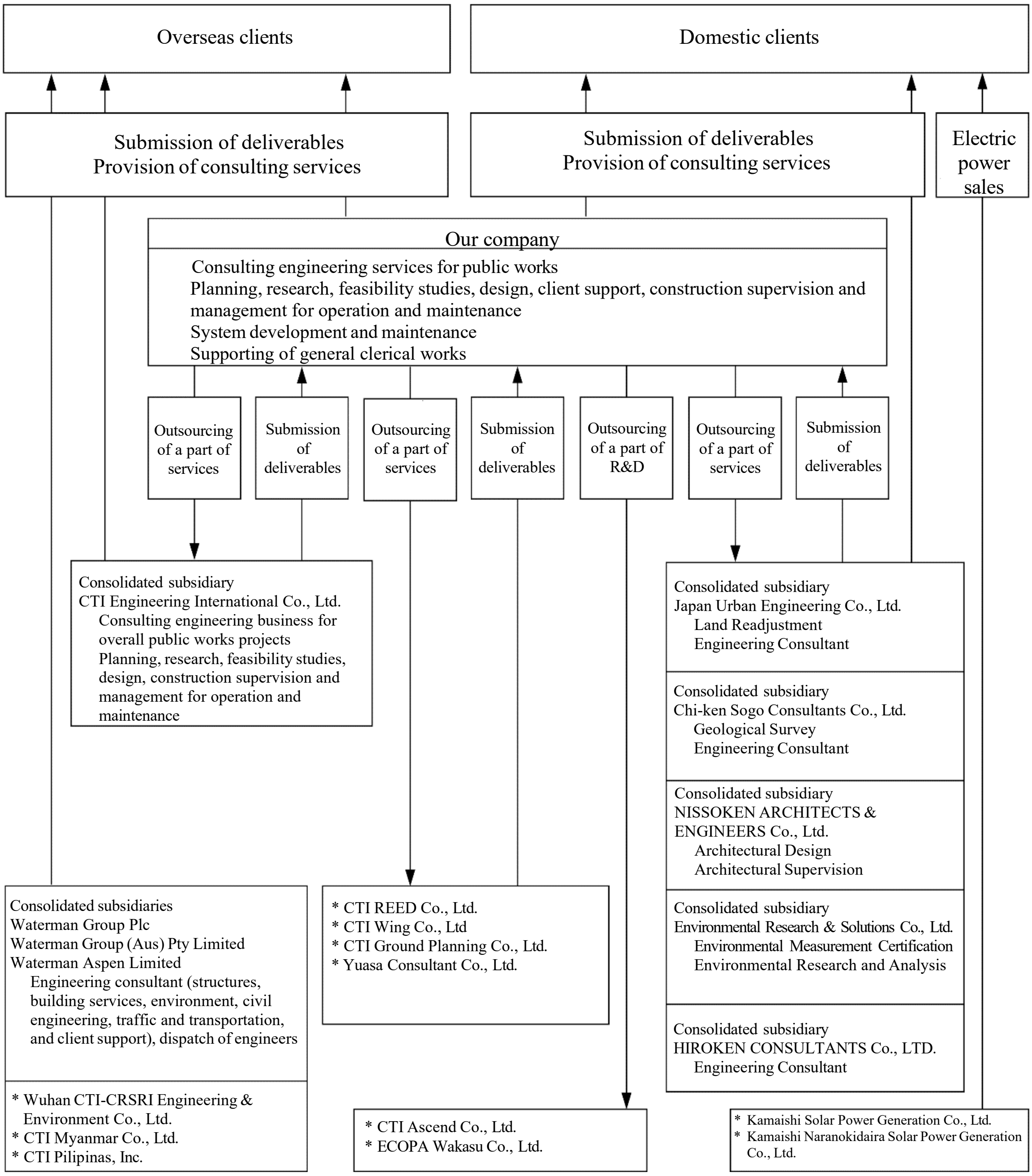
(i) Domestic consulting engineering business

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

(ii) Overseas consulting engineering business

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

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



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

4. Situation of Consolidated Subsidiaries

Company name	Address	Capital	Major business contents	Voting right ratio (indirect ratio) (%)	Relation contents
(Consolidated subsidiary) CTI Engineering International Co., Ltd.	Chuo-ku, Tokyo	100 million yen	Overseas consulting engineering	100.0	Receives orders for engineering consulting services in overseas markets.
Waterman Group Plc (Note 1)	London, UK	3.3 million pounds	Overseas consulting engineering	100.0	Mainly receives direct orders for consulting engineering services and building-related services in the UK.
Waterman Group (Aus) Pty Limited (Note 1)	Melbourne, Australia	7.6 million Australian dollars	Overseas consulting engineering	62.5 (62.5) (Note 2)	Mainly receives direct orders for building-related services in Australia.
Waterman Aspen Limited (Note 3)	London, UK	0.2 million pounds	Overseas consulting engineering	100.0 (100.0) (Note 2)	Mainly receives direct orders for engineer dispatching services in the UK.
Other subsidiaries of Waterman Group Plc: 14 companies	–	–	Overseas consulting engineering	–	–
Japan Urban Engineering Co., Ltd.	Taito-ku, Tokyo	100 million yen	Domestic consulting engineering	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for land readjustment works, from local governments.
Chi-ken Sogo Consultants Co., Ltd.	Arakawa-ku, Tokyo	100 million yen	Domestic consulting engineering	100.0	Receives orders for engineering consulting services from the Company. In addition, directly receives orders for geological survey works, from local governments.
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.	Shibuya-ku, Tokyo	100 million yen	Domestic consulting engineering	100.0	Directly receives orders for architectural design and supervision.
Environmental Research & Solutions Co., Ltd.	Seika-cho, Soraku-gun, Kyoto	40 million yen	Domestic consulting engineering	100.0	Receives orders for environmental research and analysis from the Company. In addition, directly receives orders for environmental measurement certification operations, from local governments.
HIROKEN CONSULTANTS Co., Ltd.	Fukuyama-shi, Hiroshima	10 million yen	Domestic consulting engineering	100.0	Receives orders for engineering consulting services primarily in Hiroshima Prefecture.
Other subsidiaries of HIROKEN CONSULTANTS Co., LTD: 2 companies	–	–	Domestic consulting engineering	–	–

Notes: 1. Waterman Group Plc and Waterman Group (Aus) Pty Limited are specified subsidiaries of the Company.
2. The voting rights are all held indirectly by the Company's subsidiary Waterman Group Plc.
3. Waterman Aspen Limited's sales (excluding inter-company sales between consolidated companies) account for more than 10% of consolidated sales.

Information on major gains and losses, etc. (IFRS)

(1) Sales	13,346 million yen
(2) Ordinary profit	269 million yen
(3) Net income	199 million yen
(4) Net assets	3,127 million yen
(5) Total assets	5,424 million yen

5. Situation of Employees

(1) Consolidation basis

As of December 31, 2025

Segment name	Number of employees (persons)
Domestic consulting engineering business	2,801 (678)
Overseas consulting engineering business	1,286 (430)
Total	4,087 (1,108)

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, 2025

Number of employees (persons)	Age on average (years old)	Average length of employment (years)	Average yearly wage (yen)
2,263 (599)	42.22	12.31	9,701,719

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: 1,379 (as of December 31, 2025)

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

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

(i) The Company

Current fiscal year				
Percentage of female workers among management personnel (%) (Note 1)	Rate of male workers taking childcare leave, etc. (%) (Note 2)	Wage differential between male and female workers (%) (Note 1)		
		All workers	Full-time permanent employees	Part-time/fixed-term employees
4.7	100.0	52.4	56.9	52.1

Notes: 1. Calculated pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015; hereinafter "Women's Active Engagement Act").
2. Calculated under Article 71-6, Item (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, pursuant to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991; hereinafter "Childcare and Nursing Care Act").

(ii) Consolidated subsidiaries

Current fiscal year					
Company name	Percentage of female workers among management personnel (%) (Note 1)	Rate of male workers taking childcare leave (%) (Note 2)	Wage differential between male and female workers (%) (Note 1) (Note 3)		
			All workers	Full-time workers	Part-time and fixed-term workers
CTI Engineering International Co., Ltd.	8.7	100	63.3	65.1	80.2
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.	19.0	100	81.5	78.8	79.6
Environmental Research & Solutions Co., Ltd.	25.0	100	-	-	-

Notes: 1. Calculated pursuant to the provisions of the Women's Active Engagement Act.
2. Calculated under Article 71-6, Item (ii) of the Ordinance for Enforcement of the Childcare and Nursing Care Act, pursuant to the provision of the Childcare and Nursing Care Act.
3. "-" is omitted as this information has not been made public under the Women's Active Engagement Act and Childcare and Nursing Care Act.

CHAPTER 2: BUSINESS SITUATION

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

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

(1) Basic management policy of the Company

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

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

Based on the Group's business philosophy to "contribute to a progressive, safe, pleasant, and prosperous living environment through the Group's globally recognized professional expertise and technical capabilities," the CTI Group will contribute to disaster preparedness, countering global environmental issues, establishing a safe and secure society, and the formation of a sustainable global society while reinforcing the customer trust we have accumulated so far, under the brand slogan "Creating Safety and Security for the Future."

(2) Target management indices

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

■ Fiscal year ending December 31, 2026 (annual plan)
Sales of 105,000 million yen, operating income of 10,500 million yen, operating margin of 10%, ordinary profit of 10,500 million yen, net income attributable to owners of the parent of 7,000 million yen

■ Fiscal year ending December 31, 2027 (medium-term target)
Sales of 110,000 million yen, operating income of 12,000 million yen, operating margin of 11%, ROE of 12%

■ Fiscal year ending December 31, 2030 (long-term target)
Sales of 130,000 million yen, operating income of 15,000 million yen, operating margin of 11% or more, ROE of 12% or more

(3) Management strategy

Based on the CTI Engineering Group's Mid- to Long-Term Vision "SPRONG 2030" with 2030 as the target year, we aim to make great strides as a Global Infrastructure Solutions Group that contributes to the Development of Sustainable Society by facilitating solutions to myriad infrastructure-related challenges in Japan and around the world.

In order to implement "SPRONG 2030," the CTI Group has also formulated the Medium-Term Management Plan 2027 (January 2025 - December 2027) in February 2025. The two pillars of Mid-Term Management Plan 2027 are as follows: (1) Business Portfolio Transformation and (2) Rebuild of Foundation for Growth. By advancing these two pillars in a mutually complementary manner, the CTI Group aims to establish a management foundation that will enable all employees of the Group to realize the "Global Infrastructure Solutions Group," which is the CTI Group's "ideal state to be in 2030.

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

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

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

(4) Business environment and our tasks ahead

(Business environment)

During the fiscal year under review, the Japanese economy recovered moderately, although some impacts from continued price increases on personal consumption and from U.S. trade and other policies were observed.

With regard to the business environment surrounding the CTI Group, in the Domestic Business, the fiscal 2025 national budget for public works for disaster prevention, disaster mitigation and building national resilience remained at the same level as in the previous fiscal year. Accordingly, the promotion of disaster prevention and mitigation measures such as river basin flood control and climate change adaption as well as of measures against aging infrastructure such as river and road maintenance projects continued.

In the Overseas Business, the market environment surrounding CTI Engineering International Co., Ltd. deteriorated due to ODA budget contraction. In the UK, which is overseen by Waterman Group Plc, the impact of the situations in Ukraine and the Middle East caused high inflation to persist, and this led to a weakening in private works. In addition, the fiscal policy combining tax increases and spending cuts, which continued after the change of government, resulted in a slowdown in the progress of public works.

Within this business environment, the Group formulated its Mid-Term Management Plan 2027 with the aim of achieving sustainable enhancement of corporate value. In FY2025 (63rd term), the initial year of the plan, the Group set forth the following priority agenda items: 1) Business Portfolio Transformation (a. Deepening of Core Businesses; b. Acceleration of Growth Areas; c. Exploration of New Businesses; and d. Overseas Business Development); and 2) Rebuild of Foundation for Growth (a. Strengthening Investment in Human Capital; b. DX/Production System Reform; c. Challenges for Sustainability; and d. Strengthening Group Governance), and implemented numerous initiatives.

(Our tasks ahead)

In the domestic consulting engineering business, the 1st Mid-term Plan for the Implementation of National Resilience, which covers the five-year period from fiscal 2026 to fiscal 2030, was approved by the Cabinet in June 2025. The fiscal 2026 national budget for public works for disaster prevention, disaster mitigation and building national resilience is expected to exceed the level of the previous fiscal year. Therefore, the promotion of disaster prevention and mitigation measures such as climate change adaption as well as of measures against aging infrastructure such as river and road maintenance projects is forecast to continue.

In the overseas consulting engineering business, although the business in Southeast Asia overseen by CTI Engineering International Co., Ltd. is expected to grow steadily overall, the deterioration of market conditions due to intense competition is a concern. In the UK, where Waterman Group Plc oversees business, there are signs of a recovery in budget for public works, and inflation is moderating. However, interest rates have remained elevated, and the economic outlook is expected to remain unpredictable.

Based on the review of the business plan for the fiscal year under review, the initial year of the Mid-Term Management Plan 2027, the Group has set the basic policy of the business plan for FY2026 (64th term) the second year of the Mid-Term Management Plan 2027, as follows. We aim to advance as a “Global Infrastructure Solution Group” that contributes to the sustainable development of society.

1) Acceleration of Business Portfolio Transformation

We will further accelerate the Business Portfolio Transformation that made substantial progress in FY2025 and continue to expand our business. Specifically, we will work to enhance the competitiveness of core businesses, strengthen the foundations of growth areas, accelerate growth in new business domains, and improve the profitability of overseas operations.

2) Increase the Employee Engagement Ranking

Achieve both reduced workloads and qualitative growth, strengthen strategic communication and enhance human resource development

3) Improve productivity through quality and production system reforms

Strengthen profitability by improving productivity through technical excellence, enhanced PM, and operational efficiency and Integrate AI as a core tool into daily technical and administrative operations to achieve both process innovation and quality improvement

4) Strengthen group governance for both offensive and defensive perspectives

Strengthen internal control and monitoring systems, develop an organizational structure to maximize group synergies, enhance monitoring of SG&A expenses and establish investment discipline for domestic and international projects based on the cost of capital

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.

In January 2026, the Company established the "CTI Engineering Group Basic Policy on Sustainability" and announced it as the Group's approach to sustainability. In addition, the "Code of Corporate Conduct" has been partially revised in light of recent trends.

< CTI Engineering Group Basic Policy on Sustainability>

The CTI Engineering Group has established its business philosophy as “We strive to create a safe, comfortable and enriching society using world-class technology and expertise.”
Our Code of Corporate Conduct sets forth the principles for realizing this philosophy.
Guided by our management philosophy, we recognize that all of our businesses are closely connected to the creation of a sustainable society, and we strive to enhance corporate value and contribute to the sustainable development of society through the practice of our Code of Corporate Conduct.

< Code of Corporate Conduct>

Sustainable Society
1.Contribute to the creation of a sustainable society
We provide professional services to help create a sustainable society-i.e., a decarbonized, recycling-oriented society that exists in harmony with nature.

People First
2.Promote corporate activities with a culture of putting people first
We promote our corporate activities to ensure that people live safe, secure, and comfortable including through the development of our people. We respect the human rights of all people and always put people first, fostering a corporate culture in which diverse talents play active roles.

Social Commitment
3.Commit to solving social issues
We commit to solving social issues through our corporate activities by making full use of our expertise and promoting continuous innovation.

Trust
4.Build relationships of trust with our stakeholders
We build relationships of trust with our stakeholders by engaging in sincere dialogue, disclosing timely and appropriate information, and providing the highest quality of service.

Integrity and Fairness
5.Act with integrity, fairness, and responsibility
We act with integrity, fairness, and responsibility as an independent and autonomous company by abiding by legal, ethical, and social standards to maintain longstanding relationships with our stakeholders.

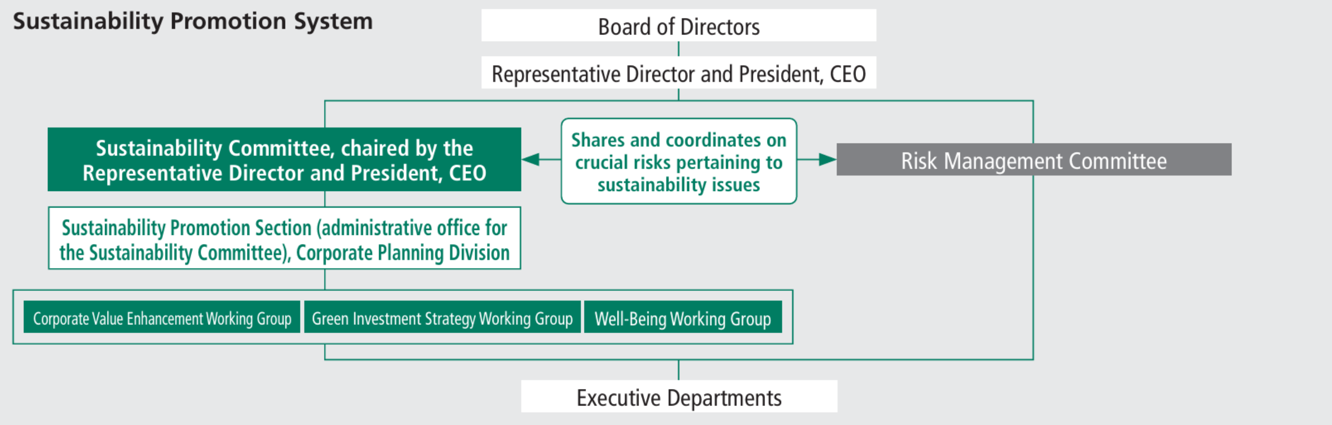
Risk Management
6.Ensure risk management at the highest standards
We share vital information, tools, and insights on natural disasters, cyberattacks, terrorist threats, and other external risks with our stakeholders, cooperating with them to ensure thorough management of such risks.

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

(1) Governance concerning sustainability

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

Sustainability Promotion System



Sustainability Committee Members

Chairman	Representative Director and President, CEO (director of sustainability)
Members	[CTI Engineering] Chief, Administration Headquarters (deputy director of sustainability), Chief, Planning & Business Development Headquarters, Branch Presidents [Consolidated Group Companies] Representative directors and presidents, CEOs

Activities of Working Groups Under the Sustainability Committee

Corporate Value Enhancement Working Group	Formulates, promotes, and manages policies, measures and indicators for promotion of social contribution activities that help raise the corporate value of the CTI Engineering Group
Green Investment Strategy Working Group	Formulates, promotes and manages environmental promotion policies, measures and indicators
Well-Being Working Group	Formulates, promotes and manages measures and indicators related to human capital based on the CTI Engineering Basic Policy on Well-Being

(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 Corporate Value Enhancement Working Group, which oversees the Group's social contribution activities, the Green Investment Strategy Working Group, which oversees the environment, and the Well-Being Working Group, which oversees human capital, as subordinate committees responsible for specific promotion and implementation. These committees collect, analyze, and evaluate information related to the environment and human capital in particular, implement and monitor countermeasures, identify issues on a regular basis, and review countermeasures after deliberation by the Sustainability Committee.

CTI Engineering Materiality Issues

I. Contribute to infrastructure development that supports safety and security The increasing severity of natural disasters due to climate change and the aging of infrastructure developed during Japan's period of high economic growth, among other challenges, have become social issues. Meanwhile, funding for infrastructure development and the lack of infrastructure developers are also challenges, requiring more efficient and effective infrastructure development. Leveraging its accumulated expertise and experience, the Group will address issues related to infrastructure development, which supports a safe and secure society.
II. Contribute to the sustained development of countries, communities and society The stagnation of regional economies and maintenance of social infrastructure services have become social issues due to factors such as the declining birthrate and aging of society. In addition, there are certain regions of the world that are suffering from a lack of infrastructure development, which is necessary for economic development. By harnessing the initiative of revitalizing regions through next-generation mobility and its track record of developing infrastructure in Japan, the Group will contribute to the sustained development of society in Japan and other parts of the world.
III. Contribute to a decarbonized and recycling-oriented society and ecosystem preservation Realizing a sustainable society with a reduced environmental impact through such means as shifting to sustainable energy has become a global priority. The preservation of ecosystems and protection of biodiversity in bodies of water and on land areas have also become urgent priorities. By leveraging its experience in consulting services related to environmental analysis and environmental preservation measures, the Group will contribute to the creation of a recycling-oriented society and the preservation of ecosystems.

IV. Create value through digital transformation (DX) The CTI Engineering Group aims to contribute to society through technology. Therefore, it is essential for the CTI Engineering Group to stay on top of rapidly evolving technology. The digitalization and innovation of companies are sources of competitiveness, and the use of innovative technologies also helps to solve social issues. The Group will apply the outcomes of its digital transformation (DX) initiatives to solve social issues, along with putting these outcomes to good use in streamlining business production processes and increasing corporate value.
V. Enhance human resources and achieve well-being The Group's greatest management resource is its people. Therefore, it is extremely important for us to hire, train, and revitalize our people. We believe that when employees are happy, it drives their creativity and productivity, which in turn attracts more talented people. For this reason, the Group regards well-being as its most important challenge, and top management will promote it as a significant issue.
VI. Strengthen corporate governance The Group believes that establishing transparent governance is essential to promoting sustainable reforms under fair business practices. Through proper and proactive information disclosure, we will build relationships of trust with stakeholders. Concurrently, we will ensure fair decision-making and management and implement proactive and defensive governance strategies, with the aim of sustainably increasing corporate value.
VII. Assure and improve the quality of final products and services The Group's final products and services are directly related to people's safety and security. Therefore, assuring the quality of final products and services, as well as retaining the trust of customers and other stakeholders, can be described as a lifeline for the Group's corporate activities. The Group will endeavor to provide high-quality final products and services as it strives to enhance customer satisfaction, its public reputation, and its technical competitiveness.

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

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

(3) Information about human capital

(i) Governance

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

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

(ii) Risk management

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

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

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

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

a. Create a state of mental and physical health

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

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

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

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

b. Create a work environment based on trust and respect

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

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

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

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

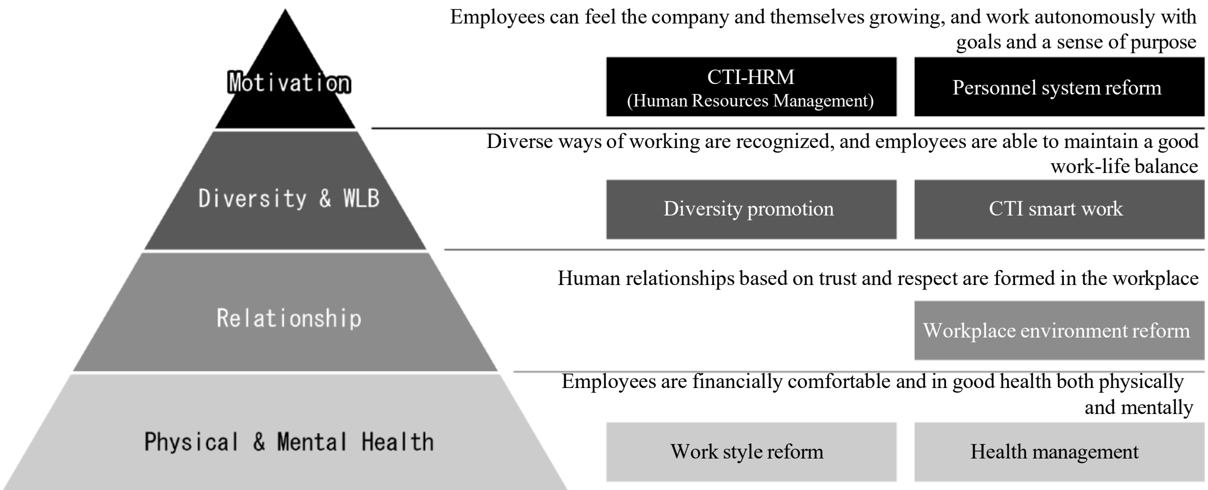
For details, refer to the "Social" section of the Company website's Sustainability page (https://www.ctie.co.jp/english/sustainability/).

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

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

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

CTI's Vision for Employees' Well-Being and Initiatives



(iv) Metrics and targets

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

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

Basic Well-being Matters and Descriptions	Measures	Key Metrics	Target (2030)	Situation (2025) 2024 Results
Create a state of good physical and mental health: Employees are financially comfortable and in good health both physically and mentally				
Correction of long working hours Promotion of health promotion activities Enhancement of mental health care	Promotion of work style reform Promotion of health management	Total annual working hours	1,900 hours	2,105 hours [2,131 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)	56.3 (Rank BBB) [55.3]
Enhance diverse work styles and work-life balance: Diverse ways of working are recognized, and employees are able to maintain a good work-life balance				
Telework, expansion of diverse work styles Diversity promotion Enhancement of benefits and welfare	CTI Smart Work DE&I Promotion Plan 2030	Ratio of female managers Ratio of childcare leave taken by men	10.0% 100%	4.7% [3.8%] 100% [81%]
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	4.0% [3.8%] 40.5 hours [39.8 hours]

(4) Environmental information

(i) Governance

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

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

(ii) Risk management

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

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

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

(iii) Strategy

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

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

Major Risks and Opportunities Associated with Climate Change and Their Countermeasures

Category			Details	Financial Impact		Countermeasure
				1.5°C	4°C	
Transition	Risk	Policy/ regulation	• Increase in utility and energy management costs due to charges on fossil fuel use	Medium	Small	• Transition to renewable energy • Reduce CO_2 emissions by turning company buildings into net zero energy buildings, fully electrified buildings, etc.
		Market	• Increased corporate responsibility due to heightened awareness of environmental considerations in society	Medium	Medium	• Contribute to achieving the sustainability of local communities
	Opportunity	Policy/ regulation	• Expanding demand for services related to regional and corporate decarbonization and climate change adaptation	Medium	Small	• Conduct business in the public and private sectors related to building a decarbonized society
			• Increasing demand for renewable energy, etc.	Medium	Small	• Develop technologies and conduct business related to renewable energy • Develop technologies and conduct business related to the creation and management of credit
Physical	Risk	Acute	• Increase in business continuity risks due to natural disasters, such as typhoon and heavy rain	Small	Medium	• Develop BCP for disaster measures ・Strengthen measures for avoiding natural disaster risks
	Opportunity	Chronic	• Rising demand for consulting services related to disaster prevention, mitigation, and enhancing national resilience	Large	Large	• Strengthen schemes for prevention and mitigation of disasters and enhancing national resilience • Develop technologies and conduct business aimed at disaster prevention and mitigation

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

Five challenges in consulting services

(i) Propose disaster prevention and mitigation measures that will use nature's ability to buffer against and recover from external forces

(ii) Propose measures that will contribute to greenhouse gas reduction over the lifecycle of infrastructure development

(iii)Propose measures that will contribute to waste reduction over the lifecycle of infrastructure development

(iv)Propose measures that will contribute to coexistence with the natural environment over the lifecycle of infrastructure development.

(v) Propose measures that will contribute to regional revitalization that utilizes ecosystem services provided by natural capital

The Group analyzed the financial impact of its operations by identifying the sales of work performed in 2025 corresponding to consulting services related to disaster prevention and mitigation and enhancing national resilience, as well as work associated with the five challenges. As a result, we confirmed that "opportunities associated with the transition to a decarbonized society" and "opportunities associated with the physical impacts of climate change" have a significant impact on the Group's financial performance.

Based on these findings, and in light of the progress of decarbonization and the growing social demand arising from climate change, under the Medium-term Business Plan 2027, we are deepening our core business areas such as disaster prevention and mitigation, while positioning the energy sector, including decarbonization, as a growth area and reflecting related risks and opportunities in the Group's strategy.

(iv) Metrics and targets

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

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

Category		Target (2030)	Situation (2024)[2023 Results]
Net-zero emissions by the Group			
Greenhouse gas emissions	Emissions ([1] +[2])	Net zero greenhouse gas emissions by 2030	3,696 t-CO_2/year [3,810t-CO_2/year]
	Scope 1 ([1])		734 t-CO_2/year [750t-CO_2/year]
	Scope 2 ([2])		2,962 t-CO_2/year [3,060t-CO_2/year]
	Scope 3	Net zero greenhouse gas emissions by 2050	44,384 t-CO_2/year [42,700t-CO_2/year]

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 such as AI 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 public-private partnerships and private-sector market, through stronger coordination among Group companies.

(2) Standards, legal regulations

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

(3) Climate change, natural disasters, pandemics

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

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

(4) Investment

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

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

(5) Securing and cultivating human resources

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

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

(6) Information security

Amid the growing use of electronic media and networks to transmit information, information may be lost, destroyed or leaked due to disasters, machine failures or defects, negligence or intent, etc. As a result, the Group may lose society's trust, transactions with customers may be halted, the Group may have to pay for damages, and the business performance of the Group may be affected. In view of such risks, the Group shall formulate rules including the CTI Group Information Security Policy, and conduct appropriate operations and management of the information and information systems that the Group handles. The Group shall also hold training sessions on information security regularly, and strive to raise information security awareness and literacy among employees. The Group has strengthened crisis management in the event of security incidents by establishing a dedicated CSIRT.

(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 collect information on country risks when engaging in overseas operations, strengthen its response in the event of incidents such as terrorism, and diversify and expand the countries and regions in which it conducts business operations.

(8) Quality and safety

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

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

(9) Technical strengths

A decline in the Group's technical strengths and in productivity caused by the stagnation of employees' growth, a decline in research and development, and response to technological innovations such as AI have the potential to affect the business performance of the Group.

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

(10) Personnel and labor

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

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

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

(11) Compliance

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

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

During the fiscal year under review, the Japanese economy recovered moderately, although some impacts from continued price increases on personal consumption and from U.S. trade and other policies were observed.

With regard to the business environment surrounding the CTI Group, in the Domestic Business, the fiscal 2025 national budget for public works for disaster prevention, disaster mitigation and building national land resilience remained at the same level as in the previous fiscal year. Accordingly, the promotion of disaster prevention and mitigation measures such as river basin flood control and climate change adaption as well as of measures against aging infrastructure such as river and road maintenance projects continued.

In the Overseas Business, the market environment surrounding CTI Engineering International Co., Ltd. deteriorated due to ODA budget contraction. In the UK, which is overseen by Waterman Group Plc, the impact of the situations in Ukraine and the Middle East caused high inflation to persist, and this led to a weakening in private works. In addition, the fiscal policy combining tax increases and spending cuts, which continued after the change of government, resulted in a slowdown in the progress of public works.

Within this business environment, the Group formulated its Mid-Term Management Plan 2027 with the aim of achieving sustainable enhancement of corporate value. In FY2025 (63rd term), the initial year of the plan, the Group set forth the following priority agenda items: 1) Business Portfolio Transformation (a. Deepening of Core Businesses; b. Acceleration of Growth Areas; c. Exploration of New Businesses; and d. Overseas Business Development); and 2) Rebuild of Foundation for Growth (a. Strengthening Investment in Human Capital; b. DX/Production System Reform; c. Challenges for Sustainability; and d. Strengthening Group Governance), and implemented numerous initiatives.

As a result of these efforts, Orders Received by the Group during the fiscal year under review increased by 16.2% YoY to 109,701 million yen. Meanwhile, Sales increased by 3.4% YoY to 101,038 million yen. Ordinary Profit decreased by 1.9% YoY to 9,350 million yen, and Net Income Attributable to Owners of the Parent decreased by 11.8% YoY to 5,952 million yen.

Results are summarized by segment below.

i) Domestic consulting engineering business

Based on favorable conditions for order intake due to the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience, which the Japanese government has been promoting, the Group pursued business portfolio transformation. As a result, orders from local governments increased, and targets for orders received in the all three businesses designated as growth areas (energy, information service, and CM/PM) were met. Sales were also in line with the target. Profits were affected by some subsidiaries failing to meet their targets.

Accordingly, orders received for the domestic consulting engineering business increased by 10.2% YoY to 72,411 million yen, sales increased by 4.2% YoY to 69,724 million yen, and segment income was 8,611 million yen, the same level as the previous year.

ii) Overseas consulting engineering business

CTI Engineering International Co., Ltd. based in Southeast Asia received orders for large-scale projects for which the contracts had been delayed, and although the target for orders received was met, in particular, profit was significantly affected by lower capacity utilization due to contract delays. Waterman Group Plc, which operates mainly in the UK, was affected by inflation and the impact of fiscal policy following the change of government, and although profit declined from the previous year, sales and profit were both in line with targets.

Accordingly, orders received for the overseas consulting engineering business increased by 30.0% YoY to 37,290 million yen, sales increased by 1.9% YoY to 31,313 million yen, and segment income decreased by 29.7% YoY to 543 million yen.

2) Financial conditions

At the end of the current consolidated fiscal year, the Group's total assets totaled 96,344 million yen, an increase of 9.9% compared to the end of the previous fiscal year. This was mainly due to an increase in "right-of-use assets" and "net defined benefit asset," in addition to "notes receivable, completed work receivables and contract assets".

Total liabilities at the end of the current fiscal year were 29,529 million yen, an increase of 13.5% compared to the end of the previous fiscal year. This was mainly due to increases in "lease assets," in addition to "accrued income taxes," "deferred tax liabilities" and "asset retirement obligations," while "short-term borrowings" decreased.

Net assets at the end of the current fiscal year totaled 66,815 million yen, an increase of 8.3% compared to the end of the previous fiscal year. This was mainly due to an increase in "profit surplus" due to the posting of "net income attributable to owners of the parent".

3) Cash flow

At the end of the current consolidated fiscal year, cash and cash equivalents (funds) increased by 423 million yen year on-year to 15,093 million yen.

Net cash provided by operating activities was 5,768 million yen, a YoY increase of 139.3%. This was mainly due to proceeds from "net income before income tax" of 9,000 million yen and "depreciation and amortization" of 1,855 million yen, which was partially offset by an "increase in trade receivables and contract assets" of 3,631 million yen and "payment of corporation income tax, etc." of 2,330 million yen.

Net cash used for investment activities was 612 million yen, a YoY decrease of 89.2%. This was mainly due to "payment for acquisition of tangible fixed assets" of 1,164 million yen.

Net cash used for financial activities was 5,092 million yen, a YoY increase of 141.2%. This was mainly due to "dividend payments" of 2,083 million yen and payments related to the acquisition of treasury stock of 1,540 million yen.

4) Results of production, orders received and sales

1) Production results

Segment name	Current consolidated fiscal year (From January 1, 2025 to December 31, 2025) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	69,724	4.2
Overseas consulting engineering business	31,313	1.9
Total	101,038	3.4

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, 2025 to December 31, 2025)			
	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	72,411	10.2	41,200	8.4
Overseas consulting engineering business	37,290	30.0	31,031	22.1
Total	109,701	16.2	72,231	13.9

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, 2025 to December 31, 2025) (million yen)	Change from the same term in previous year (%)
Domestic consulting engineering business	69,724	4.2
Overseas consulting engineering business	31,313	1.9
Total	101,038	3.4

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, 2024 to December 31, 2024)		Current consolidated fiscal year (From January 1, 2025 to December 31, 2025)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
National government of Japan	32,052	32.8	30,741	30.4

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

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

1) Important accounting estimates and assumptions used to make the said estimates

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

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

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

(Impairment of goodwill)

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

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

(Revenue recognition in consulting engineering service contracts)

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

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

2) Analysis of business performance, etc.

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

(1) Outline of business performance, etc., 1) Business performance.

The operating margin of the domestic consulting engineering business segment decreased from 12.9% in the previous fiscal year to 12.3% in the current consolidated fiscal year. This was mainly due to some subsidiaries failing to meet their targets.

The operating margin of the overseas consulting engineering business segment decreased from 2.5% in the previous fiscal year to 1.8% in the current consolidated fiscal year. This was mainly attributable to lower utilization rates resulting from delays in the timing of contracts for large-scale projects at CTI Engineering International Co., Ltd., as well as persistently high inflation in the UK and the impact of fiscal policies implemented by the Labour government on Waterman Group Plc.

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 96,344 million yen, an increase of 9.9% compared to the end of the previous fiscal year, while total liabilities were 29,529 million yen, an increase of 13.5% compared to the end of the previous fiscal year. Net assets totaled 66,815 million yen, an increase of 8.3% 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. The equity ratio is 69.1%, which is above the industry average.

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

Not applicable.

6. Research and Development

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

In 1977, we established a development expense program that allocates two percent of sales to R&D expenses. Since then, we have invested over 1.0 billion yen in research and development each year. In 2026, we plan to conduct research and development totaling 1,500 million yen. We implement focused investment in the promotion of research that will lead to the creation of new value by greatly expanding our research areas. This includes research to realize carbon neutrality and the development of digital technologies such as AI and IoT for the achievement of our medium- to long-term vision, in addition to research that will accelerate business portfolio reform and rebuilding of the foundations for growth, the pillars of the Medium-term Business Plan 2027.

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

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

During the current consolidated fiscal year, the Group invested a total of 1,505 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 1,483 million yen for the domestic consulting engineering business and 21 million yen for the overseas consulting engineering business.

1) Planned research and development investments (3D data-based standard design, and other AI, IoT and virtual space technologies, etc.)
2) Short-term research and development investments (development of DX technologies for river basin flood control, development of laser hammering test robots for structures, development of facility assessment technologies using AI and IoT, prevention and maintenance technologies to manage sewer collapse accident risk, development of environmental DNA analysis technologies to identify habitat conditions, development of simulating technologies for ash fallout from volcanic eruptions, development of greenhouse gas emissions control systems, development of conversational AI apps for Construction Management (CM) operations, development of AI agents using a proprietary LLM , etc.)
3) Research in national land and culture (research on assessment of damage suffered by flood disaster victims, research on inclusive design-based architectural design methods, research on transportation infrastructure and economic development, etc.)
4) International investments (development of international business for domestic technologies; cooperation with Waterman, etc.)
5) Human resources development investments (basic technical training for new employees and various inside or outside training programs aimed at enhancing IT literacy, communication skills, and the promotion of diversity, etc.; secondment to graduate school; secondment 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 1,164 million yen. The amounts of capital investment by segment were as follows.

(Domestic consulting engineering business)

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

(Overseas consulting engineering business)

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

2. Major Facilities and Equipment

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

(1) The Company

As of December 31, 2025

Establishment (location)	Segment name	Business line	Book value (million yen)						Number of employees (persons)
			Buildings and structures	Machinery and transportation equipment	Land (area: m^2)	Lease assets	Other	Total	
Headquarters (Chuo-ku, Tokyo)	Domestic consulting engineering business	General administration facilities	95	—	—	0	56	152	166 (8)
Tokyo Main Office (Chuo-ku, Tokyo)	Domestic consulting engineering business	Office	295	—	—	28	221	545	750 (223)
Tokyo Main Office Saitama Office (Urawa-ku, Saitama)	Domestic consulting engineering business	Office	668	0	772 (1,978)	4	23	1,468	85 (55)
Research Center Tsukuba (Tsukuba-shi, Ibaraki)	Domestic consulting engineering business	Office and laboratory facilities	431	82	1,937 (50,605)	0	19	2,471	35 (10)
Kyushu Office (Chuo-ku, Fukuoka)	Domestic consulting engineering business	Office	409	—	1,025 (1,136)	1	36	1,472	213 (50)
CTI Keihanna Bldg. (Seika-cho, Soraku gun, Kyoto)	Domestic consulting engineering business	Office and environmental research and analysis facilities	490	1	121 (4,660)	—	0	614	0 (0)
CTI Okazaki Bldg. (Okazaki-shi, Aichi)	Domestic consulting engineering business	Office and environmental research and analysis facilities	150	—	109 (1,200)	—	0	261	0 (0)

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

2. The 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	80,000,000
Total	80,000,000

(ii) Number of shares issued

Class	Issued shares as of the end of the fiscal year (shares) (December 31, 2025)	Issued shares as of the date for submission (shares) (March 26, 2026)	Listed stock exchanges or securities dealers association at which the Company's stock is registered	Details
Common stock	28,318,172	28,318,172	Tokyo Stock Exchange Prime Market	Number of shares in one voting unit: 100 shares
Total	28,318,172	28,318,172	–	–

(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)
January 1, 2025 (Note)	14,159,086	28,318,172	–	3,025	–	4,122

Notes: Increase due to a 2-for-1 stock split of its common shares

(5) Shareholders

As of December 31, 2025

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)	1	16	21	85	101	8	3,116	3,348	—
Number of shares held (units)	31	71,599	4,663	51,560	38,412	388	116,205	282,858	32,372
Shareholding ratio (%)	0.0	25.3	1.7	18.2	13.6	0.1	41.1	100.0	—

Notes: 1. Among treasury stocks (740,575 stocks), 7,405 units are counted as “Individuals etc.” and 75 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 83 units of shares and 44 shares held by the Securities Custody and Transfer Organization respectively.

(6) Major shareholders

As of December 31, 2025

Name	Address	Number of shares held (thousand)	Ratio of the number of shares held against the number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	8-1, 1-chome, Akasaka, Minato-ku, Tokyo	3,114	11.3
HIKARI POWER LIMITED	314 Asahi Toranomon Mansion, 18-6, Toranomon 3-chome, Minato-ku, Tokyo	2,793	10.1
CTI Engineering Employees’ Stock-sharing Association	21-1, Nihombashi-hamacho 3-chome, Chuo-ku, Tokyo	2,159	7.8
Yasumitsu Shigeta	Minato-ku, Tokyo	793	2.9
Custody Bank of Japan, Ltd. (trust account)	8-12, Harumi 1-chome, Chuo-ku , Tokyo	750	2.7
MUFG Bank, Ltd.	4-5, Marunouchi 1-chome, Chiyoda-ku,, Tokyo	743	2.7
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo (8-1, 1-chome, Akasaka, Minato-ku, Tokyo)	708	2.6
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	2-1, Yaesu 2-chome, Chuo-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	600	2.2
Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	538	2.0
JAPAN ABSOLUTE VALUE FUND GENERAL PARTNER THOMAS OWSLEY RODES(Standing proxy: Tachibana Securities Co., Ltd.)	MOURANT GOVERNANCE SERVICES (C AYMAN) LIMITED P. O BOX 1348 94 SOLARIS AVENUE CAMANA BAY GRAND CAYMAN KY1-1108 CAYMAN ISLANDS (13-14 Nihombashi-Kayabacho 1-chome, Chuo-ku, Tokyo)	508	1.8
Total	–	12,712	46.1

Notes: 1. 3,114 thousand shares held in The Master Trust Bank of Japan, Ltd. (trust account) and 724 thousand shares held in Custody Bank of Japan, Ltd. (trust account) are shares related to trust services.

2. The 740,575 shares in treasury stock held by the Company are not included in the above table.

(7) Voting rights

(i) Issued shares

As of December 31, 2025

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 740,500	–	–
Shares with complete voting rights (Other)	Common stock 27,545,300	275,453	–
Shares below a unit	Common stock 32,372	–	–
Total number of shares issued	28,318,172	–	–
Voting rights of total shareholders	–	275,453	–

Notes: 1. "Shares with complete voting rights (other)" include8,300 shares (83 votes) registered in the name of the Japan Securities Depository Center, Inc.

2. "Shares below a unit" include 75 treasury stocks held by the Company.

(ii) Treasury Stocks, etc.

As of December 31, 2025

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	740,500	——	740,500	2.6
Total	–	740,500	——	740,500	2.6

(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

11,000 shares

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

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

2. Acquirement of Treasury Stocks

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

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

Not applicable.

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

Acquisition based on the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, paragraph (3) of the same Act.

Category	Number of Shares	Total Price (Yen)
Resolution adopted at the Board of Directors Meeting held on November 12, 2025 (Acquisition period: from November 13, 2025 to April 30, 2026)	700,000	1,500,000,000
Treasury stock acquired prior to this fiscal year	——	——
Treasury stock acquired in this fiscal year	213,300	635,994,294
Total number and total price of the treasury stock to be acquired based on the resolution	486,700	864,005,706
Percentage of the treasury stocks yet to be acquired as of the end of this fiscal year (%)	69.5	57.6
Treasury stock acquired in this period	272,100	863,851,583
Percentage of the treasury stock yet to be acquired as of the submission date (%)	30.6	99.9

Note: The number of shares of treasury stock held in this period and percentage of the treasury stock yet to be acquired as of the submission date does not include treasury stock acquired from March 1, 2026 to the date of the submission of this 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	518	1,442,646
Treasury stock acquired in this period	–	–

Note: Treasury stock acquired in this period does not include shares acquired that were less than one transaction unit from March 1, 2026 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)	31,497	75,403,818	–	–
Other (acquired of shares at no cost after the passing of Representative Director Mr. Yoshiaki Nanami on January 7, 2025)	538	–	–	–
Held treasury stock	740,575	–	1,012,675	–

Note: The number of shares of treasury stock held in this period does not include treasury stock acquired from March 1, 2026 to the date of the submission of this Securities Report.

3. Dividend Policy

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

In determining dividends, our policy is to pay continuous, stable dividends. However, we consider that it is critical to maintain an appropriate level of internal reserves to ensure stable operations, as a construction consultancy engaged in operations of a highly public nature. After securing internal reserves equivalent to approximately two months of sales as cash on hand, the Company utilizes those reserves as internal investments in human resources, our greatest management resource, in research and development investments for creating new businesses, in DX investments for the improvement of production efficiency, and in strategic investments including M&As as external investments, based on the medium- to long-term management strategy.

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

Note: In respect of the dividend for the record date, December 31, 2025, it is scheduled to be resolved at the 63rd Ordinary General Meeting of Shareholders scheduled to be held on March 27, 2026 to pay a dividend of 75 yen per share (total dividend payment amount: 2,068 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 & Remuneration 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.

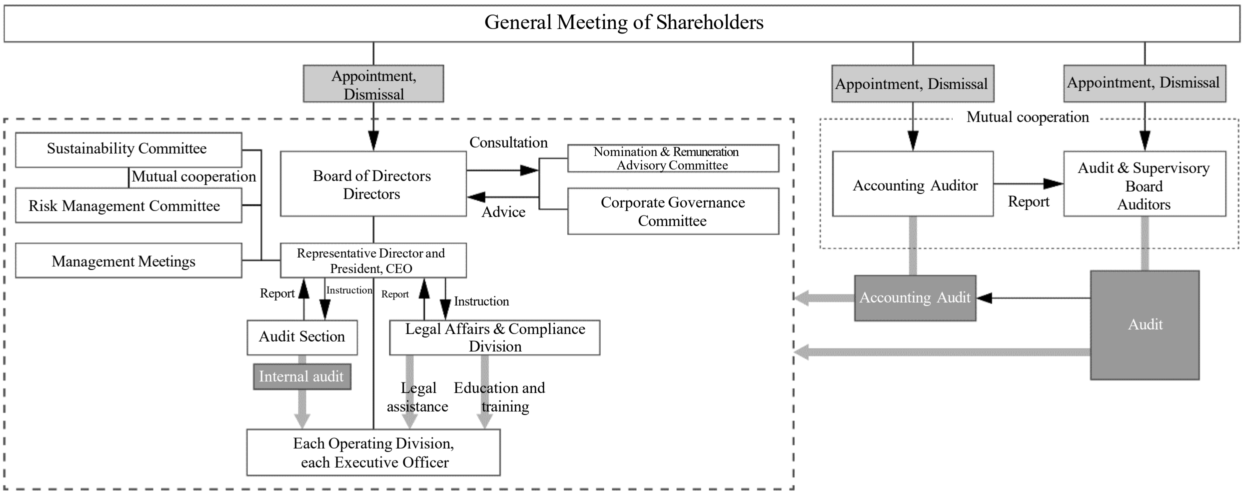
Furthermore, with a view to strengthening the governance of the entire Group, the Company has brought the Audit Section and the Legal Affairs & Compliance Division under the direct jurisdiction of the President. In addition to the oversight of internal audits and internal control as key management issues, it ensures the appropriate and prompt responses under the direction of the Representative Director and President, CEO, thereby further strengthening governance. The Company also established a Corporate Governance Committee, an advisory body to the Board of Directors, on April 1, 2025 to enhance its corporate governance concerning duties of the Board of Directors.

b. Reasons for employing the system

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

The Company has adopted its current governance system because it believes that the system ensures management transparency, maintains and enhances fairness, and enables swift and decisive decision-making.

The roles of the various bodies w Appointed as AssistantJudgeithin the Company are as shown below.



* Board of Directors

The Board of Directors consists of 11 Directors (including 4 External Directors), as stated in "CHAPTER 4: STATUS OF THE COMPANY, 4. Corporate Governance, (2) Executive Management" as of the date of the submission of this Securities Report. The Board is chaired by Tatsuya Nishimura, Representative Director and President, CEO. As a general rule, the Board of Directors meets once a month, with additional extraordinary meetings held as necessary. 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 mid- to long-term vision, mid-term management 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. The Company has proposed partial amendments to its Articles of Incorporation and election of 11 Directors as proposals to be resolved at the Ordinary General Meeting of Shareholders to be held on March 27, 2026. If these proposals are approved and resolved, it will become possible to appoint a Director other than the Director and President as chair of the Board of Directors, unless otherwise stipulated under applicable laws, and the Board will have 11 Directors (including four External Directors).

Meetings were held 14 times in this fiscal year. The attendance record of each executive is as follows.

Position	Name	Attendance at the Board of Directors meetings
Representative Director, Chairman	Tetsumi Nakamura	14/14
Representative Director and President, CEO	Tatsuya Nishimura	14/14
Director, Senior Managing Executive Officer	Naoto Suzuki	14/14
Director, Managing Executive Officer	Naoki Fujiwara	14/14
Director, Managing Executive Officer	Toshikazu Matsuoka	14/14
Director, Managing Executive Officer	Masahiro Emori	10/10
Director, Managing Executive Officer	Mitsuho Amano	10/10
External Director	Fumiko Kosao	13/14
External Director	Yoshihisa Sonobe	14/14
External Director	Atsuko Ogasawara	13/14
External Director	Toru Kuwano	10/10
Full-time Auditor	Akira Tateyama	10/10
Auditor	Keizo Mitsuke	14/14
External Auditor	Yasuro Tanaka	14/14
External Auditor	Go Ishikawa	14/14

Note: As Masahiro Emori, Mitsuho Amano, Toru Kuwano and Akira Tateyama were newly appointed on 25 March 2025, the number of Board of Directors meetings they were eligible to attend differs from that of the other executives.

- Major matters deliberated at Board of Directors Meetings

Major matters deliberated at Board of Directors Meetings held in this fiscal year are as follows.

Corporate management	Formulation of the Medium-term Business Plan 2027, revision of the CTI Engineering Group's Mid- to Long-Term Vision "SPRONG 2030," the business plan for the 63rd term (2025), measures for management that is conscious of cost of capital and stock price, formulation of investment management regulations and investment management guidelines, etc.
Financial results and budget	Matters related to financial results, budgeting policy, business performance update reports, etc.
Stocks	Policy on shareholder returns, acquisition of treasury stock, allotment of restricted stock, IR reports, etc.
Corporate governance	Basic policy on corporate governance, evaluation of the effectiveness of the Board of Directors, policy on reduction of cross-shareholdings, the Corporate Governance Committee activity reports, etc.
Organization and personnel matters	Reorganization of the Governance Management Headquarters, policy on human resource recruitment, etc.
Internal control and audit	Basic policy on internal control, whistleblowing status reports, a compliance promotion plan, priority risks that need to be addressed, internal audit reports, etc.
Other	Personnel matters and compensation for officers, etc.

- Evaluation of the effectiveness of the Board of Directors

With the aim of enhancing the effectiveness of its Board of Directors, every year the Company analyzes and evaluates the effectiveness of the Board as a whole by reviewing the results of each Director's self-evaluation, etc. and discloses the summary of the results to improve the functions of the Board.

While until the previous fiscal year the Company had conducted a board effectiveness evaluation internally, it received advice and support from a third-party body when carrying out the evaluation in this fiscal year. The Company has done so for the first time from the perspective of assessing board effectiveness objectively to further strengthen the governance function of the Board of Directors, following the establishment of the Corporate Governance Committee in April 2025. Specifically, the third-party body interviewed the chair of the Board and the chair of the Corporate Governance Committee, and based on the results of the interviews, the Company designed a survey questionnaire in consultation with the third-party body. Using this questionnaire, in December 2025 the Company had all of its Directors and Auditors conduct a comprehensive self-assessment regarding the role and composition of the Board of Directors, whether the Board has held high quality discussions, the performance of the Board of Directors, etc.

The survey results showed that the Company's Board of Directors has held open and active discussions under the appropriate direction of the chair of the Board and that the attitude of paying sincere attention to views expressed by External Directors and External Auditors and issues they raise has become part of the Board's culture. It was also confirmed that the Nomination & Remuneration Advisory Committee and the Corporate Governance Committee, advisory bodies to the Board of Directors, have effectively demonstrated their function. Meanwhile, it was found that it is necessary to further foster a shared understanding among Directors and Auditors of the role of the Board of Directors (including the scope of delegated authority, how to address mid- to long-term issues, etc.), that agenda items need to be narrowed down to more important ones to devote more of the Board's deliberation to major management issues relating to the Company's direction (vision, mid-term management plan, global strategy, etc.), and that there is room for improvement in how to manage Board of Directors Meetings and in the function of the secretariat of the Board of Directors in order to address these issues. In addition, it was pointed out that monitoring the measures to prevent the recurrence of the corporate scandal that happened in the previous fiscal year should be recognized as an issue that needs continuous follow-up and that appropriate measures should be taken to enhance the effectiveness of measures against frauds.

To deal with the issues identified in the effectiveness evaluation, we will hold focused discussions on the role of the Board of Directors (the scope of delegated authority, how to address medium- to long-term issues, etc.) and make efforts to foster a shared understanding among Directors and Auditors of the Board's role. In addition, we will ensure that important agenda items that should be deliberated at Board of Directors Meetings will be prioritized and the Board will address matters that need more deliberation, while also reviewing, as needed, our criteria for determining matters to be deliberated at the Board of Directors Meeting as well as at other major meetings, such as the Executive Officers' Meeting and the Management Meeting, after considering the role of each meeting, in order to promote more in-depth discussions on the Company's overall strategy, including direction of its corporate management. Furthermore, we will definitely implement the measures to prevent the recurrence of the corporate scandal that happened in the previous fiscal year, and Directors and Auditors and the Board of Directors will continuously monitor the implementation. We will work to further strengthen our internal control while discussing the status of the monitoring in depth.

* Nomination & Remuneration Advisory Committee

The Company has established the Nomination & Remuneration Advisory Committee, an advisory body to the Board of Directors, consisting of four External Directors and two Internal Directors as of the date of submission of this Securities Report. Chaired by External Director, 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.

The attendance record of the chair and members of the Nomination & Remuneration Advisory Committee for this fiscal year is as follows.

Category	Name	Attendance at the Nomination & Remuneration Advisory Committee meetings
External Director (Chair)	Fumiko Kosao	5/5
External Director	Yoshihisa Sonobe	5/5
External Director	Atsuko Ogasawara	5/5
External Director	Toru Kuwano	3/3
Representative Director, Chairman	Tetsumi Nakamura	5/5
Representative Director and President, CEO	Tatsuya Nishimura	5/5

Note: As Toru Kuwano was newly appointed on 25 March 2025, the number of Attendance at the Nomination & Remuneration Advisory Committee, he was eligible to attend, differs from that of the other executives.

* Corporate Governance Committee

The Company has established the Corporate Governance Committee, an advisory body to the Board of Directors, consisting of four External Directors and two Internal Directors as of the date of submission of this Securities Report. Chaired by External Director, this committee deliberates and reports to the Board of Directors, at the Board's request, on matters related to the evaluation of the effectiveness of the Board of Directors, matters related to measures to improve the effectiveness of the Board of Directors, and other matters related to the Company's corporate governance, thereby improving the effectiveness of the Board of Directors.

The attendance record of the chair and members of the Corporate Governance Committee for this fiscal year is as follows.

Category	Name	Attendance at the Corporate Governance Committee
External Director	Fumiko Kosao	5/5
External Director (Chair)	Yoshihisa Sonobe	5/5
External Director	Atsuko Ogasawara	5/5
External Director	Toru Kuwano	3/3
Representative Director, Chairman	Tetsumi Nakamura	5/5
Representative Director and President, CEO	Tatsuya Nishimura	5/5

Note: As Toru Kuwano was newly appointed on 25 March 2025, the number of Attendance at the Corporate Governance Committee, he was eligible to attend, differs from that of the other executives.

* 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. From April 2026 onward, the Management Meeting may be held more than once a month as needed to further promote in-depth discussions at Board of Directors Meetings.

* Executive Officers' Meeting

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

* Group Management Meeting

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

* Audit & Supervisory Board

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

* Risk Management Committee

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

* Sustainability Committee

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

As of the submission date (March 26, 2026), the members of the Company's major bodies are as follows:

Position	Name	Board of Directors meetings	Nomination & Remuneration Advisory Committee	Corporate Governance Committee	Management Officers' Meeting	Audit & Supervisory Board
Representative Director, Chairman	Tetsumi Nakamura	○	○	○	○	
Representative Director and President, CEO	Tatsuya Nishimura	◎	○	○	◎	
Director, Senior Managing Executive Officer	Naoto Suzuki	○			○	
Director, Managing Executive Officer	Naoki Fujiwara	○			○	
Director, Managing Executive Officer	Toshikazu Matsuoka	○			○	
Director, Managing Executive Officer	Masahiro Emori	○			○	
Director, Managing Executive Officer	Mitsuho Amano	○			○	
External Director	Fumiko Kosao	○	◎	○		
External Director	Yoshihisa Sonobe	○	○	◎		
External Director	Atsuko Ogasawara	○	○	○		
External Director	Toru Kuwano	○	○	○		
Full-time Auditor	Akira Tateyama	○			○	◎
Auditor	Keizo Mitsuke	○			○	○
External Auditor	Yasuro Tanaka	○				○
External Auditor	Go Ishikawa	○				○

The Company has proposed election of 11 Directors as a proposal to be resolved at the Ordinary General Meeting of Shareholders to be held on March 27, 2026. If this proposal is approved and resolved, the members of the Company's major bodies will be as follows. The descriptions of executives' positions include the content of proposals to be resolved at the Board of Directors Meeting to be held immediately after this Ordinary General Meeting of Shareholders. (The symbol ◎ represents the chair, and the symbol ○ represents a member.)

Position	Name	Board of Directors meetings	Nomination & Remuneration Advisory Committee	Corporate Governance Committee	Management Officers' Meeting	Audit & Supervisory Board
Representative Director, Chairman	Tetsumi Nakamura	◎	○	○	○	
Representative Director and President, CEO	Tatsuya Nishimura	○	○	○	◎	
Director, Senior Managing Executive Officer	Naoto Suzuki	○			○	
Director, Managing Executive Officer	Naoki Fujiwara	○			○	
Director, Managing Executive Officer	Toshikazu Matsuoka	○			○	
Director, Managing Executive Officer	Masahiro Emori	○			○	
Director, Managing Executive Officer	Mitsuho Amano	○			○	
External Director	Fumiko Kosao	○	◎	○		
External Director	Yoshihisa Sonobe	○	○	◎		
External Director	Atsuko Ogasawara	○	○	○		
External Director	Toru Kuwano	○	○	○		
Full-time Auditor	Akira Tateyama	○			○	◎
Auditor	Keizo Mitsuke	○			○	○
External Auditor	Yasuro Tanaka	○				○
External Auditor	Go Ishikawa	○				○

(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 (at least once a month), respectively, and makes decisions through adequate discussions. Business plans are reviewed regularly to confirm results for brush ups. The Company establishes internal control systems designed to enhance the cooperation and coordination of each business establishment and division. In operating the subsidiaries, the Administration Headquarters and relevant departments in the Headquarters of the Company actively assist the subsidiaries to ensure efficient business execution.

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

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

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

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

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

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

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

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

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

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

10) Other systems for ensuring effective audits by Auditors

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

b. Improvement of the risk management system

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

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

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

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

The Company has entered into a liability limitation agreement with each of its 4 External Directors and 2 External Auditors. The maximum liability limit under the agreement is 5,000,000 yen or the amount provided by applicable laws, whichever is greater.

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

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

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

If the Company enters into a Directors and Officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and receives a claim for damages due to acts performed by executives in their execution of duties, damages such as legal liability for damages and litigation expenses will be covered. Provided, however, that in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, an insured party shall not be eligible for compensation if the damages arose from the insured party obtaining private benefits or conveniences illegally. Under the said insurance agreement, the insured includes all Directors, Auditors and Executive Officers of the Company and its subsidiaries. In addition, the insurance premiums are fully borne by the Company for all insured parties.

(vi) Election and dismissal of Directors

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

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

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

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

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

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

(2) Executive management

1) Executives

a. As of the submission date (March 26, 2026), the members of the Company's major bodies are as follows:

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

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Representative Director, Chairman	Tetsumi Nakamura	March 4, 1957	April 1979	Joined CTI Engineering	1	72
			April 2002	General Manager, River & Water Resources Div., Tokyo Main Office		
			April 2006	Assistant Managing Principal, Tokyo Main Office		
			April 2009	Deputy Managing Principal, Tokyo Main Office		
			March 2010	Executive Officer,		
			April 2011	Managing Principal, Tohoku Office		
			March 2013	Director		
			March 2015	Principal, Kyushu Office and Okinawa Office		
			March 2016	Managing Executive Officer		
			April 2017	Managing Principal, Tokyo Main Office		
			March 2018	Senior Managing Executive Officer		
			March 2019	Representative Director and President, CEO		
			May 2023	Chairman, The Japan Civil Engineering Consultants Association		
			March 2024	Representative Director, Chairman (present post)		
Representative Director and President, CEO	Tatsuya Nishimura	August 9, 1959	April 1985	Joined CTI Engineering	1	56
			April 2004	General Manager, Water Management & Research Div., Tokyo Main Office		
			April 2006	General Manager, River & Water Resources Div., Tokyo Main Office		
			April 2010	Assistant Managing Principal, Chubu Office		
			March 2015	Executive Officer,		
			April 2015	Deputy Managing Principal, Tokyo Main Office		
			March 2017	Managing Executive Officer		
			April 2017	Managing Principal, Tohoku Office		
			March 2019	Director, Senior Managing Executive Officer		
			April 2019	Chief, Planning & Business Development Headquarters		
			March 2021	Representative Director (present post)		
			March 2022	Executive Vice President		
			March 2024	Representative Director and President, CEO (present post)		
Director, Senior Managing Executive Officer / Chief, Planning & Business Development Headquarters	Naoto Suzuki	November 22, 1961	April 1987	Joined Yachiyo Engineering Co., Ltd.	1	17
			May 1991	Joined CTI Engineering		
			April 2006	General Manager, Road & Transportation Engineering Div., Osaka Main Office		
			April 2011	General Manager, Sales & Marketing Division, Osaka Main Office		
			April 2012	Assistant Managing Principal, Osaka Main Office		
			March 2017	Executive Officer,		
			April 2017	Deputy Chief, Administration Headquarters, General Manager, Personnel Div.		
			March 2020	Director (present post), Chief, Administration Headquarters		
			March 2022	Managing Executive Officer		
			March 2024	Senior Managing Executive Officer (present post) / Chief, Planning & Business Development Headquarters (present post)		
Director, Managing Executive Officer	Naoki Fujiwara	January 11, 1964	April 1989	Joined CTI Engineering	1	24
			April 2007	General Manager, Water Management & Research Div., Tokyo Main Office		
			April 2012	General Manager, River & Water Resources Div., Tokyo Main Office		
			April 2014	Assistant Managing Principal, Chubu Office		
			April 2016	General Manager, International Div.		
			June 2017	Executive Director, Waterman Group Plc (present post)		
			March 2018	Executive Officer, CTI Engineering		
			March 2019	Director, CTI Engineering International Co., Ltd.		
			April 2019	Deputy Chief, Planning & Business Development Headquarters, CTI Engineering		
			March 2021	Managing Executive Officer (present post)		
			March 2023	Director (present post)		
			March 2024	President and CEO, CTI Engineering International Co., Ltd. (present post)		

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director, Managing Executive Officer / Chief, Administration Headquarters	Toshikazu Matsuoka	November 27, 1962	April 1988 February 1999 April 2011 April 2015 April 2017 April 2019 March 2020 April 2020 March 2022 March 2024	Joined Aoki Corporation (currently Asunaro Aoki Construction Co., Ltd.) Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Osaka Main Office Managing Principal, Chugoku Office Assistant Managing Principal, Osaka Main Office Deputy Chief, Administration Headquarters, General Manager, General Affairs Div. Executive Officer Deputy Chief, Administration Headquarters, General Manager, Personnel Div. Managing Executive Officer (present post) Director (present post), Chief, Administration Headquarters (present post)	1	10
Director, Managing Executive Officer / Managing Principal, Tokyo Main Office	Masahiro Emori	May 14, 1963	April 1988 April 2014 April 2015 April 2017 March 2019 April 2019 March 2021 April 2021 March 2022 March 2024 March 2025 April 2025	Joined CTI Engineering General Manager, Road & Transportation Engineering Div., Tokyo Main Office General Manager, Transportation Systems Div., Tokyo Main Office Assistant Managing Principal, Tokyo Main Office Executive Officer Deputy Chief, Planning & Business Development Headquarters Managing Executive Officer (present post) Deputy Managing Principal, Tokyo Main Office Managing Principal, Chubu Office Managing Principal, Osaka Main Office Director (present post) Managing Principal, Tokyo Main Office (present post)	1	23
Director, Managing Executive Officer / Chief, Engineering Headquarters	Mitsuho Amano	May 13, 1965	April 1991 April 2012 April 2014 April 2016 April 2017 March 2019 April 2019 March 2021 April 2021 March 2023 March 2025	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Chubu Office Assistant Managing Principal, Tokyo Main Office Executive Officer Deputy Managing Principal, Tokyo Main Office Managing Executive Officer (present post) Managing Principal, Tohoku Office Managing Principal, Tokyo Main Office (present post) Director (present post), Chief, Engineering Headquarters (present post)	1	12
Director	Fumiko Kosao	April 17, 1954	April 1973 July 1997 July 2011 July 2014 August 2015 June 2016 March 2017 June 2017 July 2020 June 2023	Employed by National Tax Agency Teacher, Tokyo Training Center, National Tax College District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau District Director, Nihonbashi Tax Office, Tokyo Regional Taxation Bureau Registered as Certified Public Tax Accountant (present post) Fumiko Kosao Tax Accountant Office (present post) External Auditor, TOBISHIMA CORPORATION Director, CTI Engineering (present post) External Director, METAWATER Co., Ltd. (present post) External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. Outside Director, THE NIPPON ROAD CO., LTD. (present post)	1	–

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director	Yoshihisa Sonobe	October 17, 1956	April 1980	Joined Teijin Limited	1	–
			June 2009	Corporate Officer; General Manager, Corporate Strategy Division, 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)		
Director	Atsuko Ogasawara	October 6, 1960	April 1983	Joined The Mainichi Newspapers Co., Ltd.	1	–
			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)		
Director	Toru Kuwano	May 3, 1952	April 1976	Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.)	1	–
			June 2000	Director, Toyo Information Systems Co., Ltd.		
			April 2004	Executive Director, TIS Inc.		
			April 2008	Executive Managing Director, TIS Inc.		
			April 2010	Executive Vice President and Representative Director, TIS Inc.		
			April 2011	President and Representative Director, TIS Inc		
			June 2018	Chairman, President and Representative Director, TIS Inc.		
			April 2021	Chairman and Director, TIS Inc (present post)		
			March 2025	Director, CTI Engineering (present post)		

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Full-time Auditor	Akira Tateyama	June 7, 1965	April 1988 October 1999 April 2012 April 2014 April 2019 April 2022 March 2025	Joined Fujita Corporation Joined CTI Engineering General Manager, Asset Management Services Section, Tokyo Main Office General Manager, Infrastructure Management Div., Tokyo Main Office Assistant Managing Principal, Kyushu Office Deputy Chief, Engineering Headquarters Full-time Auditor, CTI Engineering (present post)	2	1
Auditors	Keizo Mitsuke	August 27, 1961	April 1986 January 1990 June 2009 April 2012 April 2017 April 2020 March 2023 March 2025	Joined TOKEN C.E.E. Consultants Co., Ltd. Joined NIKKEN Consultants, Inc. (currently IDEA Consultants, Inc.) Joined CTI Engineering General Manager, Public Relations Section, Administration Headquarters General Manager, General Affairs Div., Chubu Office Deputy Chief, Administration Headquarters, General Manager, General Affairs Div. Full-time Auditor Auditor (present post)	3	10
Auditors	Yasuro Tanaka	February 9, 1946	April 1971 April 1981 April 1985 April 1994 February 2003 February 2005 March 2009 February 2011 April 2011 March 2015	Appointed as Assistant Judge Judge of Tokyo District Court General Manager, Training Div., United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders General Judge of Tokyo District Court Director of Morioka District and Domestic Relations Courts General Judge of Tokyo High Court Director of Sapporo High Court Registered as attorney (present post) Professor at the Meiji University Graduate School of Law Auditor, CTI Engineering (present post)	3	–
Auditors	Go Ishikawa	July 8, 1968	April 1995 July 1998 September 2008 March 2011 February 2012 March 2015 March 2016 April 2016 March 2019 April 2022	Registered as attorney (present post) Partner, Kakimoto Law Office Partner, Kasumigaseki Law & Accounting Office External Auditor, Mediaflag Inc. (currently Impact HD Inc.) Outside Auditor, ALTECH CO., LTD. (present post) Senior Partner, SAKURADADORI PARTNERS (present post) External Director, Mediaflag Inc. (currently Impact HD Inc.) Deputy Chairman, Dai-Ichi Tokyo Bar Association Auditor, CTI Engineering (present post) Executive Governor, Japan Federation of Bar Associations	3	–
Total						227

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

7. 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	Registered as attorney (present post)	1	–
		January 2002	Senior Partner, Atsumi & Usui Law Office (currently Atsumi & Sakai) (present post)		
		September 2016	Member of the Council on Antimonopoly Policy of the Japan Fair Trade Commission (JFTC) (present post)		
		June 2020	Outside Director Audit & Supervisory Board Member, Panasonic Corporation (currently Panasonic Holdings Corporation) (present post)		

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.

b. The Company has proposed election of 11 Directors as a proposal to be resolved at the Ordinary General Meeting of Shareholders to be held on March 27, 2026. If this proposal is approved and resolved, the members of the Company's major bodies will be as follows. The descriptions of executives' positions include the content of proposals to be resolved at the Board of Directors Meeting to be held immediately after this Ordinary General Meeting of Shareholders.

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

Board member position / Company position	Name	Date of birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Representative Director, Chairman	Tetsumi Nakamura	March 4, 1957	April 1979	Joined CTI Engineering	1	72
			April 2002	General Manager, River & Water Resources Div., Tokyo Main Office		
			April 2006	Assistant Managing Principal, Tokyo Main Office		
			April 2009	Deputy Managing Principal, Tokyo Main Office		
			March 2010	Executive Officer,		
			April 2011	Managing Principal, Tohoku Office		
			March 2013	Director		
			March 2015	Principal, Kyushu Office and Okinawa Office		
			March 2016	Managing Executive Officer		
			April 2017	Managing Principal, Tokyo Main Office		
			March 2018	Senior Managing Executive Officer		
			March 2019	Representative Director and President, CEO		
			May 2023	Chairman, The Japan Civil Engineering Consultants Association		
			March 2024	Representative Director, Chairman (present post)		
Representative Director and President, CEO	Tatsuya Nishimura	August 9, 1959	April 1985	Joined CTI Engineering	1	56
			April 2004	General Manager, Water Management & Research Div., Tokyo Main Office		
			April 2006	General Manager, River & Water Resources Div., Tokyo Main Office		
			April 2010	Assistant Managing Principal, Chubu Office		
			March 2015	Executive Officer,		
			April 2015	Deputy Managing Principal, Tokyo Main Office		
			March 2017	Managing Executive Officer		
			April 2017	Managing Principal, Tohoku Office		
			March 2019	Director, Senior Managing Executive Officer		
			April 2019	Chief, Planning & Business Development Headquarters		
			March 2021	Representative Director (present post)		
			March 2022	Executive Vice President		
			March 2024	Representative Director and President, CEO (present post)		

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Representative Director, Senior Managing Executive Officer / Chief, Planning & Business Development Headquarters	Naoto Suzuki	November 22, 1961	April 1987	Joined Yachiyo Engineering Co., Ltd.	1	17
			May 1991	Joined CTI Engineering		
			April 2006	General Manager, Road & Transportation Engineering Div., Osaka Main Office		
			April 2011	General Manager, Sales & Marketing Division, Osaka Main Office		
			April 2012	Assistant Managing Principal, Osaka Main Office		
			March 2017	Executive Officer,		
			April 2017	Deputy Chief, Administration Headquarters, General Manager, Personnel Div.		
			March 2020	Director (present post), Chief, Administration Headquarters		
			March 2022	Managing Executive Officer		
			March 2024	Senior Managing Executive Officer (present post) / Chief, Planning & Business Development Headquarters (present post)		
Director, Managing Executive Officer	Naoki Fujiwara	January 11, 1964	April 1989	Joined CTI Engineering	1	24
			April 2007	General Manager, Water Management & Research Div., Tokyo Main Office		
			April 2012	General Manager, River & Water Resources Div., Tokyo Main Office		
			April 2014	Assistant Managing Principal, Chubu Office		
			April 2016	General Manager, International Div.		
			June 2017	Executive Director, Waterman Group Plc (present post)		
			March 2018	Executive Officer, CTI Engineering		
			March 2019	Director, CTI Engineering International Co., Ltd.		
			April 2019	Deputy Chief, Planning & Business Development Headquarters, CTI Engineering		
			March 2021	Managing Executive Officer (present post)		
			March 2023	Director (present post)		
			March 2024	President and CEO, CTI Engineering International Co., Ltd. (present post)		
Director, Managing Executive Officer / Chief, Administration Headquarters	Toshikazu Matsuoka	November 27, 1962	April 1988	Joined Aoki Corporation (currently Asunaro Aoki Construction Co., Ltd.)	1	10
			February 1999	Joined CTI Engineering		
			April 2011	General Manager, Road & Transportation Engineering Div., Osaka Main Office		
			April 2015	Managing Principal, Chugoku Office		
			April 2017	Assistant Managing Principal, Osaka Main Office		
			April 2019	Deputy Chief, Administration Headquarters, General Manager, General Affairs Div.		
			March 2020	Executive Officer		
			April 2020	Deputy Chief, Administration Headquarters, General Manager, Personnel Div.		
			March 2022	Managing Executive Officer (present post)		
			March 2024	Director (present post), Chief, Administration Headquarters (present post)		
Director, Managing Executive Officer / Managing Principal, Tokyo Main Office	Masahiro Emori	May 14, 1963	April 1988	Joined CTI Engineering	1	23
			April 2014	General Manager, Road & Transportation Engineering Div., Tokyo Main Office		
			April 2015	General Manager, Transportation Systems Div., Tokyo Main Office		
			April 2017	Assistant Managing Principal, Tokyo Main Office		
			March 2019	Executive Officer		
			April 2019	Deputy Chief, Planning & Business Development Headquarters		
			March 2021	Managing Executive Officer (present post)		
			April 2021	Deputy Managing Principal, Tokyo Main Office		
			March 2022	Managing Principal, Chubu Office		
			March 2024	Managing Principal, Osaka Main Office		
			March 2025	Director (present post)		
			April 2025	Managing Principal, Tokyo Main Office (present post)		

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	Mitsuho Amano	May 13, 1965	April 1991 April 2012 April 2014 April 2016 April 2017 March 2019 April 2019 March 2021 April 2021 March 2023 March 2025	Joined CTI Engineering General Manager, Water Management & Research Div., Tokyo Main Office General Manager, River & Water Resources Div., Tokyo Main Office Assistant Managing Principal, Chubu Office Assistant Managing Principal, Tokyo Main Office Executive Officer Deputy Managing Principal, Tokyo Main Office Managing Executive Officer (present post) Managing Principal, Tohoku Office Managing Principal, Tokyo Main Office (present post) Director (present post), Chief, Engineering Headquarters (present post)	1	12
Director	Fumiko Kosao	April 17, 1954	April 1973 July 1997 July 2011 July 2014 August 2015 June 2016 March 2017 June 2017 July 2020 June 2023	Employed by National Tax Agency Teacher, Tokyo Training Center, National Tax College District Director, Gyoda Tax Office, Kantoshinetsu Regional Taxation Bureau District Director, Nihonbashi Tax Office, Tokyo Regional Taxation Bureau Registered as Certified Public Tax Accountant (present post) Fumiko Kosao Tax Accountant Office (present post) External Auditor, TOBISHIMA CORPORATION Director, CTI Engineering (present post) External Director, METAWATER Co., Ltd. (present post) External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. Outside Director, THE NIPPON ROAD CO., LTD. (present post)	1	–
Director	Yoshihisa Sonobe	October 17, 1956	April 1980 June 2009 April 2011 April 2014 June 2014 April 2016 April 2017 April 2019 April 2020 April 2021 March 2022	Joined Teijin Limited Corporate Officer; General Manager, Corporate Strategy Division, Teijin Limited CFO; General Manager, Accounting and Finance Unit, Teijin Limited General Manager, Corporate Strategy Unit, Teijin Limited Director, Teijin Limited Executive Officer, Teijin Limited Chief Officer, Corporate Strategy; Chief Officer, Legal Affairs & Intellectual Property (Chief Officer, Global Business Strategy (in charge of overseas financial management companies (Europe, US, China))), Teijin Limited Senior Executive Officer; Chief Financial Officer; Teijin Limited Representative Director, Teijin Limited Director; Part-Time Advisor, Teijin Limited Director, CTI Engineering (present post)	1	–
Director	Atsuko Ogasawara	October 6, 1960	April 1983 April 2006 April 2008 May 2011 April 2016 May 2017 June 2018 June 2018 April 2020 June 2020 June 2020 February 2021 March 2023	Joined The Mainichi Newspapers Co., Ltd. General Manager, Okayama Bureau, The Mainichi Newspapers Co., Ltd. General Manager, Economic Department, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. General Manager, Kyoto Bureau, The Mainichi Newspapers Co., Ltd. General Manager, General Business Bureau, The Mainichi Newspapers Co., Ltd. Director, Japan High School Baseball Federation Deputy Representative, Osaka Headquarters, The Mainichi Newspapers Co., Ltd. Director, The Daido Life Foundation (present post) Executive Director (part-time), National University Corporation Osaka University Outside Director, Senshu Ikeda Holdings, Inc. (present post) Non-Executive Director (non-full time), The Senshu Ikeda Bank, Ltd. (present post) Director, Kansai Innovation Center (present post) Director, CTI Engineering (present post)	1	–

Board member position / Company position	Name	Date of Birth	Career		Term of office (Note no.)	Number of shares held (thousand)
Director	Toru Kuwano	May 3, 1952	April 1976 June 2000 April 2004 April 2008 April 2010 April 2011 June 2018 April 2021 March 2025	Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.) Director, Toyo Information Systems Co., Ltd. Executive Director, TIS Inc. Executive Managing Director, TIS Inc. Executive Vice President and Representative Director, TIS Inc. President and Representative Director, TIS Inc Chairman, President and Representative Director, TIS Inc. Chairman and Director, TIS Inc (present post) Director, CTI Engineering (present post)	1	–
Full-time Auditor	Akira Tateyama	June 7, 1965	April 1988 October 1999 April 2012 April 2014 April 2019 April 2022 March 2025	Joined Fujita Corporation Joined CTI Engineering General Manager, Asset Management Services Section, Tokyo Main Office General Manager, Infrastructure Management Div., Tokyo Main Office Assistant Managing Principal, Kyushu Office Deputy Chief, Engineering Headquarters Full-time Auditor, CTI Engineering (present post)	2	1
Auditors	Keizo Mitsuke	August 27, 1961	April 1986 January 1990 June 2009 April 2012 April 2017 April 2020 March 2023 March 2025	Joined TOKEN C.E.E. Consultants Co., Ltd. Joined NIKKEN Consultants, Inc. (currently IDEA Consultants, Inc.) Joined CTI Engineering General Manager, Public Relations Section, Administration Headquarters General Manager, General Affairs Div., Chubu Office Deputy Chief, Administration Headquarters, General Manager, General Affairs Div. Full-time Auditor Auditor (present post)	3	10
Auditors	Yasuro Tanaka	February 9, 1946	April 1971 April 1981 April 1985 April 1994 February 2003 February 2005 March 2009 February 2011 April 2011 March 2015	Appointed as Assistant Judge Judge of Tokyo District Court General Manager, Training Div., United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders General Judge of Tokyo District Court Director of Morioka District and Domestic Relations Courts General Judge of Tokyo High Court Director of Sapporo High Court Registered as attorney (present post) Professor at the Meiji University Graduate School of Law Auditor, CTI Engineering (present post)	3	–
Auditors	Go Ishikawa	July 8, 1968	April 1995 July 1998 September 2008 March 2011 February 2012 March 2015 March 2016 April 2016 March 2019 April 2022	Registered as attorney (present post) Partner, Kakimoto Law Office Partner, Kasumigaseki Law & Accounting Office External Auditor, Mediaflag Inc. (currently Impact HD Inc.) Outside Auditor, ALTECH CO., LTD. (present post) Senior Partner, SAKURADADORI PARTNERS (present post) External Director, Mediaflag Inc. (currently Impact HD Inc.) Deputy Chairman, Dai-Ichi Tokyo Bar Association Auditor, CTI Engineering (present post) Executive Governor, Japan Federation of Bar Associations	3	–
Total						227

Notes: 1. From March 27, 2026 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2026.
2. From March 25, 2025 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2028.
3. From March 28, 2023 until the conclusion of the Ordinary General Meeting of Shareholders held in respect of the fiscal year ending December 31, 2026.
4. Directors Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, Ms. Atsuko Ogasawara, and Mr. Toru Kuwano are External

Directors.

5. Auditors Mr. Yasuro Tanaka and Mr. Go Ishikawa are External Auditors.
6. The number of shares of the Company held by Directors and Auditors are the number of shares after the stock split that was conducted effective January 1, 2025.
7. 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	Registered as attorney (present post)	1	–
		January 2002	Senior Partner, Atsumi & Usui Law Office (currently Atsumi & Sakai) (present post)		
		September 2016	Member of the Council on Antimonopoly Policy of the Japan Fair Trade Commission (JFTC) (present post)		
		June 2020	Outside Director Audit & Supervisory Board Member, Panasonic Corporation (currently Panasonic Holdings Corporation) (present post)		

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. The Company has designated Directors, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, Ms. Atsuko Ogasawara, and Mr. Toru Kuwano, and Auditors, Mr. Yasuro Tanaka and Mr. Go Ishikawa, as Independent Directors and Auditors in accordance with the rules of Tokyo Stock Exchange, Inc. and notified the same to the said exchange.

a. External Directors

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

External Director Ms. Fumiko Kosao has served in positions such as Tax Office District Director, and possesses extensive experience in heading organizations, as well as expertise related to tax affairs and corporate accounting as a Certified Public Tax Accountant. Furthermore, she has served as Chair of the Nomination & Remuneration Advisory Committee of the Company since April 2025, and has contributed to enhancing the systems for the nomination and compensation of management team. 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. Furthermore, he has served as Chair of the Corporate Governance Committee of the Company since April 2025, and has contributed to enhancing the Company’s corporate governance. The Company has deemed that he can be expected to continue playing an appropriate role in ensuring the adequacy and appropriateness of decision-making, such as by supervising and giving advice based on his knowledge and broad insight related to finance, accounting and global business. Therefore, he has been appointed as an External Director.

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

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

There are no human relationships, financial relationships, business relationships, or other interests between the Company and the 3 External Directors, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, Ms. Atsuko Ogasawara. Although there are no human relationships or financial relationships between the Company and External Director, Mr. Toru Kuwano, is the Chairman and Director of TIS Inc. There were transactions between TIS Inc. and the Company only during the fiscal year ended December 31, 2024, but these totaled less than 10 million yen, an insignificant amount. Accordingly, the Company has deemed that there is no business relationship between Mr. Kuwano and the Company and that there is no risk of a conflict of interest arising between him and general shareholders.

b. External Auditors

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

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

In addition, the External Auditors supervise the Company's management from an independent position and objective point of view, give appropriate advice and opinions inside and outside the Board of Directors, and thereby appropriately perform their duties. Accordingly, the Company believes that the independence of these External Auditors is steadfastly maintained.

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

c. Independent External Directors/Auditors

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

(1) A person who is not currently or has not been in the past ten (10) years an executive*1 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*2 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*3 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*3 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 grasp auditing activities and exchange information, and regularly stage an opinion-exchange meeting for the planning and execution of audits, as described in (3) below. 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	Akira Tateyama	10/10
Auditor	Keizo Mitsuke	14/14
External Auditor	Yasuro Tanaka	14/14
External Auditor	Go Ishikawa	14/14

Note: As Full-time Auditor Akira Tateyama was newly appointed on 25 March 2025, the number of Attendance at the Audit & Supervisory Board Meetings, he was eligible to attend, differs from that of the other Auditor.

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

Auditors regularly exchange information and opinions 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 on the status of compliance from the Legal Affairs & Compliance Division, 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, an independent organization reporting directly to the President, which has the authority to request additional personnel as required. At present, the Audit Section staff is comprised of 5 Audit officers and 1 assisting staff member. Specifically, planned internal comprehensive operational audits are performed annually on all divisions and departments within the Company. The Audit Section regularly holds a meeting to exchange information with Auditors and the Accounting Auditor in pursuit of mutual cooperation.

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

3) Financial audits

i) Name of the audit corporation Deloitte Touche Tohmatsu LLC

ii)Number of consecutive years of auditing

13 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 22 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	92	–	72	–
Consolidated subsidiaries	–	–	–	–
Total	92	–	72	–

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

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	–	–	–	26
Consolidated subsidiaries	–	–	–	–
Total	–	–	–	26

The non-auditing services provided for the Company are due diligence services related to mergers and acquisitions.

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

The Company established the policies regarding the determination of compensation for individual Directors and Auditors as follows by resolution of the Board of Directors meeting held on February 14, 2023.

(1) Compensation for Directors (excluding External Directors)

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

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

(2) Compensation for External Directors and Auditors

i) Compensation for External Directors

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

ii) Compensation for Auditors

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

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

(1) Fixed compensation (monthly compensation)

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

(2) Performance-linked compensation (monetary bonuses)

With regard to performance-linked compensation (monetary bonuses), the base amount of bonuses shall be set according to the consolidated business performance of the relevant fiscal year, 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, in accordance with their assigned responsibilities, for each type of operating profit, orders received, ROE, and ESG using the following calculation formula, and shall be resolved at the Board of Directors meeting after deliberation by the Council for Personnel Affairs of Officers, etc. and by the Nomination & Compensation Advisory

Committee. Consolidated operating profit, orders received and profit before tax in accordance with assigned responsibilities, average ROE for the three most recent fiscal years, and ESG indicators have been adopted as specific metrics, and each coefficient is calculated based on the degree of achievement with respect to the targets and goals determined at the beginning of the fiscal year. The reason for the selection of consolidated operating profit and orders received and profit before tax in accordance with assigned responsibilities is to make clear the interconnection with short-term business activities, and the reason for the selection of three-year average ROE and ESG indicators is to make clear the responsibility for increasing corporate value over the medium to long term. With regard to actual results for the metrics in the fiscal year under review, consolidated operating profit was 9,136 million yen and the three-year average ROE was 11.9%. As for orders received, profit before tax in accordance with assigned responsibilities, and ESG indicators, aside from CTI Engineering International Co., Ltd. falling short of its targets, the targets and goals determined at the beginning of the fiscal year were generally achieved.

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

(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 compensation), 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	252	167	41	43	10
External Directors	33	33	–	–	5
Auditors	34	34	–	–	3
External Auditors	14	14	–	–	2

Notes: 1. The amounts of compensation, etc. for Directors do not include employee salaries for Directors who serve concurrently as employees.
2. The amount of performance-linked compensation for Directors has been reported as an expense and classified as reserve for bonuses to directors in the current fiscal year.
3. The content of non-monetary compensation, etc. is restricted stock of the Company, and Directors (excluding External Directors) are eligible for such compensation.
4. The number of persons stated above includes four Directors (three Directors and one External Director) and one Auditor who retired during the fiscal year.

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

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

There were five meetings of the Nomination & Compensation Advisory Committee held in the fiscal year ended December 31, 2025, and two meetings held in the fiscal year ending December 31, 2026 as of the date of submission of this Securities Report. The Committee deliberates on matters concerning Directors' compensation (compensation policy, total compensation amounts, setting of ESG evaluation index for performance-linked compensation, and calculation of performance-linked compensation).

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

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

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

Not applicable.

(5) Holding of shares

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

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

2) Investment stock held for purposes other than pure investment

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

The Company has made it a policy to reduce its holding of cross-shareholdings from the perspective of building a strong financial base resistant to the impact of fluctuation in stock prices while improving capital efficiency.

Moreover, the Company assesses the significance and rationale for its cross-shareholdings, and if there is no clear significance or rationale, the Company will reduce the amount of those cross-shareholdings in stages, from the perspective of the Group’s sustainable growth and enhancement of its corporate value over the medium to long term. In the Mid-term Management Plan 2027 announced on February 14, 2025, the Company has set out a commitment to achieving its quantitative targets of reducing both the number of the issues of cross-shareholdings and the amount of cross-shareholdings recorded in the balance sheet by more than 50% by 2027, compared with the end of September 2024, while also reducing the number of the issues of cross-shareholdings held without a clear rationale, such as business collaboration, to close to zero by 2030.

To reduce the cross-shareholdings, every year the Board of Directors resolves a reduction policy and verifies the rationality of holding for each individual issue based on the following criteria:

- Qualitative verification

Verification for each individual issue from business strategy perspectives, such as whether the holding of the issue may lead to technological development, corporate collaboration, or business synergies that contribute to the Group’s business strategy

- Quantitative verification

Verification from such perspectives as whether the benefits and risks associated with the holding justify the cost of capital

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.

If a company that holds shares of the Company’s stock as cross-shareholdings (a cross-shareholder) expresses to the Company an intension of selling those shares, etc., the Company will respect the intention.

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	92
Stock other than the above	16	3,393

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

	Number of issues (Issues)	Total acquisition price related to increase in the number of shares (million yen)	Reason for increase in shareholdings
Non-listed stock	–	–	–
Stock other than the above	–	–	–

(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	5	773

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	–	–
	–	267		
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)
	52	36		
Dai-ichi Life Holdings, Inc.	10,400	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. Changes in the number of shares during the fiscal year were due to the aforementioned company's share split.	Yes (Note 2)
	13	11		
SHO-BOND Holdings Co., Ltd.	188,000	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. Changes in the number of shares during the fiscal year were due to the aforementioned company's share split.	Yes (Note 2)
	248	245		
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
	897	588		
KAWADA technologies, inc.	–	36,000	–	–
	–	99		
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
	65	61		
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)
	48	45		
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
	212	205		
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
	255	178		
Oriental Consultants Holdings Co., Ltd.	114,400	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. Changes in the number of shares during the fiscal year were due to the aforementioned company's share split.	Yes
	363	277		
Kawasaki Geological Engineering Co., Ltd.	–	9,400	–	–
	–	23		
ASIA AIR SURVEY CO., LTD.	102,000	102,000	By leveraging the issuer's expertise in engineering consulting, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational.	Yes
	128	117		

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)		
Founder's Consultants Holdings Inc.	–	54,917	–	–
	–	49		
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
	169	157		
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
	151	109		
OYO Corporation	–	98,500	–	–
	–	223		
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
	208	187		
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
	325	195		
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)
	204	164		
	–	54		
Informetis Co., Ltd.	129,032	129,032	By leveraging the issuer's expertise in AI technologies, cooperation and collaborations with the Company's businesses can be expected. Thus, the holding is deemed to be rational. Through the investment in and business alliance with this company, the Company will work on the development of technologies related to power supply management using AI technologies and the infrastructure sector, as well as the planning and commercialization of associated energy management services, etc.	No
	48	140		

Notes: 1. Although it is difficult to describe the quantitative effects of holding, the Board of Directors resolves a reduction policy every year. In addition, for each individual issue, the Board verifies the appropriateness of holding from both business strategy perspectives—such as whether the holding may contribute to technological development, corporate collaboration, or business synergies that support the Group's business strategy—and financial perspectives, including whether the benefits and risks associated with the holding are commensurate with the cost of capital.

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 in the current fiscal year

Not applicable.

5) Investment stock, for which the holding purpose was changed to pure investment from other purposes in the four prior fiscal years and 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, 2025 to December 31, 2025) and the non-consolidated financial statements for the current fiscal year (from January 1, 2025 to December 31, 2025) 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, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Assets		
Current assets		
Cash and bank deposits	15,523	15,988
Notes receivable, completed work receivables and contract assets	*1 40,053	*1 44,144
Prepaid expenses for uncompleted services	97	155
Other	1,809	2,830
Allowance for doubtful accounts	-516	-600
Total current assets	56,967	62,519
Fixed assets		
Tangible fixed assets		
Buildings and structures	7,542	8,360
Accumulated depreciation	-4,360	-4,550
Buildings and structures, net	3,181	3,809
Machinery and transportation equipment	1,344	1,419
Accumulated depreciation	-1,075	-1,135
Machinery and transportation equipment, net	268	284
Land	4,903	4,601
Lease assets	493	755
Accumulated depreciation	-275	-279
Lease assets, net	217	475
Right-of-use assets	3,699	5,885
Accumulated depreciation	-2,084	-2,562
Right-of-use assets, net	1,614	3,322
Construction in progress	24	30
Other	3,887	4,040
Accumulated depreciation	-2,919	-3,014
Other, net	967	1,025
Total tangible fixed assets	11,178	13,549
Intangible fixed assets		
Lease assets	9	36
Goodwill	6,874	6,607
Other	363	331
Total intangible fixed assets	7,246	6,974
Investments and other assets		
Investment securities	*2 5,029	*2 4,540
Long-term loans receivable	-	27
Long-term loans receivable from subsidiaries and affiliates	711	780
Deferred tax assets	222	202
Net defined benefit asset	4,468	5,813
Other	*2 2,000	*2 2,069
Allowance for doubtful accounts	-131	-133
Total investments and other assets	12,301	13,300
Total fixed assets	30,726	33,825
Total assets	87,694	96,344

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Liabilities		
Current liabilities		
Accounts payable	3,609	3,545
Short-term borrowings	1,990	1,380
Lease obligations	780	950
Accrued income taxes	1,144	1,823
Contract liabilities	4,048	4,169
Reserve for bonuses	3,490	3,042
Reserve for bonuses to directors	219	213
Allowance for losses in operations	90	121
Other	6,958	7,465
Total current liabilities	22,333	22,712
Fixed liabilities		
Long-term borrowings	119	78
Lease obligations	1,137	3,054
Provision for warranties for completed operation	452	543
Deferred tax liabilities	169	786
Net defined benefit liability	898	914
Provision for loss on guarantees	27	142
Asset retirement obligations	302	849
Other	577	447
Total fixed liabilities	3,686	6,816
Total liabilities	26,019	29,529
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,650	3,830
Profit surplus	49,318	53,188
Treasury stock	-890	-1,478
Total shareholders' equity	55,104	58,566
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,781	1,841
Foreign currency translation adjustment	2,549	3,199
Remeasurements of defined benefit plans	2,017	2,921
Total accumulated other comprehensive income	6,348	7,962
Non-controlling interests	221	285
Total net assets	61,674	66,815
Total liabilities and net assets	87,694	96,344

(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, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Sales	97,678	101,038
Cost of sales	69,251	71,457
Gross profit	28,427	29,580
Selling, general and administrative expenses	*1, *2 19,030	*1, *2 20,444
Operating income	9,396	9,136
Non-operating revenues		
Interest earned	76	100
Dividend earned	126	133
Insurance dividend earned	29	41
Rent earned	38	39
Other	46	121
Total non-operating revenues	317	436
Non-operating expenses		
Interest payable	72	103
Commission paid	16	3
Loss on investments in investment partnerships	27	30
Foreign exchange losses	58	37
Allowance for doubtful accounts	-	27
Commission for acquisition of treasury stock	-	4
Other	4	14
Total non-operating expenses	178	221
Ordinary profit	9,535	9,350
Extraordinary gain		
Gain on sale of non-current assets	*3 2	*3 0
Gain on sale of investment securities	46	615
Gain on liquidation of subsidiaries and associates	9	-
Total extraordinary gain	58	615
Extraordinary loss		
Loss from fixed assets disposal	*4 63	*4 32
Impairment loss	-	432
Loss on disposal of subsidiaries and affiliates	-	88
Unrealized loss on investment securities	-	219
Provision for loss on guarantees	27	142
Allowance for doubtful accounts	11	-
Other	-	50
Total extraordinary loss	103	965
Net income before income tax	9,489	9,000
Corporation tax, inhabitants taxes and enterprise tax	2,436	2,899
Deferred income taxes etc.	267	94
Total income taxes	2,704	2,994
Net income	6,785	6,006
Net income attributable to non-controlling interests	39	54
Net income attributable to owners of the parent	6,746	5,952

Consolidated Statements of Comprehensive Income

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Net income	6,785	6,006
Other comprehensive income		
Other valuation difference on available-for-sale securities	267	60
Foreign currency translation adjustment	950	669
Remeasurements of defined benefit plans, net of tax	591	903
Total other comprehensive income	*1 1,809	*1 1,633
Comprehensive income	8,595	7,639
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	8,562	7,566
Comprehensive income attributable to non-controlling interests	33	73

(iii) Statement of Fluctuations in Consolidated Shareholders' Equity

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

(million yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,513	1,593	1,425	4,532	206	55,093
Changes of items during the period						
Dividends from surplus						-2,079
Net income attributable to owners of the parent						6,746
Acquisition of treasury stock						-2
Disposal of treasury stock						77
Changes in liabilities for written put options over non-controlling interests						8
Fluctuations during the period for items other than shareholders' equity (Net amount)	267	956	591	1,815	14	1,830
Total changes of items during the period	267	956	591	1,815	14	6,580
Balance at the end of current period	1,781	2,549	2,017	6,348	221	61,674

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

(million yen)

	Shareholders' equity				
	Capital	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,025	3,650	49,318	-890	55,104
Changes of items during the period					
Dividends from surplus			-2,082		-2,082
Net income attributable to owners of the parent			5,952		5,952
Acquisition of treasury stock				-637	-637
Disposal of treasury stock		24		49	74
Changes in liabilities for written put options over non-controlling interests		155			155
Fluctuations during the period for items other than shareholders' equity (Net amount)					
Total changes of items during the period	-	179	3,869	-588	3,461
Balance at the end of current period	3,025	3,830	53,188	-1,478	58,566

	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	1,781	2,549	2,017	6,348	221	61,674
Changes of items during the period						
Dividends from surplus						-2,082
Net income attributable to owners of the parent						5,952
Acquisition of treasury stock						-637
Disposal of treasury stock						74
Changes in liabilities for written put options over non-controlling interests						155
Fluctuations during the period for items other than shareholders' equity (Net amount)	60	650	903	1,614	64	1,678
Total changes of items during the period	60	650	903	1,614	64	5,140
Balance at the end of current period	1,841	3,199	2,921	7,962	285	66,815

(iv) Consolidated Cash Flow Statement

(million yen)

		Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Cash flow from operating activities			
Net income before income tax		9,489	9,000
Depreciation and amortization		1,609	1,855
Amortization of goodwill		338	513
Increase (decrease) in allowance for doubtful accounts		-153	50
Increase (decrease) in net defined benefit liability		-52	-44
Decrease (increase) in net defined benefit asset		-509	74
Increase (decrease) in reserve for bonuses		-495	-460
Increase (decrease) in reserve for bonuses to directors		-72	-16
Increase (decrease) in allowance for losses in operations		-47	26
Increase (decrease) in provision for loss on guarantees		27	114
Increase (decrease) in provision for warranties for completed operation		-0	58
Interest and dividend earned		-202	-234
Interest payable		72	103
Foreign exchange loss (gain)		-51	-40
Commission for acquisition of treasury stock		-	4
Unrealized loss (gain) on investment securities		-	269
Loss (gain) on sale of investment securities		-46	-615
Loss (gain) on liquidation of subsidiaries and associates		-9	-
Loss (gain) from fixed assets disposal		61	32
Impairment loss		-	432
Decrease (increase) in trade receivables and contract assets		-4,822	-3,631
Decrease (increase) in prepaid expenses for uncompleted services		10	-57
Decrease (increase) in other current assets		36	-30
Increase (decrease) in account payable		338	-74
Increase (decrease) in contract liabilities		85	-3
Increase (decrease) in accrued consumption taxes		-494	256
Increase (decrease) in other current liabilities		-503	219
Other		29	167
Subtotal		4,639	7,969
Received interest and dividend		201	232
Interest payment		-72	-103
Payment of corporation income tax etc.		-2,357	-2,330
Cash flow provided by operating activities		2,410	5,768
Cash flow from investment activities			
Payments for acquisition of tangible fixed assets		-850	-1,164
Proceeds from sale of property, plant and equipment		2	0
Payments for acquisition of intangible fixed assets		-102	-134
Payments for acquisition of investment securities		-225	-4
Proceeds from sales of investment securities		94	994
Repayments for loans		-389	-450
Income from loan collection		209	218
Payments for investments in capital		-75	-75
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2	-4,167	-
Payments for fixed-term deposit		-26	-894
Proceeds from withdrawal of fixed-term deposits		-	852
Proceeds from liquidation of associates		67	0
Other payments		-205	-41
Other proceeds		10	87
Cash flow used for investment activities		-5,658	-612

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Cash flow from financial activities		
Net increase (decrease) in short-term borrowings	800	−610
Repayments of long-term borrowings	-40	-40
Acquisition of treasury stock	-2	-642
Increase (decrease) in deposits for the purchase of treasury shares	-	-897
Repayments of lease obligations	-727	-802
Dividend payments	-2,072	-2,083
Dividends paid to non-controlling interests	-18	-8
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-50	-7
Cash flow used for financial activities	-2,111	-5,092
Effect in fluctuation of exchange rate for cash and cash equivalents	374	359
Increase (decrease) in cash and cash equivalents	-4,984	423
Opening balance of cash and cash equivalents	19,654	14,670
Closing balance of cash and cash equivalents	*1 14,670	*1 15,093

Notes:

Basic Important Matters for Preparation of Consolidated Financial Statements

1. Consolidation range

(1) Number of consolidated subsidiaries: 25

Names of the major consolidated subsidiaries:

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

(2) Number of non-consolidated subsidiaries: 11

Names of the non-consolidated subsidiaries:

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

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

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

2. Application of equity method

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

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

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

CTI Ascend Co., Ltd., Kamaishi Solar Power Generation Co., Ltd., Kamaishi Naranokidaira Solar Power Generation Co., Ltd., ECOPA Wakasu Co., Ltd., CTI REED Co., Ltd., CTI Wing Co., Ltd., CTI Ground Planning Co., Ltd., Yuasa Consultant Co., Ltd., Wuhan CTI-CRSRI Engineering & Environment Co., Ltd., CTI Myanmar Co., Ltd., CTI Pilipinas, Inc., Sogo Setsubi Consulting Co., Ltd., SAPPORO NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd. and VESTA・CHP Co.,Ltd. have only a slight influence on the consolidated net income or loss (amount commensurate with holding), profit surplus (amount commensurate with holding) and other, respectively, and do not have much importance as a whole. Therefore, they are excluded from the application range of the equity method.

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

3. Fiscal year of the consolidated subsidiaries

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

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

The Revised Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18 issued on June 28, 2019) has been applied, and necessary adjustment has been made to the overseas subsidiaries upon the settlement of consolidated accounts.

5. Accounting policy

(1) Valuation base and valuation method of important assets

1) Securities

Held-to-maturity securities

Amortized cost method.

Available-for-sale securities

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

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

* Stocks, etc. with no market value

Cost method according to moving average method.

2) Inventories

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

(2) Depreciation and amortization method of important depreciable assets

1) Tangible fixed assets (excluding lease assets and right-of-use assets) -- Declining balance method

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

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

Buildings: 17-50 years

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

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

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

3) Lease assets

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

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

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

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

(4) Entry standard of important reserves and allowances

1) Allowance for doubtful accounts

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

2) Reserve for bonuses

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

3) Reserve for bonuses to directors

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

4) Allowance for losses in operations

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

5) Provision for warranties for completed operation

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

6) Provision for loss on guarantees

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

(5) Accounting treatment of retirement benefits obligations

1) Periodic allocation of retirement benefits forecast

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

2) Expense disposal of accounting disparity

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

3) Adoption of the simplified method in SMEs

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

(6) Entry standard of important revenues and expenses

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

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

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

(7) Method and period for amortization of goodwill

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

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

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

(Important Accounting Estimates)

Valuation of goodwill concerning Waterman Group Plc

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

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	4,351 million yen	4,252 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 determining the indications of impairment of goodwill, judgments made reflect the market environment, such as the capital investment budget of the local government office where an investment has been made or trends in capital investment by private companies, as well as the future projection of the economy as a whole, including the impact of inflation caused by the current state of international affairs.

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

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

Valuation of goodwill concerning HIROKEN CONSULTANTS Co., LTD.

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

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	2,523 million yen	2,354 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 Company acquired shares of the stock of HIROKEN CONSULTANTS Co., LTD.. The amount recorded was based on the future excess earning power, etc. expected at the time of the acquisition.

To determine whether there is any indication of impairment of this goodwill, the Company assesses whether there may be a significant deterioration in the business environment of HIROKEN CONSULTANTS Co., LTD. in the future and evaluates the appropriateness of the business plan used to calculate acquisition cost at the time of the said acquisition of stock.

The Company assesses indication of impairment of the goodwill by considering trends of capital investment budgets prepared by Hiroshima Prefecture and other government offices, etc.

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

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

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

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

	Previous consolidated fiscal year	Current consolidated fiscal year
Sales recognized over time	97,670 million yen	101,032 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 Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the “2022 Revised Accounting Standard”), etc. from the beginning of the current consolidated fiscal year.

Regarding the revisions to the categories in which to record income taxes (taxation on other comprehensive income), the Company follows the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “2022 Revised Guidance”). These changes in accounting policies have no impact on the consolidated financial statements.

In addition, with regard to revisions related to the treatment in consolidated financial statements of gains or losses arising from the sale of subsidiary shares, etc. between consolidated companies when they are deferred for tax purposes, the Company has applied the 2022 Revised Guidance from the beginning of the current consolidated fiscal year. This change in accounting policies has been applied retroactively, and it has been taken into account in the consolidated financial statements for the previous consolidated fiscal year. It has no impact on the consolidated financial statements for the previous consolidated fiscal year.

(Unapplied Accounting Standards, etc.)

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

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

(1) Outline

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

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

(2) Planned application date

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

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

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

(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, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Notes receivable	14 million yen	9 million yen
Completed work receivables	10,715	12,372
Contract assets	29,322	31,763

*2 For non-consolidated subsidiaries and affiliates:

	Previous Consolidated Fiscal Year (as of December 31, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Investment securities (stock)	749 million yen	707 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, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
CTI Frontier Co., Ltd.	75 million yen	— million yen
CTI Ascend Co., Ltd. (non-consolidated subsidiary)	68	61
VESTA・CHP Co., Ltd. (affiliate)	164	—
Employees of the Group	14	13
Total	323	74

(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, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Wages and allowances	6,286 million yen	6,816 million yen
Bonuses	925	971
Transferred reserve for bonuses	871	790
Reserve for bonuses to directors	152	118
Retirement benefits expenses	220	108
Outsourcing expenses	1,994	2,042
Research and investigation expenses	1,437	1,505
Allowance for doubtful accounts	62	80

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

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
	1,437 million yen	1,505 million yen

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

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Vehicles in tangible fixed assets	2 million yen	0 million yen
Other tangible fixed assets	–	0
Total	2	0

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

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Buildings and structures in tangible fixed assets	54 million yen	27 million yen
Other tangible fixed assets	7	4
Other intangible fixed assets	1	0
Total	63	32

*5 Impairment losses

Previous consolidated fiscal year (from January 1, 2024 to December 31, 2024)

Not applicable

Current consolidated fiscal year (from January 1, 2025 to December 31, 2025)

The Group recorded an impairment loss on the following asset group.

Company	Location	Application	Type	Impairment loss (million yen)
CTI Engineering Co., Ltd.	Saitama, Saitama	Dormant asset (employee residence)	Land Buildings and structures	432

The Group groups operating assets for each of the independent accounting units, such as each Group company’s head office and branches, while it groups dormant assets on a property-by-property basis.

In the current consolidated fiscal year, the book value of the dormant asset mentioned above, which the Company has decided not to use in the future, was reduced to the recoverable amount of the asset, and the reduced amount was recorded as an impairment loss under extraordinary loss. The recoverable amount was measured using the amount of net disposal proceeds calculated based on the real estate appraisal value of the asset.

*6 Loss on liquidation of subsidiaries and associates

Previous consolidated fiscal year (from January 1, 2024 to December 31, 2024)

Not applicable

Current consolidated fiscal year (from January 1, 2025 to December 31, 2025)

The loss is due to expenses, etc. arising from the transfer of all shares of the stock of CTI Frontier Co., Ltd., a non-consolidated subsidiary of the Company.

(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, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Other valuation difference on available-for-sale securities		
Amount recognized in the period	434 million yen	741 million yen
Reclassification adjustments to net income	-44	-590
Before tax-effect adjustment	390	151
Amount of tax effects	-122	-91
Other valuation difference on available-for-sale securities	267	60
Foreign currency translation adjustment		
Amount recognized in the period	950	669
Before tax-effect adjustment	950	669
Foreign currency translation adjustment	950	669
Remeasurements of defined benefit plans, net of tax		
Amount recognized in the period	1,328	2,110
Reclassification adjustments to net income	-482	-751
Before tax-effect adjustment	845	1,358
Amount of tax effects	-253	-454
Remeasurements of defined benefit plans, net of tax	591	903
Total other comprehensive income	1,809	1,633

(Statement of Fluctuations in Consolidated Shareholders' Equity)

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

1. Issued shares

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

Note: The Company conducted a 2-for-1 stock split of its common shares as of January 1, 2025. The above numbers of shares represent those prior to the stock split.

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock (shares)	294,702	463	16,307	278,858

Note: 1. The change in the number of treasury shares in the current fiscal year can be broken down as follows:
- Decrease due to disposal of treasury stock as restricted stock compensation, by resolution at the Board of Directors Meeting held on April 25, 2024 16,307 shares
- Increase due to purchase of shares less than one transaction unit 463 shares

2. The Company conducted a 2-for-1 stock split of its common shares as of January 1, 2025. The above numbers of shares are those prior to the stock split.

3. New share subscription acquisition rights

Not applicable.

4. Dividends

(1) Dividend payment amount

Resolution	Type of Share	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

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

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 25, 2025	Common stock	Profit surplus	2,082	150	December 31, 2024	March 26, 2025

Note: The Company conducted a 2-for-1 stock split of its common shares as of January 1, 2025.The above amounts represent the actual dividends paid prior to the stock split.

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

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

1. Issued shares

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock (shares)	14,159,086	14,159,086	–	28,318,172

Note: The increase is attributable to a 2-for-1 stock split of its common shares, effective as of January 1, 2025.

2. Treasury stock

Type of Share	As of the beginning of the consolidated fiscal year	Increase	Decrease	As of the end of the consolidated fiscal year
Common stock (shares)	278,858	493,214	31,497	740,575

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

Increase due to a 2-for-1 stock split of its common shares, effective as of January 1, 2025	278,858 shares
Increase due to acquisition of shares at no cost after the passing of Representative Director Mr. Yoshiaki Nanami on January 7, 2025	538 shares
Decrease due to disposal of treasury stock as restricted stock compensation, by resolution at the Board of Directors Meeting held on April 25, 2025	31,497 shares
Increase due to acquisition of shares, by resolution at the Board of Directors Meeting held on November 12, 2025	213,300 shares
Increase due to purchase of shares less than one transaction unit	518 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 25, 2025	Common stock	2,082	150	December 31, 2024	March 26, 2025

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

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

At the 63rd Annual General Meeting of Shareholders scheduled to be held on March 27, 2026, the following resolutions are proposed.

Resolution	Type of Share	Source of Dividends	Total Dividend Amount (million yen)	Dividend Per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders March 27, 2026	Common stock	Profit surplus	2,068	75	December 31, 2025	March 30, 2026

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, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Cash and bank deposit account	15,523 million yen	15,988 million yen
Fixed-term deposits with maturities exceeding three months	-852	-894
Cash and cash equivalents	14,670	15,093

*2 Breakdown of main assets and liabilities of companies that newly became consolidated subsidiaries due to acquisition of shares

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

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

Current assets	3,025	million yen
Fixed assets	473	
Goodwill	2,523	
Current liabilities	-477	
Fixed liabilities	-75	
Stock acquisition price	5,470	
Cash and cash equivalents	-1,302	
Less: Expenditure for acquisition	4,167	

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

Not applicable.

(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, 2024 to December 31, 2024)

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

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

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

Stocks, etc. that do not have market values (book value on the consolidated balance sheet:821 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: 236 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	500	460	△39
2) Available-for-sale securities	3,219	3,219	—

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, 2024)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	15,523	–	–	–
Notes receivable and completed work receivables	10,730	–	–	–
Investment securities				
Held-to-maturity securities				
Corporate bonds	–	202	500	–
Total	26,254	202	500	–

Current Consolidated Fiscal Year (as of December 31, 2025)

	Within 1 year (million yen)	Over 1 year but within 5 years (million yen)	Over 5 years but within 10 years (million yen)	Over 10 years (million yen)
Cash and bank deposits	15,988	—	—	–
Notes receivable and completed work receivables	12,381	—	—	–
Investment securities				
Held-to-maturity securities				
Corporate bonds	—	—	500	–
Total	28,369	—	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, 2024)

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

Current Consolidated Fiscal Year (as of December 31, 2025)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	3,219	–	–	3,219

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

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

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

Current Consolidated Fiscal Year (as of December 31, 2025)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Bonds and Notes	–	–	460	460

(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 classified as Level 3 fair values.

(Notes on Marketable Securities)

1. Held-to-maturity securities

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

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

Current Consolidated Fiscal Year (as of December 31, 2025)

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	500	460	-39
	(3) Other	—	—	—
	Subtotal	500	460	-39
Total		500	460	-39

2. Available-for-sale securities

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

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	3,279	696	2,582
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	3,279	696	2,582
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	143	228	-84
	(2) Bonds and Notes	–	–	–
	(3) Other	–	–	–
	Subtotal	143	228	-84
Total		3,422	924	2,497

Current Consolidated Fiscal Year (as of December 31, 2025)

Classification	Type	Book value on the consolidated balance sheet (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	(1) Shares	3,170	520	2,650
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	3,170	520	2,650
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	(1) Shares	48	224	-176
	(2) Bonds and Notes	—	—	—
	(3) Other	—	—	—
	Subtotal	48	224	-176
Total		3,219	745	2,473

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

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

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

Not applicable.

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

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

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Shares	773	590	–

5. Securities written down

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

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

For the current consolidated fiscal year, the Company wrote down 269 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 defined contribution systems in order to appropriate them for employees' retirement benefits.

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

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

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

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

The Company also has a retirement benefits trust.

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

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

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Balance of retirement benefit obligations at the beginning of year	15,311	15,562
Labor costs	1,098	1,106
Interest costs	167	217
Accounting disparity	-484	-1,196
Retirement benefits paid	-529	-724
Balance of the retirement benefit obligations at the end of year	15,562	14,966

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

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Balance of pension assets at the beginning of year	17,485	19,101
Expected operating profit	349	382
Accounting disparity	843	913
Contribution from employer	901	54
Retirement benefits paid	-477	-656
Balance of the pension assets at the end of year	19,101	19,795

(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, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Funded retirement benefits obligations	14,780	14,148
Pension assets	-19,101	-19,795
	-4,321	-5,646
Unfunded retirement benefits obligations	782	818
Net amount of relevant liabilities and assets on the consolidated balance sheets	-3,539	-4,828
Net defined benefit liability	782	818
Net defined benefit asset	-4,321	-5,646
Net amount of relevant liabilities and assets on the consolidated balance sheets	-3,539	-4,828

(4) Retirement benefits costs and related accounting items

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Labor costs	1,098	1,106
Interest costs	167	217
Expected operating profit	-349	-382
Cost disposal amount arising from accounting disparity	-482	-751
Retirement benefits costs under the defined benefit system	433	190

(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, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Accounting disparities	845	1,358
Total	845	1,358

(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, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Previously unrecognized accounting disparities	2,908	4,266
Total	2,908	4,266

(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, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Domestic bonds	3 %	0 %
Domestic stocks	11	13
Foreign bonds	9	10
Foreign stocks	13	12
Life insurance general accounts	49	55
Other	15	10
Total	100	100

Note: Total pension assets include a retirement benefit trust established for the corporate pension system (6% for the previous consolidated fiscal year, and 2% 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, 2024 to December 31, 2024)	Current consolidated fiscal year Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Discount percentage	Primarily 1.4%	Primarily2.4%
Long-term expected operating profit percentage	2.0%	2.0%

3. Defined Benefit System using the Simplified Method

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

(million yen)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Balance of net defined benefit liability at the beginning of year	80	-30
Retirement benefits expenses	90	114
Retirement benefits paid	-34	-50
Contribution to systems	-99	-103
Decrease associated with new consolidation	-68	—
Net amount of relevant benefit liability and asset	-30	-70
Net defined benefit liability	116	96
Net defined benefit asset	-147	-166
Net amount of relevant benefit liability and asset	-30	-70

(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, 2024)	Current Consolidated Fiscal Year (as of 31, 2025)
Funded retirement benefits obligations	1,147	1,159
Pension assets	-1,178	-1,229
	-30	-70
Unfunded retirement benefits obligations	–	–
Net amount of relevant liabilities and assets on the consolidated balance sheets	-30	-70
Net defined benefit liability	116	96
Net defined benefit asset	-147	-166
Net amount of relevant liabilities and assets on the consolidated balance sheets	-30	-70

(3) Retirement benefits expenses

Retirement benefits costs calculated using the simplified method

Previous Consolidated Fiscal Year 90 million yen

Current Consolidated Fiscal Year 114 million yen

4. Defined Contribution System

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

Previous Consolidated Fiscal Year 385 million yen

Current Consolidated Fiscal Year 378 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 189 million yen for the previous consolidated fiscal year and 200 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, 2024	Current Consolidated Fiscal Year As of March 31, 2025
Pension assets	99,045	97,676
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	73,237	81,245
Balance	25,808	16,431

2) Surveying & Design Enterprises Multi Employers Pension Fund

(million yen)

	Previous Consolidated Fiscal Year As of March 31, 2024	Current Consolidated Fiscal Year As of March 31, 2025
Pension assets	66,465	65,209
Sum of the actuarial obligations and minimum actuarial reserve based on pension finance computation	47,151	46,951
Balance	19,314	18,257

(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	8.79%	(from April 1, 2023 to March 31, 2024)
Current Consolidated Fiscal Year	8.89%	(from April 1, 2024 to March 31, 2025)

2) Surveying & Design Enterprises Multi Employers Pension Fund

Previous Consolidated Fiscal Year	0.40%	(from April 1, 2023 to March 31, 2024)
Current Consolidated Fiscal Year	0.40%	(from April 1, 2024 to March 31, 2025)

(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 (805 million yen for the previous consolidated fiscal year and 419 million yen for the current consolidated fiscal year) and surplus brought forward (-26,614 million yen for the previous consolidated fiscal year and -16,850 million yen for the current consolidated fiscal year).

The pre-existing employment obligations under this system are amortized by the annuity repayment method with a period of 5 years. A special premium (30 million yen for the previous consolidated fiscal year and 31 million yen for the current consolidated fiscal year) was amortized in the Group’s consolidated financial statements.

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

2) Surveying & Design Enterprises Multi Employers Pension Fund

Major reason for the balance described in (1) above was surplus brought forward (-19,314 million yen for the previous consolidated fiscal year and -18,257 million yen for the current consolidated fiscal year).

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

(Stock Options)

Not applicable.

(Notes on Tax Effect Accounting)

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

	Previous Consolidated Fiscal Year (as of December 31, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Deferred tax assets		
Accrued enterprise tax	99 million yen	121 million yen
Allowance for losses in operations	20	11
Reserve for bonuses	1,038	894
Social insurance premiums for bonuses	157	131
Net defined benefit liability	89	20
Unrealized loss of securities	72	126
Asset retirement obligations	101	270
Impairment loss on fixed assets	–	131
Loss brought forward	129	278
Other	661	728
Subtotal	2,370	2,714
Allowance account	-556	-670
Total	1,814	2,044
Deferred tax liabilities		
Net defined benefit asset	821	1,485
Tangible fixed assets	109	252
Other valuation difference on available-for-sale securities	716	807
Other	113	82
Total	1,760	2,628
Net of deferred tax assets	53	-583

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

	Previous Consolidated Fiscal Year (as of December 31, 2024)	Current Consolidated Fiscal Year (as of December 31, 2025)
Legal effective tax rate	30.62%	30.62%
(Adjustment)		
No entry of loss from entertainment expense etc.	0.71	0.53
Per capita inhabitant tax	1.04	1.14
No entry of profit from dividend earned etc.	-0.05	-0.07
Tax credit of experiment and research expenses	-0.23	-0.68
Tax credit of tax system for promotion of wage rises	-4.06	—
No entry of loss from bonuses to directors	0.22	0.16
Amortization of goodwill	1.09	1.75
Increase/decrease in allowance account	0.21	1.14
Other	-1.05	-1.32
Bearing rate of corporation tax or the like after application of tax effect accounting	28.50	33.27

3. Adjustments to the amounts of deferred tax assets and deferred tax liabilities due to change in the income tax rate

With the Act on Partial Amendment of the Income Tax Act, Etc. (Act No. 13 of 2025) enacted by the Diet on March 31, 2025, special defense corporate tax is levied, effective from the consolidated fiscal year beginning on or after April 1, 2026.

Accordingly, the legal effective tax rate that the Company applies to calculate deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in or after the consolidated fiscal year beginning on or after January 1, 2027 has been changed from 30.62% to 31.52%. The impact of this change in the tax rate is immaterial.

(Notes on Revenue Recognition)

1. Breakdown of revenue from contracts with customers

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

(million yen)

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Goods and services transferred at a point in time	5	—	5
Goods and services transferred over a period of time	69,718	31,313	101,032
Revenue from contracts with customers	69,724	31,313	101,038
Other revenue	—	—	—
Sales to outside customers	69,724	31,313	101,038

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, 2024 to December 31, 2024)

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

(million yen)

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

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

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

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

The amount of revenue recognized in the 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	38,023	25,419	63,442

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

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

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

(million yen)

	Current Consolidated Fiscal Year (as of December 31, 2025)
Receivables arising from contracts with customers (Balance at beginning of period)	10,730
Receivables arising from contracts with customers (Balance at end of period)	12,381
Contract assets (Balance at beginning of period)	29,322
Contract assets (Balance at end of period)	31,763
Contract liabilities (Balance at beginning of period)	4,048
Contract liabilities (Balance at end of period)	4,169

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

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

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liabilities balance at the beginning of the period was 3,653 million yen.

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

(2) Transaction price allocated to remaining performance obligations

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

(million yen)

	Reportable segment		Total
	Domestic consulting engineering business	Overseas consulting engineering business	
Transaction price allocated to remaining performance obligations	41,200	31,031	72,231

Approximately 80% of the domestic consulting engineering business is expected to be recognized as revenue within one year, and the remaining 20% is expected to be recognized as revenue within a period between one and eleven 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 eight years.

(Segment Information)

Segment Information

1. Outline of reportable segments

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

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

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

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

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

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

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

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

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

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Total	Adjustments (Note 1)	Book value on the consolidated financial statements (Note 2)
Sales					
Sales to outside customers	66,945	30,733	97,678	–	97,678
Inter-segment sales or transfers	55	16	71	-71	–
Total	67,000	30,749	97,750	-71	97,678
Segment income	8,610	773	9,383	13	9,396
Segment assets	65,634	23,446	89,080	-1,386	87,694
Other items					
Depreciation	844	765	1,609	–	1,609
Amortization of goodwill	–	338	338	–	338

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

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

3. HIROKEN CONSULTANTS Co., LTD., which has been included in the scope of consolidation since the current consolidated fiscal year, is deemed to have an acquisition date at the end of the current consolidated fiscal year. Accordingly, its results of operations are not included in net sales, segment profit of the "Domestic consulting engineering business," or other items for the current consolidated fiscal year.

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

(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	69,724	31,313	101,038	—	101,038
Inter-segment sales or transfers	50	18	68	-68	—
Total	69,774	31,331	101,106	-68	101,038
Segment income	8,611	543	9,155	-18	9,136
Segment assets	71,966	27,427	99,394	-3,049	96,344
Other items					
Depreciation	922	933	1,855	—	1,855
Amortization of goodwill	168	345	513	—	513

Notes: 1. Adjustments to inter-segment sales or transfers (-68 million yen), adjustments to segment income (-18 million yen), and adjustments to segment assets (-3,049 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, 2024 to December 31, 2024)

1. Information by products and services

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

2. Information by areas

(1) Sales

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
67,042	4,156	22,362	1,986	2,129	97,678

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

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

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

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

Asia: Philippines, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

(2) Tangible fixed assets

(million yen)

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

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

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

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

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

Asia: Philippines, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

3. Information by major customers

(million yen)

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

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		
69,921	3,519	23,320	2,242	2,033	101,038

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

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

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

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

Asia: Philippines, etc.

Europe other than UK: Ireland, etc.

Other: Australia, etc.

(2) Tangible fixed assets

(million yen)

Japan	Asia	Europe		Other	Total
		UK	Other than UK		
9,829	22	3,389	71	236	13,549

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	30,741	Domestic consulting engineering business

Impairment losses on fixed assets by reportable segments

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

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Impairment loss	432	–	–	432

Amortized amount and unamortized balance of goodwill by reportable segments

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

(million yen)

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

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Corporate/elimination	Total
Amortization of goodwill in the current period	168	345	—	513
Balance at the end of current period	2,354	4,252	—	6,607

Gain on negative goodwill by reportable segments

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

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

Not applicable.

Information on related parties

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

Not applicable.

Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)

Not applicable.

(Information per Share)

	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Net assets per share	2,213.71 yen	2,412.45 yen
Net income per share	243.10 yen	214.45 yen

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

2. The Company conducted a 2-for-1 stock split of its common shares as of January 1, 2025. Net assets per share and net income per share have been calculated on the premise that the stock split was conducted at the beginning of the previous consolidated fiscal year.

3. Basis of calculation of net income per share:

Item	Previous Consolidated Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Consolidated Fiscal Year (from January 1, 2025 to December 31, 2025)
Net income attributable to owners of the parent (million yen)	6,746	5,952
Amounts not belonging to ordinary shareholders (million yen)	–	–
Net income attributable to owners of the parent related to common shares (million yen)	6,746	5,952
Average number of common shares for the entire fiscal year (shares)	27,749,982	27,755,043

(v) Supplemental Specifications for Consolidated Financial Statements

Corporate bonds specification

Not applicable.

Specifications about borrowings

Category	Balance at the beginning of current period (million yen)	Balance at the end of current period (million yen)	Average rate (%)	Repayment deadline
Short-term borrowings	1,950	1,340	1.2	–
Long-term borrowings to be repaid within 1 year	40	40	0.5	–
Lease obligations to be repaid within 1 year	780	950	—	–
Long-term borrowings except those to be repaid within 1 year	119	78	0.6	2027 to 2033
Lease obligations except those to be repaid within 1 year	1,137	3,054	—	2027 to 2040
Other Interest-bearing Liabilities	—	—	—	–
Total	4,028	5,464	—	–

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	31	26	13	2
Lease obligations	736	573	389	223

Specifications about asset retirement obligations

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

(2) Other

Quarterly financial information for the current consolidated fiscal year

	Three months ended March 31, 2025	First half ended June 30, 2025	Nine months ended September 30, 2025	Current consolidated fiscal year
Sales (million yen)	30,110	50,794	73,270	101,038
Net income before income tax (million yen)	5,828	5,787	6,611	9,000
Net income attributable to owners of the parent (million yen)	3,891	3,779	4,311	5,952
Net income per share (yen)	140.18	136.11	155.20	214.45

	First quarter from January 1, 2025 to March 31, 2025	Second quarter from April 1, 2025 to June 30, 2025	Third quarter from July 1, 2025 to September 30, 2025	Fourth quarter from October 1, 2025 to December 31, 2025
Net income per share (yen)	140.18	-4.01	19.11	59.27

Notes: Review of financial information for the three nine months ended March 31, 2025, and the nine months ended September 30, 2025: Yes

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, 2024)	Current Fiscal Year (as of December 31, 2025)
Assets		
Current assets		
Cash and bank deposits	7,223	5,902
Notes receivable, completed work receivables and contract assets	24,725	28,354
Prepaid expenses for uncompleted services	20	28
Advance payment	470	655
Short-term loans	*1 3,093	*1 4,991
Other	219	1,047
Total current assets	35,751	40,980
Fixed assets		
Tangible fixed assets		
Buildings	5,838	6,489
Accumulated depreciation	-3,106	-3,303
Buildings, net	2,731	3,186
Structures	771	777
Accumulated depreciation	-646	-655
Structures, net	124	122
Machinery and equipment	283	300
Accumulated depreciation	-209	-216
Machinery and equipment, net	74	84
Furniture and fixtures	1,900	2,086
Accumulated depreciation	-1,357	-1,538
Furniture and fixtures, net	543	547
Land	4,787	4,485
Lease assets	253	556
Accumulated depreciation	-102	-141
Lease assets, net	150	415
Construction in progress	24	30
Total tangible fixed assets	8,438	8,871
Intangible fixed assets		
Leasehold	16	16
Software	233	215
Telephone rights	22	22
Lease assets	4	34
Others	-	0
Total intangible fixed assets	276	290

(million yen)

	Previous Fiscal Year (as of December 31, 2024)	Current Fiscal Year (as of December 31, 2025)
Investments and other assets		
Investment securities	4,254	3,804
Shares in subsidiaries and affiliates	13,792	13,750
Investments	198	245
Long-term loans	*1 711	*1 807
Long-term prepaid expenses	13	15
Deferred tax assets	931	624
Lease and guarantee deposit	1,382	1,382
Prepaid pension cost	1,758	1,624
Other	3	4
Allowance for doubtful accounts	-131	-133
Total investments and other assets	22,915	22,125
Total fixed assets	31,631	31,287
Total assets	67,383	72,267
Liabilities		
Current liabilities		
Accounts payable for services	*1 2,602	*1 2,784
Lease obligations	49	121
Accounts payable	641	683
Accrued income taxes	964	1,668
Accrued consumption taxes	627	909
Accrued expenses	1,576	1,590
Contract liabilities	1,418	1,352
Deposits received	1,013	1,142
Revenue received in advance	23	34
Reserve for bonuses	3,108	2,632
Reserve for bonuses to directors	55	41
Allowance for losses in operations	47	17
Total current liabilities	12,127	12,978
Fixed liabilities		
Lease obligations	109	340
Reserve for retirement benefits	1,160	1,131
Provision for loss on guarantees	27	142
Asset retirement obligations	233	630
Other	3	1
Total fixed liabilities	1,535	2,246
Total liabilities	13,662	15,224

(million yen)

	Previous Fiscal Year (as of December 31, 2024)	Current Fiscal Year (as of December 31, 2025)
Net assets		
Shareholders’ equity		
Capital	3,025	3,025
Capital surplus		
Capital reserve	4,122	4,122
Other capital surplus	25	50
Total capital surplus	4,148	4,172
Profit surplus		
Profit reserve	176	176
Other profit surplus		
General reserve	8,700	8,700
Profit surplus brought forward	36,778	40,604
Total profit surplus	45,655	49,481
Treasury stock	-890	-1,478
Total shareholders’ equity	51,938	55,202
Valuation and translation differences		
Other valuation difference on available-for-sale securities	1,781	1,841
Total valuation and translation differences	1,781	1,841
Total net assets	53,720	57,043
Total liabilities and net assets	67,383	72,267

(ii) Non-consolidated Profit and Loss Account

(million yen)

	Previous Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Fiscal Year (from January 1, 2025 to December 31, 2025)
Sales	*1 59,405	*1 60,969
Cost of sales	*1 39,531	*1 40,476
Gross profit	19,873	20,492
Selling, general and administrative expenses	*2 11,374	*2 11,972
Operating income	8,499	8,520
Non-operating revenues		
Interest earned	*1 22	*1 55
Dividend earned	*1 346	*1 293
Interest from securities	4	4
Rent earned	*1 101	*1 102
Other	64	95
Total non-operating revenues	539	550
Non-operating expenses		
Interest expense	–	4
Commission expense	16	3
Rental expenses	53	53
Loss on investments in investment partnerships	27	30
Allowance for doubtful accounts	–	27
Commission for acquisition of treasury stock	–	4
Other	8	0
Total non-operating expenses	105	123
Ordinary profit	8,932	8,947
Extraordinary gain		
Gain on sale of investment securities	46	615
Gain on liquidation of subsidiaries and associates	9	–
Total extraordinary gain	55	615
Extraordinary loss		
Loss from fixed assets disposal	*3 61	*3 22
Impairment loss	–	432
Loss on disposal of subsidiaries and affiliates	–	88
Unrealized loss on investment securities	–	219
Unrealized loss on shares in subsidiaries and affiliates	–	49
Provision for loss on guarantees	27	142
Allowance for doubtful accounts	11	–
Other	–	0
Total extraordinary loss	100	955
Net income before income tax	8,888	8,607
Corporation tax, inhabitants tax and enterprise tax	2,077	2,483
Deferred income taxes etc.	277	215
Total income taxes	2,355	2,698
Net income	6,532	5,908

Specifications for Cost of Sales

		Previous Fiscal Year (from January 1, 2024 to December 31, 2024)			Current Fiscal Year (from January 1, 2025 to December 31, 2025)		
Category	Note No.	Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I. Labor cost							
1. Salaries		13,088			13,648		
2. Bonuses		2,628			2,706		
3. Provision of reserve for bonuses		2,249			1,888		
4. Retirement benefits expenses		325			134		
5. Other		3,001	21,293	53.9	3,049	21,427	52.9
II. Amount paid to subcontractors			12,592	31.9		12,966	32.0
III. Expenses							
1. Traveling expenses		1,061			1,165		
2. Printing and copying expenses		318			290		
3. Expendables cost		626			588		
4. Rents		2,273			2,513		
5. Depreciation		230			256		
6. Provision of allowance for losses in operations		-50			-29		
7. Other		1,189	5,649	14.3	1,306	6,090	15.1
Current general business expenses			39,535	100.0		40,484	100.0
Opening prepaid expenses for uncompleted services			16			20	
Total			39,551			40,505	
Closing prepaid expenses for uncompleted services			20			28	
Current cost of sales			39,531			40,476	

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

(iii) Statement of Fluctuations in Shareholders' Equity

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

(million yen)

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

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

Current Fiscal Year (from January 1, 2025 to December 31, 2025)

(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	25	4,148	176	8,700	36,778	45,655
Changes of items during the period								
Dividends from surplus							-2,082	-2,082
Net income							5,908	5,908
Acquisition of treasury stock								
Disposal of treasury stock			24	24				
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)								
Total changes of items during the period	-	-	24	24	-	-	3,826	3,826
Balance at the end of current period	3,025	4,122	50	4,172	176	8,700	40,604	49,481

	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	-890	51,938	1,781	1,781	53,720
Changes of items during the period					
Dividends from surplus		-2,082			-2,082
Net income		5,908			5,908
Acquisition of treasury stock	-637	-637			-637
Disposal of treasury stock	49	74			74
Fluctuations during this fiscal year for items other than shareholders' equity (Net amount)			60	60	60
Total changes of items during the period	-588	3,263	60	60	3,323
Balance at the end of current period	-1,478	55,202	1,841	1,841	57,043

Notes:

Important Accounting Policy

1. Valuation base and method for securities

(1) Held-to-maturity securities

Amortized cost method.

(2) Shares in subsidiaries and affiliates

Cost method according to moving average method.

(3) Available-for-sale securities

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

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

* Stocks, etc. with no market value

Cost method according to moving average method.

2. Valuation base and method for inventories

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

3. Depreciation of fixed assets

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

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

Buildings: 17-50 years

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

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

(3) Lease assets

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

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

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

5. Accounting for allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Reserve for bonuses

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

(3) Reserve for bonuses to directors

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

(4) Allowance for losses in operations

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

(5) Provision for warranties for completed operation

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

(6) Reserve for retirement benefits

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

1) Periodic allocation of retirement benefits forecast

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

2) Expense disposal of accounting disparity

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

(7) Provision for loss on guarantees

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

6. Entry standard of important revenues and expenses

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

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

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

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

Accounting treatment of retirement benefits

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

(Important Accounting Estimates)

Valuation of shares in subsidiaries and affiliates concerning Waterman Group Plc

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company assesses excess earning power by considering trends of capital investment budgets prepared by Hiroshima Prefecture and other government offices, etc.

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	59,405 million yen	60,969million 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 Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the “2022 Revised Accounting Standard”), etc. from the beginning of the current fiscal year.

Regarding the revisions to the categories in which to record income taxes (taxation on other comprehensive income), the Company follows the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “2022 Revised Guidance”). These changes in accounting policies have no impact on the financial statements.

In addition, with regard to revisions related to the treatment in financial statements of gains or losses arising from the sale of subsidiary shares, etc. between consolidated companies when they are deferred for tax purposes, the Company has applied the 2022 Revised Guidance from the beginning of the current fiscal year. This change in accounting policies has been applied retroactively, and it has been taken into account in the financial statements for the previous fiscal year. It has no impact on the financial statements for the previous fiscal year.

(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, 2024)	Current Fiscal Year (as of December 31, 2025)
Short-term monetary claims	3,223 million yen	5,148 million yen
Short-term monetary debts	540	644
Long-term monetary claims	711	780

2. Warranty for liabilities

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

	Previous Fiscal Year (as of December 31, 2024)	Current Fiscal Year (as of December 31, 2025)
CTI Frontier Co., Ltd.	75 million yen	— million yen
CTI Ascend Co., Ltd. (non-consolidated subsidiary)	68	61
VESTA・CHP Co., Ltd. (affiliate)	164	—
Employees of the Group	14	13
Total	323	74

(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, 2024 to December 31, 2024)	Current Fiscal Year (from January 1, 2025 to December 31, 2025)
Turnover of operating transactions		
Sales	123 million yen	109 million yen
Subcontractor cost	2,353	2,640
Other operating transactions	90	105
Turnover of transactions other than operating transactions	360	340

*2 The percentage of expenses included in selling expenses is approximately 27% for the previous year and 28% for the current fiscal year, and the percentage of expenses included in general and administrative expenses is 73% for the previous fiscal year and 72% for the current fiscal year.

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

	Previous Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Fiscal Year (from January 1, 2025 to December 31, 2025)
Wages and allowances	3,566 million yen	3,829 million yen
Transferred reserve for bonuses	776	698
Reserve for bonuses to directors	54	39
Retirement benefits expenses	76	31
Depreciation and amortization	207	302
Research and investigation expenses	1,401	1,456

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

	Previous Fiscal Year (from January 1, 2024 to December 31, 2024)	Current Fiscal Year (from January 1, 2025 to December 31, 2025)
Buildings	52 million yen	19 million yen
Furniture and fixtures	7	2
Software	1	0
Total	61	22

(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, 2024)	Current Fiscal Year (as of December 31, 2025)
Shares in subsidiaries	13,742 million yen	13,750 million yen
Shares in affiliates	50	0
Total	13,792	13,750

(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, 2024)	Current Fiscal Year (as of December 31, 2025)
Deferred tax assets		
Accrued enterprise tax	91 million yen	115 million yen
Allowance for losses in operations	14	5
Reserve for bonuses	951	805
Social insurance premiums for bonuses	139	118
Reserve for retirement benefits	193	—
Allowance for doubtful accounts	48	42
Unrealized loss of securities	72	126
Asset retirement obligations	71	198
Officers' stock compensation expenses	38	52
Impairment loss on fixed assets	–	131
Other	355	411
Subtotal	1,976	2,007
Allowance account	-286	-368
Total	1,690	1,639
Deferred tax liabilities		
Prepaid pension cost	—	48
Tangible fixed assets	42	158
Other valuation difference on available-for-sale securities	716	807
Total	758	1,014
Net of deferred tax assets	931	624

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, 2024)	Current Fiscal Year (as of December 31, 2025)
Legal effective tax rate	30.62%	30.62%
(Adjustment)		
No entry of loss from entertainment expense etc.	0.08	0.13
Per capita inhabitant tax	0.92	1.01
No entry of profit from dividend earned etc.	-0.81	-0.66
Tax credit of experiment and research expenses	-0.25	-0.71
Tax credit of tax system for promotion of wage rises	-4.30	–
No entry of loss from bonuses to directors	0.19	0.15
Increase/decrease in allowance account	0.06	0.83
Other	-0.01	-0.02
Bearing rate of corporation tax or the like after application of tax effect accounting	26.50	31.35

3. Adjustments to the amounts of deferred tax assets and deferred tax liabilities due to change in the income tax rate

With the Act on Partial Amendment of the Income Tax Act, Etc. (Act No. 13 of 2025) enacted by the Diet on March 31, 2025, special defense corporate tax is levied, effective from the fiscal year beginning on or after April 1, 2026.

Accordingly, the legal effective tax rate that the Company applies to calculate deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in or after the fiscal year beginning on or after January 1, 2027 has been changed from 30.62% to 31.52%. The impact of this change in the tax rate is immaterial.

(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.

(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	2,731	806	134 (125)	217	3,186	3,303
Structures	124	10	3 (3)	9	122	655
Machinery and equipment	74	16	—	7	84	216
Furniture and fixtures	543	265	4 (0)	256	547	1,538
Land	4,787	–	302 (302)	—	4,485	—
Lease assets	150	370	0	104	415	141
Construction in progress	24	5	—	—	30	—
Total tangible fixed assets	8,438	1,474	446 (432)	595	8,871	5,854
Intangible fixed assets						
Leasehold	16	–	–	–	16	–
Software	233	86	0	103	215	–
Telephone rights	22	—	—	—	22	–
Lease assets	4	32	—	1	34	–
Other intangible assets	—	0	—	0	0	
Total intangible fixed assets	276	119	0	105	290	–

Note: “ ( ) ” in the “Decrease during the year” column are included as an inner breakdown and represent the amount of impairment loss recognized.

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	131	27	25	133
Reserve for bonuses	3,108	2,632	3,108	2,632
Reserve for bonuses to directors	55	41	55	41
Allowance for losses in operations	47	17	47	17
Reserve for retirement benefits	1,160	37	66	1,131
Provision for loss on guarantees	27	142	27	142

(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: https://www.ctie.co.jp/
Privilege to shareholders	None

CHAPTER 7: REFERENCE MATERIAL

1. Parent Company Information

The Company has no parent company.

2. Other References

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

(1) Securities Report, its accompanying documents, and confirmation note
Fiscal year (62nd fiscal year) (from January 1, 2024 to December 31,2024)
Submitted to the director of the Kanto Local Finance Bureau on March 26, 2025

(2) Report of Corrections to Securities Report, its accompanying documents, and confirmation note
Fiscal year (62nd fiscal year) (from January 1, 2024 to December 31, 2024)
Submitted to the director of the Kanto Local Finance Bureau on July 4, 2025

(3) Internal Control Report
Submitted to the director of the Kanto Local Finance Bureau on March 26, 2025

(4) Semi-annual Report and confirmation note
(First half of 63rd fiscal year) (from January 1, 2025 to June 30, 2025)
Submitted to the director of the Kanto Local Finance Bureau on August 13, 2025.

(5) Extraordinary Report
The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the director of the Kanto Local Finance Bureau on January 14, 2025.
The Extraordinary Report subject to the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the director of the Kanto Local Finance Bureau on March 26, 2025.

(6) Reports on Repurchase
A Report on Repurchase submitted pursuant to Article 24-6, Paragraph 1 of the Financial Instruments and Exchange Act.
Submitted to the Director-General of the Kanto Local Finance Bureau on December 12, 2025
Submitted to the Director-General of the Kanto Local Finance Bureau on January 13, 2026
Submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2026
Submitted to the Director-General of the Kanto Local Finance Bureau on March 12, 2026

(7) Securities Registration Statement by the Reference Method and its accompanying documents
Securities Registration Statement (the allotment to other persons) and its accompanying documents
Submitted to the director of the Kanto Local Finance Bureau on January 30, 2026.

(8) Report of Corrections to Securities Registration Statement by the Reference Method
Report of Corrections to Securities Registration Statement (the allotment to other persons) submitted on January 30, 2026
Submitted to the director of the Kanto Local Finance Bureau on February 13, 2026.

Part 2: SURETY COMPANY INFORMATION

Not applicable.