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Securities code: 9621

April 11, 2024

(Commencement Date of Measures for Electronic Provision: April 4, 2024)

**To Shareholders with Voting Rights:**

Tatsuya Nishimura  
Representative Director and President, CEO  
CTI Engineering Co., Ltd.  
21-1, Nihonbashi-hamacho 3-chome,  
Chuo-ku, Tokyo

**NOTICE OF THE ADJOURNMENT OF  
THE 61ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

We are pleased to inform you that the Adjournment of the 61st Annual General Meeting of Shareholders (the “Meeting”) of CTI Engineering Co., Ltd. (the “Company”) will be held for the purposes as described below.

The Company has taken measures for electronic provision for this Meeting, and matters subject to measures for electronic provision have been posted on the Company’s website as “Notice of the Adjournment of the 61st Annual General Meeting of Shareholders.”

[The Company’s website] <https://www.ctie.co.jp/english/ir/>

In addition to the above website, this information is posted on the following website.

[Tokyo Stock Exchange website (TSE Listed Company Search)]  
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

To view the information, please access the TSE website above, enter the issue name (CTI Engineering) or securities code (9621) to search, select “Basic information” and then “Documents for public inspection/PR information.”

As this Meeting is part of the 61st Annual General Meeting of Shareholders held on March 26, 2024, the shareholders eligible to attend are those who were able to exercise their voting rights at the 61st Annual General Meeting of Shareholders.

- 1. Date and Time:** Friday, April 26, 2024 at 10:00 a.m. Japan time (Reception opens at 9:00 a.m.)
- 2. Place:** Room 10+11, Bellesalle Tokyo Nihonbashi,  
5F Tokyo Nihonbashi Tower  
7-1 Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**  
**Matters to be reported:**
  1. Business Report, Consolidated Financial Statements for the Company’s 61st Fiscal Year (January 1, 2023 – December 31, 2023) and results of audits of Consolidated Financial Statements by Accounting Auditor and Audit & Supervisory Board
  2. Non-consolidated Financial Statements for the Company’s 61st Fiscal Year (January 1, 2023 – December 31, 2023)
- 4. Matters to be determined upon convocation**  
Of the matters subject to measures for electronic provision, the following matters are not stated in the documents to be delivered to shareholders who have requested a paper copy pursuant to laws and regulations and Article 13, Paragraph 2 of the Articles of Incorporation of the Company. Accordingly, the documents to be delivered to shareholders who have requested a paper copy are part of the documents audited by the Auditors and the Accounting Auditor in preparing the Audit Report.
  - 1) Notes to Consolidated Financial Statements
  - 2) Notes to Non-consolidated Financial Statements

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- If you are attending the Meeting, please submit the enclosed ticket for attending the Adjournment of the 61st Annual General Meeting of Shareholders to the reception desk.
  - If any revisions are made to the matters subject to measures for electronic provision, the details of the revisions will be posted on the relevant websites.

## Background of the Adjournment of the 61st Annual General Meeting of Shareholders

As we stated in the "Notice of Postponement of Announcement of Financial Results of FY2023 and Establishment of an Internal Investigation Committee" disclosed on February 9, 2024, there was the suspicion of an inappropriate cost management of the order received work. We expected that it would require substantial time for the investigation of this matter and the accompanying financial closing procedures, audit procedures by the accounting auditor, etc.

As a result, at 61st Annual General Meeting of Shareholders held on March 26, 2024 (hereinafter referred to as the "General Meeting of Shareholders"), we were unable to report the following matters to shareholders: "Business Report, Consolidated Financial Statements for the Company's 61st Fiscal Year (January 1, 2023—December 31, 2023) and results of audits of Consolidated Financial Statements by Accounting Auditor and Audit & Supervisory Board" and "Non-consolidated Financial Statements for the Company's 61st Fiscal Year (January 1, 2023—December 31, 2023)" (hereinafter collectively referred to as the "Matters to be Reported").

Therefore, at the General Meeting of Shareholders, we consulted with and received approval from the shareholders who attended the meeting to hold the Meeting for the purpose of the Matters to be Reported and to leave the decision on the date and place of the Meeting to the Board of Directors.

With the completion of a series of financial closing procedures, etc., it has become possible to hold the Meeting. Therefore, we hereby announce the holding of the Meeting.

We sincerely apologize to our shareholders and other stakeholders for any inconvenience and concern this may cause.

# Business Report

(January 1, 2023 - December 31, 2023)

## I. Overview of the Corporate Group

### 1. Performance in This Fiscal Year

#### (1) Business progress and results

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

With regard to the business environment that the CTI Group finds itself in, the domestic consulting engineering business remains robust, on the back of the bolstering of government-led projects for disaster prevention/mitigation and the promotion of measures to build national resilience for the maintenance of aging infrastructure. In the overseas consulting engineering business, the impacts of COVID-19 have been mostly eliminated in the Asian and the UK markets and their business environments are returning to their previous state, but in addition to the growing uncertainty caused by the situations in the Middle East and Ukraine, events worthy of concern, including the global progression of inflation and monetary tightening, have emerged.

Under this business environment, in 2023, the middle year of the Medium-term Business Plan 2024, the Group as a whole implemented many measures as it worked on the following four initiatives: 1) Promotion of business structural reform, 2) Promotion of production system reform, 3) Strengthening governance, and 4) Promotion of sustainability management.

As a result of the above, orders received by the Group during the fiscal year under review increased by 7.7% year-on-year to 92,473 million yen. Meanwhile, sales increased by 11.5% year-on-year to 93,057 million yen. Ordinary profit increased by 23.3% year-on-year to 10,153 million yen, and net income attributable to owners of the parent increased by 28.2% year-on-year to 7,534 million yen.

Results are summarized by segment below.

#### i. Domestic consulting engineering business

In the domestic consulting engineering business, orders received remained strong due to the 5-year acceleration measures (until fiscal 2025) for disaster prevention, disaster mitigation, and building national resilience. This, in addition to orders received for large-scale projects, increases in service fee rates, and other factors, led to an increase in profit margins. Accordingly, orders received for the domestic consulting engineering business increased by 6.8% year-on-year to 62,161 million yen, sales increased by 10.9% year-on-year to 64,473 million yen, and segment income increased by 29.9% year-on-year to 8,943 million yen.

#### ii. Overseas consulting engineering business

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

#### (2) Issues to be addressed

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

In the domestic consulting engineering business, with the enforcement of the Revised Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry in June 2023, the national budget for public works and promotion of disaster prevention/mitigation and national land resilience are expected to remain at the same level in 2024 as in the previous fiscal year. The promotion of disaster prevention/mitigation measures such as river basin flood control and river and road maintenance projects as a measure against aging infrastructure is forecast to continue. It is also expected that

social demands related to disaster responses, promotion of DX (digital transformation), and carbon neutrality will further increase.

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

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

(a) Promotion of business structural reform

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

(b) Promotion of production system reform

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

(c) Strengthening governance through risk management

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

(d) Promotion of sustainability management

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

ii. Efforts on measures to prevent the recurrence of misconduct committed by a former employee of the Company

In the fiscal year under review, unlawful outsourcing transactions were conducted by a former employee of the Company, and an internal investigation committee, chaired by the compliance officer, conducted an investigation of the matter.

The investigation found that a former employee of the Company had used the Company's outsourcing system to engage in unauthorized outsourcing transactions and illegally secreted Company property to a company that the former employee effectively manages ("target company"), by the two methods of making payments directly to the target company and diverting payments to the target company via a company on close terms with the former employee. Upon the receipt of recommendations for recurrence prevention measures from the internal investigation committee, including thorough compliance education, strengthening of checks of actual circumstances of suppliers, strengthening of the effectiveness of tests and acceptance inspections, and strengthening of the effectiveness of internal controls, the entire Group is working to prevent the recurrence of such incidents. Initiatives include strengthening the management of outsourcing and implementing compliance education for upper management, including Group companies.

iii. Incident of inappropriate cost management

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

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

Various investigative methods were employed, including interviews of relevant parties, digital forensic investigation, and questionnaires.

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

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

To ensure that there is no recurrence of misconduct and inappropriate incidents, the Company will not rest in its efforts to prevent recurrences and restore trust.

We humbly request the continued support and guidance of our shareholders.

(3) Financing

Not applicable.

(4) Capital investment

Not applicable.

(5) Business transfers, absorption-type company splits, or incorporation-type company splits

Not applicable.

(6) Acquisition of business of other companies

Not applicable.

(7) Succession of rights and obligations concerning the business of other corporations, etc., due to an absorption-type merger or absorption-type company split

Not applicable.

(8) Acquisition or disposition of shares or other equity interests or share acquisition rights, etc. in other companies

Not applicable.

## (9) Assets and earnings

(million yen)

Items	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Orders received	69,127	84,448	85,887	92,473
Sales	65,190	74,409	83,485	93,057
Ordinary profit	5,216	7,118	8,235	10,153
Net income attributable to owners of the parent	3,650	4,471	5,874	7,534
Net income per share (yen)	258.17	316.25	415.49	542.13
Total assets	63,980	71,880	73,296	79,914
Net assets	34,016	38,820	47,719	55,093
Net assets per share (yen)	2,393.36	2,734.99	3,360.83	3,958.89

## (10) Material parent and subsidiaries

## i. Material parent

Not applicable as the Company has no parent company.

## ii. Material subsidiaries

Company name	Capital	Voting right ratio	Main business contents
CTI Engineering International Co., Ltd.	100 million yen	100%	Consulting engineering
Waterman Group Plc	3.3 million pounds sterling	100%	Consulting engineering, Building
Waterman Group (Aus) Pty Limited	7.6 million Australian dollars	(Note) 62.5%	Consulting engineering, Building
Waterman Aspen Limited	0.2 million pounds	(Note) 100%	Dispatch of engineers
Japan Urban Engineering Co., Ltd.	100 million yen	100%	Consulting engineering, Land readjustment works
Chi-ken Sogo Consultants Co., Ltd.	100 million yen	100%	Consulting engineering, Geological survey works
NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.	100 million yen	100%	Architectural design and supervision
Environmental Research & Solutions Co., LTD.	40 million yen	100%	Environmental measurement certification, Environmental surveys and analysis

Note: The voting rights are all held indirectly by the Company through its subsidiary Waterman Group Plc.

## 2. Situation at the End of This Fiscal Year

### (1) Major businesses

The Group is engaged in the engineering consulting business related to social capital development, which includes public and private works for rivers, dams, roads, environment, information, cities and construction.

#### i. Domestic consulting engineering business

This business includes planning, research, feasibility studies, design, client support, construction supervision, management for operation and maintenance for public works in Japan as well as incidental system development, maintenance and supporting of general clerical works, land readjustment works, geological survey works, architectural design and supervision, environmental measurement certification, and environmental research and analysis. The Company is mainly in charge of all of these operations, except for land readjustment works, geological survey works, architectural design and supervision, and 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 surveys and analysis.

#### ii. Overseas consulting engineering business

This 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 overseas, 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.

(2) Major offices

- i. The Company
  - Headquarters 21-1 Nihonbashi-hamacho 3-chome, Chuo-ku, Tokyo, Japan
  - Branches, etc. Tokyo Main Office (Chuo-ku, Tokyo)  
Tokyo Main Office Saitama Branch Office (Urawa-ku, Saitama)  
Osaka Main Office (Chuo-ku, Osaka)  
Hokkaido Office (Chuo-ku, Sapporo)  
Tohoku Office (Aoba-ku, Sendai)  
Hokuriku Office (Chuo-ku, Niigata)  
Chubu Office (Naka-ku, Nagoya)  
Chugoku Office (Higashi-ku, Hiroshima)  
Shikoku Office (Takamatsu-shi, Kagawa)  
Kyushu Office (Chuo-ku, Fukuoka)  
Okinawa Office (Naha-shi, Okinawa)  
Research Center Tsukuba (Tsukuba-shi, Ibaraki)
  - Branch offices Aomori Branch Office (Aomori-shi, Aomori), and 42 other branch offices nationwide
- ii. CTI Engineering International Co., Ltd.
  - Headquarters 25-14 Kameido 2-chome, Koto-ku, Tokyo
- iii. Waterman Group Plc
  - Headquarters Pickfords Wharf, Clink Street, London, SE1 9DG United Kingdom
- iv. Waterman Group (Aus) Pty Limited
  - Headquarters 60 Park Street, South Melbourne, VIC 3205, Australia
- v. Waterman Aspen Limited
  - Headquarters Pickfords Wharf, Clink Street, London, SE1 9DG United Kingdom
- vi. Japan Urban Engineering Co., Ltd.
  - Headquarters 21-1 Nihonbashi-hamacho 3-chome, Chuo-ku, Tokyo
  - Branches, etc. Main Office/East Japan Office (Matsudo-shi, Chiba)  
West Japan Office (Hakata-ku, Fukuoka)
- vii. Chi-ken Sogo Consultants Co., Ltd.
  - Headquarters 26-2 Nishi Nippori 2-chome, Arakawa-ku, Tokyo
  - Branches, etc. Sapporo Office (Chuo-ku, Sapporo)  
Shikoku Office (Niihama-shi, Ehime)
- viii. NISSOKEN ARCHITECTS & ENGINEERS Co., Ltd.
  - Headquarters 34-14 Hatagaya 1-chome, Shibuya-ku, Tokyo
- ix. Environmental Research & Solutions Co., Ltd.
  - Headquarters 3-9 Hikaridai 2-chome, Seika-cho, Soraku-gun, Kyoto



(3) Employees

i. Corporate group

Number of employees	Change from previous fiscal year-end
3,830 (1,109)	Up 114 (up 15)

Note: Number of employees is the number of active employees. The number in parenthesis ( ) is excluded from the above number and shows the annual average number of temporary employees (part-time and casual workers).

ii. The Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
2,023 (564)	Up 111 (up 33)	42.51 years	12.51 years

Note: Number of employees is the number of active employees. The number in parenthesis ( ) is excluded from the above number and shows the annual average number of temporary employees (part-time and casual workers).

(4) Major lenders

Not applicable

(5) Other material matters concerning the corporate group

Not applicable

## II. Current Status of the Company (As of December 31, 2023)

### 1. Shares

(1) Number of authorized shares	40,000,000 shares
(2) Number of issued shares	14,159,086 shares
(3) Number of shareholders	3,479
(4) Major shareholders (Top 10)	

Name	Number of shares held (thousands)	Ratio of the number of shares held
The Master Trust Bank of Japan, Ltd. (trust account)	1,423	10.3%
HIKARI POWER LIMITED	1,396	10.1
CTI Engineering Employees' Stock-sharing Association	1,075	7.8
Custody Bank of Japan, Ltd. (trust account)	477	3.4
Yasumitsu Shigeta	396	2.9
MUFG Bank, Ltd.	371	2.7
Mitsubishi UFJ Trust and Banking Corporation	354	2.6
Sumitomo Life Insurance Company	300	2.2
Yutaka Takahashi	275	2.0
Dai-ichi Life Insurance Company, Limited	269	1.9

Note: Ratio of the number of shares held is calculated after deducting the number of treasury shares (294,702 shares).

### (5) Shares delivered to company officers as consideration for execution of duties during the fiscal year under review

In accordance with a resolution of the Board of Directors meeting held on April 28, 2023, the Company delivered the following common shares to officers of the Company as restricted stock compensation on May 26, 2023.

Category	Number of shares	Number of beneficiaries
Directors (excluding External Directors)	14,302	8
Executive Officers who do not concurrently serve as Directors	9,284	11

### (6) Other material matters concerning shares

The Company repurchased its shares as follows by resolution of the Board of Directors meeting held on February 14, 2023.

- i. Class and number of shares acquired : 298,600 common shares of the Company
- ii. Total acquisition price of shares : 999,905,791 yen
- iii. Acquisition period : February 15, 2023 to March 24, 2023
- iv. Method of acquisition : Market purchase on the Tokyo Stock Exchange

### 2. Share Acquisition Rights

Not applicable as the Company does not issue share acquisition rights.

### 3. Status of Directors and Auditors

#### (1) Positions and responsibilities of Directors and Auditors

Position	Name	Responsibilities and significant concurrent positions
Representative Director and President, CEO	Tetsumi Nakamura	Chairman, Japan Civil Engineering Consultants Association
Representative Director, Executive Vice President	Tatsuya Nishimura	Chief, Planning & Business Development Headquarters
Representative Director, Executive Vice President	Yoshiaki Nanami	Chief, Governance Management Headquarters
Director, Senior Managing Executive Officer	Hiroshi Kiuchi	Managing Principal, Osaka Main Office
Director, Managing Executive Officer	Naoto Suzuki	Chief, Administration Headquarters
Director, Managing Executive Officer	Nobuyuki Maeda	Chief, Engineering Headquarters
Director, Managing Executive Officer	Toshihide Uemura	Managing Principal, Kyushu Office
Director, Managing Executive Officer	Naoki Fujiwara	Deputy Chief, Planning & Business Development Headquarters Executive Director, Waterman Group Plc Director, CTI Engineering International Co., Ltd.
Director	Shuichi Ikebuchi	Research Fellow, The River Foundation Director, Kinki Construction Association
Director	Fumiko Kosao	Certified Public Tax Accountant, Fumiko Kosao Certified Public Tax Accountant Office External Director, METAWATER Co., Ltd. External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. External Director, THE NIPPON ROAD CO., LTD.
Director	Yoshihisa Sonobe	
Director	Atsuko Ogasawara	Director, The Daido Life Foundation Outside Director, Senshu Ikeda Holdings, Inc. Non-Executive Director (part time), The Senshu Ikeda Bank, Ltd. Director, Kansai Innovation Center
Auditor	Keizo Mitsuke	
Auditor	Shigeo Nakashita	
Auditor	Yasuro Tanaka	Attorney
Auditor	Go Ishikawa	Attorney, Senior Partner, SAKURADA DORI PARTNERS, Outside Auditor, ALTECH CO., LTD.

#### Notes:

- Directors, Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara, are External Directors.
- Auditors, Mr. Yasuro Tanaka and Mr. Go Ishikawa, are External Auditors.
- The Company has designated Directors, Mr. Shuichi Ikebuchi, Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, and Ms. Atsuko Ogasawara, 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.
- Auditor, Mr. Go Ishikawa, has notified the Regional Commissioner of the Regional Taxation Bureau of his business as a tax accountant, and he has considerable knowledge of finance and accounting through his practice as an attorney.
- The Company has entered into a legal advisory agreement with Auditor, Mr. Go Ishikawa, but his annual compensation is less than 5 million yen and therefore is immaterial.
- The status of significant concurrent positions of external officers is described in "4. Matters Concerning External Officers (1) Significant concurrent positions at other corporations, etc. and relationships between the Company and counterparties" under "Business Report II. Current Status of the Company."
- Representative Director and President, Mr. Tetsumi Nakamura, took office as Chairman of the Japan Civil Engineering Consultants Association in May, 2023.
- Director, Ms. Fumiko Kosao, took office as External Director of THE NIPPON ROAD CO., LTD. in June 2023.
- Director, Ms. Atsuko Ogasawara, retired from her concurrent positions of Executive Director of National University Corporation Osaka University in April 2023 and Director of Japan High School Baseball Federation in May 2023 due to the expiration of her terms of office.
- Auditor, Mr. Go Ishikawa, resigned from his concurrent position of Executive Governor of Japan Federation of Bar Associations in March 2023 due to the expiration of his term of office. He resigned from the position of External Director of Impact HD Inc. in June 2023 due to the de-listing of the company.

#### (2) Outline of liability limitation agreement

The Company has concluded a limited liability contract with each External Director and each External Auditor to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act. The maximum liability limit under the agreement is 5 million yen or the amount provided by applicable laws, whichever is greater.

(3) Outline of indemnity agreement

Not applicable

(4) Outline of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover legal liability for damages and litigation expenses incurred due to claims for damages arising from acts committed by officers, in the execution of their duties. However, to ensure that the officers insured by the contract execute their duties appropriately, liability arising from their acts to gain personal benefit or convenience illegally is not covered. The insurance contract covers all Directors, Auditors, and Executive Officers of the Company and its subsidiaries, and insurance premiums are fully borne by the Company.

(5) Remuneration for Directors and Auditors for this fiscal year

i. Total amount of compensation of Directors and Auditors

Category	Number of payees	Total amount of compensation (million yen)	Amount of compensation by classification (million yen)		
			Basic compensation	Performance-linked compensation	Non-monetary compensation
Directors [Of which, External Directors]	14 [4]	320 [30]	228 [30]	58 [-]	34 [-]
Auditors [Of which, External Auditors]	5 [2]	48 [13]	48 [13]	-	-
Total [Of which, External Directors/Auditors]	19 [6]	368 [44]	276 [44]	58 [-]	34 [-]

Notes:

1. The amounts of compensation for Directors do not include employee salaries for Directors who serve concurrently as employees.
2. The amount of performance-linked compensation for Directors is the amount that has been expensed as reserve for bonuses to directors in the fiscal year under review.
3. The content of non-monetary compensation is restricted stock of the Company, for which Directors (excluding External Directors) of the Company are eligible for allotment.
4. The number of payees stated above includes two Directors and one Auditor who retired upon the expiration of their terms at the conclusion of the 60th Annual General Meeting of Shareholders held on March 28, 2023.

ii. Resolutions at the general meeting of shareholders regarding the compensation of Directors and Auditors

The Annual General Meeting of Shareholders held on March 27, 2014 resolved the annual limit of Directors' compensation of 400 million yen (excluding employee salaries for Directors who serve concurrently as employees), with 11 Directors (including 0 External Directors) in office at the conclusion of the said General Meeting of Shareholders. In addition, the Annual General Meeting of Shareholders held on March 28, 2023 resolved the annual limit of monetary receivables for granting restricted stock to Directors (excluding External Directors) of 100 million yen (excluding employee salaries for Directors who concurrently serve as employees), with 12 Directors (including 4 External Directors) in office at the conclusion of the said General Meeting of Shareholders.

The Annual General Meeting of Shareholders held on March 30, 1994 resolved the annual limit of Auditors' compensation of 80 million yen, with 3 Auditors (including 1 External Auditor) in office at the conclusion of the said General Meeting of Shareholders.

iii. Policies regarding the determination of the contents of compensation for individual Directors

a. Policy on determining amounts

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.

[Compensation for Directors (excluding External Directors)]

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

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

[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.

[Compensation for Auditors]

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

b. Summary of details of determination policies

Method of determining compensation for Directors (excluding External Directors)

Fixed compensation

Fixed compensation (monthly compensation) shall be appropriately calculated in accordance with a predetermined table of monthly compensation standards for officers 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.

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 for each Director shall be set within the range of compensation, after evaluation by the Representative Director and President, CEO of the degree of contribution of each Director for each type of operating profit, ROE, and ESG using the following calculation formula, and shall be resolved at the Board of Directors meeting after deliberation by the Nomination & Compensation Advisory Committee. Consolidated net income before income tax in the relevant fiscal year has been selected as the specific metric. The reason for the selection of this metric is to make clear its interconnection with the Group's business activities. Please refer to the Consolidated Profit and Loss Account in the Consolidated Financial Statements for the net income before income tax for the relevant fiscal year.

Monetary bonuses	Payment category	Method of payment calculation			
	Payment as short-term incentives	Basic bonus amount	× 50%	×	Operating income coefficient
Payment as long-term incentives		Basic bonus amount	× 50%	×	ROE evaluation coefficient
		Basic bonus amount	× 20%	×	ESG evaluation coefficient

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 vacation of office.

With regard to non-monetary compensation (restricted stock compensation), provisions have been 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.

- c. Reason for the judgment by the Board of Directors that the contents of compensation for individual Directors is in line with the determination policies

Regarding the compensation for individual Directors for the relevant fiscal year, the Board of Directors has confirmed the method of determination of compensation and the contents of compensation are consistent with the determination policies and that the recommendations of the Nomination & Compensation Advisory Committee, which is chaired by an External Director, have been respected, and has judged that they are in line with the determination policies.

(6) Officers who have resigned or been dismissed from office

There are no applicable officers.

#### 4. Matters Concerning External Officers

##### (1) Significant concurrent positions at other corporations, etc. and relationships between the Company and counterparties

Position and name		Significant concurrent positions at other corporations, etc.	Relationship with the counterparty
Director	Shuichi Ikebuchi	Research Fellow, The River Foundation Director, Kinki Construction Association	No
Director	Fumiko Kosao	Fumiko Kosao Certified Public Tax Accountant Office External Director, METAWATER Co., Ltd. External Director (Audit & Supervisory Board Member), TOELL CO., Ltd. External Director, THE NIPPON ROAD CO., LTD.	No
Director	Yoshihisa Sonobe	N/A	---
Director	Atsuko Ogasawara	Director, The Daido Life Foundation Outside Director, Senshu Ikeda Holdings, Inc. Non-Executive Director (part time), The Senshu Ikeda Bank, Ltd. Director, Kansai Innovation Center	No
Auditor	Yasuro Tanaka	N/A	---
Auditor	Go Ishikawa	Senior Partner, SAKURADA DORI PARTNERS Outside Auditor, ALTECH CO., LTD.	No

Note: No spouse of or relative to the third degree of kinship to the above external officers serves as an officer or employee of the Company or a specified associated service provider of the Company.

##### (2) Main activities in this fiscal year

###### i. Attendance of meetings of the Board of Directors and Audit & Supervisory Board

Position and name		Board of Directors meetings (held 14 times)		Audit & Supervisory Board meetings (held 13 times)	
		Number of meetings attended	Attendance rate	Number of meetings attended	Attendance rate
Director	Shuichi Ikebuchi	14/14	100%	---	---
Director	Fumiko Kosao	14/14	100%	---	---
Director	Yoshihisa Sonobe	14/14	100%	---	---
Director	Atsuko Ogasawara	11/11	100%	---	---
Auditor	Yasuro Tanaka	14/14	100%	13/13	100%
Auditor	Go Ishikawa	14/14	100%	13/13	100%

Note: External Director, Ms. Atsuko Ogasawara, has attended meetings of the Board of Directors since taking office on March 28, 2023.

###### ii. Comments made in meetings of the Board of Directors and Audit & Supervisory Board

Director, Mr. Shuichi Ikebuchi, gave advice on the Group's business development based on his knowledge and viewpoint accumulated as an expert in disaster prevention, thereby appropriately supervising business execution. He also attended all meetings of the Nomination & Compensation Advisory Committee, on which he serves as Chair, and made comments from an objective and neutral standpoint.

Director, Ms. Fumiko Kosao, conducted supervision and gave advice to ensure the appropriateness of finance and accounting based on her viewpoint as an experienced Certified Public Tax Accountant, thereby appropriately supervising business execution. She also attended all meetings of the Nomination & Compensation Advisory Committee, of which she is a member, and made comments from an objective and neutral standpoint.

Director, Mr. Yoshihisa Sonobe, gave advice on the Group's management strategies, including business development, and capital policies based on his extensive insight and experience in finance and accounting, thereby appropriately supervising business execution. He also attended all meetings of the Nomination & Compensation Advisory Committee, of which he is a member, and made comments from an objective and neutral standpoint.

At meetings of the Board of Directors held since she took office in March 2023, Director, Ms. Atsuko Ogasawara, gave advice based on her extensive experience and expertise in the business community, thereby appropriately supervising business execution. She also attended all meetings of the Nomination & Compensation Advisory Committee, of which she is a member, and made comments from an objective and neutral standpoint.

Auditors, Mr. Yasuro Tanaka and Mr. Go Ishikawa, actively asked questions of the Directors at the meetings of the Board of Directors, and they also leveraged their insights in the legal area and their extensive experience accumulated as attorneys and, for Mr. Go Ishikawa's part, his knowledge of finance and accounting accumulated through his work as an attorney, to make comments and recommendations. In the meetings of the Audit & Supervisory Board, they reported on the audits that they had conducted, exchanged information closely with other Auditors, and leveraged their insights primarily in the legal area and extensive experience accumulated as attorneys to express necessary opinions.

(3) Total amounts of compensation

Category	Number of payees	Total amount of compensation (million yen)
External Directors	4	30
External Auditors	2	13

Note: Compensation of the Company's External Directors and External Auditors consists solely of basic compensation, and there is no performance-linked compensation or non-monetary compensation.

(4) Amounts of compensation received from the parent company or subsidiaries of the parent company

Not applicable.



## 5. Accounting Auditor

### (1) Name

Deloitte Touche Tohmatsu LLC

### (2) Amount of compensation for audit services and reasons why the Audit & Supervisory Board agreed to that amount

The Audit & Supervisory Board agreed to the compensation for audit services because it judged it to be reasonable upon consideration of Accounting Auditor's audit plan, the status of execution of its audit in the previous fiscal year, its method of calculating estimates, and other factors.

Details	Compensation amount
Amount of compensation for the Accounting Auditor for the fiscal year under review	77 million yen
Total amount of money or other economic benefits to be paid by the Company and its subsidiaries	79 million yen

Note: In the audit agreement concluded between the Company and the Accounting Auditor, no distinction is made between audit compensation for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, and such distinction cannot be substantively made. For this reason, the above amounts indicate the total amounts for these two types of audit.

### (3) Audits of consolidated subsidiaries

Consolidated subsidiary of the Company, Waterman Group Plc, obtains audits from an accounting auditor other than the Accounting Auditor of the Company.

### (4) Details of non-audit services

The Company has contracted the Accounting Auditor to perform "guidance and advice services pertaining to accounting standards concerning revenue recognition," which are services beyond the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act.

### (5) Policy for determination of dismissal or non-reappointment

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 decide on a proposal for dismissal or non-reappointment, and the Board of Directors shall submit a proposal to the same effect to the General Meeting of Shareholders based on the decision. 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 the Auditors. In this case, the Auditor selected by the Audit & Supervisory Board shall report to the effect that the Accounting Auditor was dismissed and the reasons therefor at the first General Meeting of Shareholders called after the dismissal.

### (6) Disposition of suspension of operations in the past two years

Not applicable.

### (7) Outline of contents of liability limitation agreement

Not applicable.

### (8) Accounting Auditor that has resigned or been dismissed

Not applicable.

## 6. Establishment and Operating Status of a System to Ensure the Appropriateness of Business Activities

The CTI Engineering Group's Business Philosophy is "challenging to create a safe, comfortable, and enriching society using world-class technology and expertise." We recognize that the development and operation of an appropriate system for business execution under this Business Philosophy is a key responsibility of management that leads to increased corporate value. Accordingly, we have established the following systems to ensure the appropriateness of business operations.

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

We clarify matters that Directors and employees of the CTI Engineering Group should observe in the execution of their duties, enhance the compliance system and the business management system, and improve these systems through monitoring and other means. Specifically, we shall have no relationship whatsoever with antisocial forces or organizations that threaten order and safety of society, adopt a resolute stance against all unreasonable demands, and reject them. In addition, in accordance with the Regulations for Handling Whistleblowing, we strive to enhance the whistleblowing system in order to prevent illegal or unfair practices, detect and correct them at an early stage, and prevent their recurrence.

### (2) Systems for the storage and management of information on the execution of duties by Directors

Striving for transparency in corporate governance, Directors maintain an information management system in accordance with the CTI Engineering Group Information Security Policy and other internal regulations, and appropriately disclose, store, discontinue, and manage documents and other information related to the execution of their duties.

### (3) Regulations concerning the management of the risk of loss and other systems

We strengthen the risk management system to minimize risk occurrence and establish systems that enable us to respond swiftly and appropriately in the event of a crisis. In addition, we collect information for each of the subsidiaries to strengthen the risk management system.

### (4) Systems to ensure that the duties of Directors are executed efficiently

We clarify the duties and authority assigned to Directors, such as decision-making on operations, supervisory functions, and the separation of business execution roles, and hold the Board of Directors Meeting and Management Meeting regularly (once a month) to make decisions on matters after thorough discussions. Management plans are to be regularly verified and refined while confirming business results. We establish internal control systems to ensure cooperation and coordination between our offices and divisions. Our Administration Headquarters and other related departments at the Headquarters actively assist our subsidiaries to ensure that business is executed efficiently.

### (5) Systems to ensure the appropriateness of business activities in the CTI Engineering Group (including systems for reporting to the parent company matters related to the execution of duties by Directors, etc., of subsidiaries)

We establish management systems for the CTI Engineering Group based on basic policies such as the Business Philosophy and management strategy of the CTI Engineering Group. In addition, in accordance with the provisions of the Regulations on the Management of Subsidiaries, the Directors of subsidiaries report to the parent company on key management matters and obtain prior approval from the parent company as necessary.

### (6) Concerning employees who are requested by Auditors to assist them in their duties

In the event that Auditors request employees to be appointed to assist them in the performance of their duties, we are to consult with the Auditors, select employees on the basis of their qualifications, and obtain the Auditors' consent regarding such appointments.

- (7) Concerning the independence of employees mentioned in the preceding item from Directors, and ensuring the effectiveness of instructions from Auditors

Employees appointed to assist Auditors are not to be subject to the instructions and orders of Directors. When these employees concurrently hold other roles, they are not to be subject to instructions and orders given by Directors while they assist Auditors in their duties. In addition, we are to obtain the consent of Auditors regarding the transfer, evaluation, reward and punishment, etc., of such employees.

- (8) Systems for Directors and employees to report to Auditors, other systems for reporting to Auditors, and systems to ensure that those who report to Auditors are not treated disadvantageously for making such reports

Directors and employees of the CTI Engineering Group are to report to Auditors whenever an event occurs or is likely to occur that may have a significant impact on the management of the company. We maintain an internal system for reporting, and determine matters to be reported to Auditors in advance through discussions between Directors and Auditors. In addition, we prohibit the disadvantageous treatment of employees for having made such reports to Auditors.

- (9) Concerning procedures for advance payment or reimbursement of expenses incurred in the performance of duties by Auditors, and policies for the handling of other expenses or liabilities arising from the performance of their duties

Regarding the expenses, etc., incurred by Auditors in the performance of their duties, we promptly pay such expenses to Auditors, including advance payments, and settle any liabilities, except when Directors prove that such expenses, etc., are not necessary for the performance of Auditors' duties.

- (10) Other systems for ensuring effective audits by Auditors

Directors and Auditors recognize the necessity of developing the audit environment (including cooperation with the internal audit department) and other matters to ensure the effectiveness of audits by Auditors, and confirm these matters through discussion as necessary to ensure that there is a system for the implementation of audits.

- (11) Overview of operating status of systems necessary to ensure the appropriateness of business activities

The overview of the operating status of systems necessary to ensure the appropriateness of business activities in the fiscal year under review is as follows:

- i. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

Under the principle of "to act with integrity, fairness, and responsibility" espoused in the Code of Corporate Conduct, the Company has established Regulations of the Board of Directors, Organization Regulations, and Regulations for the Division of Responsibility for Operations to clarify the duties of Directors and employees. The Company has also established the Compliance Section and Audit Section under the Governance Management Headquarters for ongoing improvement through initiatives such as compliance training that includes Group companies, implementation of internal audits, and monitoring of matters raised in internal audits. In addition, the newly established Risk Management Committee deliberates on key compliance matters regarding the Group, has established the Compliance Regulations, and is working to further enhance the whistleblowing system. In this way, the Company has built mechanisms by which risk information is accurately communicated to upper management. Further, in addition to strengthening the Group's compliance system through cooperation between the Governance Management Headquarters and relevant departments, the Company's Board of Directors promptly make decisions on key factors affecting the Group in accordance with laws, regulations, the Articles of Incorporation, and internal rules.

- ii. Systems for the storage and management of information on the execution of duties by Directors

In addition to developing the CTI Group Information Security Policy, the Basic Policy on Information Security, and the Information Security Implementation Procedures, the Company has established the Regulations for Management of Confidential Information and the Regulations for the Protection of Personal Information in order to more strictly manage information that needs to be stored and managed, including documents such as contracts, materials for board meetings, minutes, key business information, and personal information in the course of business.

- iii. Regulations concerning the management of the risk of loss and other systems  
The Company has newly established Risk Management Regulations, and the Risk Management Committee, chaired by the President, has formulated policies and measures for risk management, identifies risks, and formulates countermeasures, based on which each department manages its individual risks. The Risk Management Committee assesses the status of individual risk management, and provides guidance and supervision. The Committee makes regular reports on the status of efforts to the Board of Directors, and with the deliberation of reported matters by the Board of Directors, risk management is comprehensively controlled and managed. Material risks related to non-financial metrics are addressed through information sharing in collaboration with the Sustainability Committee. The Company has also set forth the actions to be taken by the Company in the event of an emergency in the Guidelines for the Operation of Emergency Headquarter, and in this way, aims to bring the emergency situation under control appropriately as soon as possible and restore trust in the Company.
- iv. Systems to ensure that the duties of Directors are executed efficiently  
The Company clearly sets forth the duties and authority assigned to Directors in the Regulations of the Board of Directors, Authority Regulations, and other internal rules, and holds the Board of Directors meetings and Management Meeting regularly to make decisions efficiently and swiftly.
- v. Systems to ensure the appropriateness of business activities in the CTI Engineering Group  
The Company has established Regulations on the Management of Subsidiaries and appoints a responsible officer to supervise Group companies. The Company also holds the Group Management Meeting, operational meetings, and liaison meetings with Group companies to share information and strengthen collaboration.
- vi. Systems to support audits by Auditors of the Company  
Auditors of the Company attend material meetings such as those of the Board of Directors, Management Meeting, Group Management Meeting, Executive Officers' Meeting, and Compliance Meeting of the Company, and directly check the status of business execution. Auditors of the Company also hold regular meetings with the Accounting Auditor and internal audit department to exchange information and coordinate activities.

## 7. Basic Policy on Control of the Company

No policies have been determined.

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Note: The amounts and numbers of shares stated in this Business Report are rounded down to the nearest presented unit. Percentages are rounded off to the nearest presented unit.