

Corporate Governance Report

CORPORATE GOVERNANCE

Last Update: April 1, 2025

CTI Engineering Co.,Ltd

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The corporate governance of CTI Engineering Co.,Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

We have established a Code of Corporate Conduct to realize our business philosophy of "we strive to create a safe, comfortable, and enriching society using world-class technology and expertise". Our corporate culture—based on integrity and technology—guides us as we fulfill our social mission.

Our basic policy is to continuously enhance and strengthen corporate governance to achieve transparent, fair, timely and decisive decision-making toward further sustainable growth as a company and increase our corporate value over the mid- to long-term.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

We comply with all the principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

[Principle 1-4. Cross-Shareholdings]

Our policy is to reduce the proportion of cross-shareholdings from the perspective of building a strong financial base that is less susceptible to stock price fluctuations and improving capital efficiency.

From the perspective of sustainably growing the CTI Engineering Group and increasing its corporate value over the mid- to long-term, we only hold shares of other companies when cross-shareholding is deemed necessary to build, maintain, and strengthen favorable relationships with our business partners and other companies.

The Board of Directors annually assesses the mid- to long-term economic rationale and future prospects of each of the Group’s cross-shareholdings, and carefully examines the significance and rationale of holding such shares, such as whether the associated benefits and risks are commensurate with the capital cost. As a result of these assessments, cross-shareholdings whose significance and rationale cannot be confirmed are sold in an appropriate and suitable manner.

Voting rights related to cross-shareholdings are exercised with the main criteria being whether or not a proposal contributes to increasing the mid- to long-term corporate value of the Group and investee companies. Every year, our Board of Directors reviews its cross-shareholdings on an individual basis. whether or not technological development, corporate alliances, business synergies, etc. that contribute to the business strategy of our Group can be expected, we will carefully examine the mid- to long-term economic rationale and significance of holding the shares, and examine the appropriateness of holding the shares from the

perspective of risks and capital costs.

As a result of the verification, if it is judged that the significance of holding and the reasonableness thereof cannot be confirmed, we will sell the issue appropriately. Reduce cross-shareholdings. In addition, even if the significance and rationality of holding the shares are recognized, the shares may be sold in consideration of the market environment, our management and financial strategies, etc.

In the 62nd term, we sold two stocks that it judged to be unreasonable to hold. Going forward, we will continue to promote the sale of stocks that are judged to have little significance or rationality for holding.

With respect to voting rights pertaining to cross-shareholdings, we set standards for the exercise of voting rights, which are mainly based on the judgment of whether or not the proposal contributes to the mid- to long-term improvement of corporate value of us and investee companies, and exercises voting rights in accordance with the standards.

[Principle 1-7 Related Party Transactions]

Please refer to "Corporate Governance" on our website (Chapter 2, Section 2.5 of "Basic Policy on Corporate Governance" (https://www.ctie.co.jp/english/sustainability/corp-governance/img/corp_corporate.pdf)) for the procedures for conducting transactions between related parties and the monitoring framework based on the procedures.

[Supplementary Principle 2-4 (1) Ensuring Diversity in the Promotion of Core Human Resources]

In order to respond to the rapidly changing business environment and build an organization capable of reforming the business structure with a sense of speed, the "Concept of Human Capital" published on our website promotes "DE&I (diversity, equity and inclusion)" etc., in which diverse human resources are accepted and inspired.

In addition to actively recruiting diverse human resources, such as women, non-Japanese, and mid-career hire with diverse work experience, we will build a personnel system that enables diverse work styles and actively promote them to management levels.

<Percentage of female managers>

As of December 2024: 3.8% (14 women), Target: 10% or more, Date of achievement: 2030

<Percentage of non-Japanese managers>

As of December 2024: 0% (0 persons), Target: Secure multiple persons

* We have one non-Japanese Executive Officer.

<Percentage of mid-career managers>

As of December 2024: 37.5% (138 persons), Target: unchanged

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

Please refer to "Business Philosophy & Code of Corporate Conduct" on our website (Chapter 3, Section 3.5 of "Basic Policies for Corporate Governance" (<https://www.ctie.co.jp/english/sustainability/corp-governance/>)) for the initiatives of corporate pension funds as asset owners.

[Principle 3-1. Full Disclosure]

(1) Please refer to the "Management Policy" on our website

(<https://www.ctie.co.jp/english/sustainability/management/>) and the "CTI Group Mid- to Long-Term Vision - SPRONG2030" (<https://www.ctie.co.jp/english/ir/vision/>) for our management plan, as well as the Charter of Corporate Behavior for the realization of our Management Philosophy.

(2) Our basic views on corporate governance are disclosed in Chapter 1 of the "Basic Policy for Corporate Governance" section of the "Corporate Governance" section on our website (<https://www.ctie.co.jp/english/sustainability/corp-governance/>).

(3) Please refer to "Corporate Governance" on our website (Chapter 5, 5.2.5 of "Basic Policy for Corporate Governance" (<https://www.ctie.co.jp/english/sustainability/corp-governance/>)) for the policies and procedures for determining the compensation of our senior management and Directors.

(4) Please refer to "Corporate Governance" on our website ("Basic Policies on Selection of Candidates for Directors and Auditors and Dismissal of Directors and Auditors" (<https://www.ctie.co.jp/english/sustainability/corp-governance/>)) ("Basic Policies on Selection of Candidates for Directors and Auditors and Dismissal of Directors and Auditors" (https://www.ctie.co.jp/sustainability/corp-governance/img/corp-governance_20230301.pdf)) for the policies and procedures for the appointment and dismissal of our senior management and the nomination of candidates for Directors and Auditors.

(5) When appointing or dismissing senior management and nominating candidates for Directors and Auditors, explanations regarding individual appointments, dismissals, and nominations are disclosed in the Notice of Convocation of the General Meeting of Shareholders.

[Supplementary Principle 3-1 (3) Initiatives for Sustainability]

(1) Initiatives for sustainability

We have created the CTI Engineering Group Code of Corporate Conduct and established the Charter of Corporate Behavior that lays out its principles for action. We aim to realize the sustainable development of both society and the CTI Engineering Group at the same time by fulfilling our social responsibilities through our corporate activities, solving social issues, and protecting and creating culture that people value. We believe that sustainability, for us, means simultaneously realizing the enhancement of the corporate value of the Group over the mid- to long-term and the sustainable development of society through the implementation of the Charter of Corporate Conduct.

Sustainability initiatives are monitored by the Sustainability Committee, which is chaired by the Managing Director & Chief Executive Officer.

In March 2020, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Currently, a specially selected team is working on a framework based on the TCFD, including emissions and scenario analysis. In the future, we intend to actively and fully disclose the results. Please refer to our website (<https://www.ctie.co.jp/english/sustainability/>) and "CTI Group Sustainable Challenge" (<https://www.ctie.co.jp/english/sustainability/challenge/>) for our views, policies, and initiatives on sustainability. For analysis of

opportunities and risks based on the TCFD, please refer to "Climate Change Initiatives" (<https://www.ctie.co.jp/english/sustainability/tackling-climate-change/>) on our website.

(2) Investment in human capital

As a company that mainly receives orders through technological competition, we consider human resources to be our most important management asset. In 2006, we established a "Human Resources Policy" (<https://www.ctie.co.jp/english/sustainability/capital/>) to systematically strengthen our human resources from the perspective of recruitment, development, and utilization.

We believe that investment in human capital is most effective. Accordingly, we are enhancing its human resource investment by strengthening recruitment and allocating approximately 20% of its R & D investment to human resource development. At the same time, we are improving our human resource system with an emphasis on training and improving motivation. Please refer to our sustainability page (<https://www.ctie.co.jp/english/sustainability/sdgs/>) for information on human capital, and our website (<https://www.ctie.co.jp/english/sustainability/human-resources-mgmt/>) for information on human resource development systems and initiatives.

We think intellectual property to be an important asset of us and promotes the strategic use and secure protection of intellectual property. As part of this effort, in June 2022 we formulated and published our Basic Policies on Intellectual Properties (<https://www.ctie.co.jp/english/tech/intellectual-property/>) .

[Supplementary Principle 4-1-1. Scope of delegation to management]

Please refer to "Corporate Governance" on our website (Chapter 5, 5.2 2 of "Basic Policies for Corporate Governance" (<https://www.ctie.co.jp/english/sustainability/corp-governance/>)) for an overview of the scope of delegation to the executive team.

[Supplementary Principle 4-1-2. Making best efforts to achieve the Mid-Term Management Plan and taking action if the plan is not achieved]

In February 2025, we established the Med-Term Management Plan 2027. In this plan, we set out "Business Portfolio Transformation" and "Rebuild of Foundation for Growth" and we aim to achieve further progress through these efforts. Specific Management Target Figures (Consolidated) are to achieve Sales of 110 billion yen, an OI margin of 11% (12 billion yen), and an ROE of 12% or more for the FY 2027.

[Principle 4.9 Independence Standards and Qualification for Independent External Directors]

Please refer to "Basic Policy on the Selection of Candidates for Directors and the Dismissal of Directors " in the "Corporate Governance" section of our website. (<https://www.ctie.co.jp/english/sustainability/corp-governance/>) .

[Supplementary Principle 4-10 (1) Views, Authority, Roles, etc. on Independence of Committee Composition]

We have established the Nomination & Remuneration Advisory Committee as an advisory body to the Board of Directors.

① Purpose

The Board of Directors is established for the purpose of enhancing the fairness and transparency of management and strengthening the independence, objectivity and accountability of the functions of the Board of Directors by deliberating matters related to personnel affairs, remuneration, etc. of Directors and Auditors and submitting reports to the Board of Directors.

② Structure

The committee consists of three or more members, and in principle, two or more External Officers are appointed as committee members. We believe that the appointment of External Officers as a member of the Committee is important to ensure the independence of the Committee.

Accordingly, the majority of the members of the Committee are Independent External Directors (four Independent External Directors and two Inside Directors), and Fumiko Kosao, an Independent External Director, serves as the Chairman of the Committee. Thus, we actively appoint Independent Officers as members of the Committee.

③ Authority and Role

The Nomination and Remuneration Advisory Committee deliberates and resolves on the following matters.

- (1) Draft proposals for the General Meeting of Shareholders concerning the election and dismissal of Directors and Auditors
- (2) Draft of the appointment and dismissal of the representative Director
- (3) Draft of the division of duties among Directors who execute business
- (4) Draft proposals for the General Meeting of Shareholders concerning remuneration, etc. of Directors and Auditors
- (5) Draft of Policy on Determination of Remuneration, etc. for Individual Directors
- (6) Draft of the content of remuneration, etc. for individual Directors
- (7) Establishment, revision and abolition of the basic policy, etc. necessary to determine (1) to (6) above
- (8) Other matters deemed necessary by the Board of Directors

[Supplementary Principle 4.11.1 Views on Diversity of the Board of Directors]

Please refer to "Corporate Governance" on our website (Chapter 5, 5.2, 3 and 4) of "Basic Policy for Corporate Governance" (<https://www.ctie.co.jp/english/sustainability/corp-governance/>) .

Since the 59th Ordinary General Meeting of Shareholders held in March 2022, we have disclosed the so-called skill matrix, which specifies the skills required by the Board of Directors and lists the status of each Director's possession, in the notice of convocation of each Ordinary General Meeting of Shareholders and the Integrated Report.

In addition, we will continue to examine the skills required in response to the rapidly changing business environment and management strategies. We will also revise the items in the skill matrix as appropriate. Two of the four Independent External Directors have management experience at other companies.

[Supplementary Principle 4.11.2 Concurrent Positions of Directors and Auditors]

Important concurrent positions held by Directors and Auditors are disclosed in the Notice of Annual Meeting of Shareholders every year.

[Supplementary Principle 4.11.3 Evaluation of Effectiveness of the Board of Directors]

We aim to improve the functions of the Board of Directors by analyzing and evaluating the effectiveness of the Board of Directors with reference to the self-evaluation results of each Director, and by disclosing a summary of the results.

In this fiscal year, we conducted an anonymous survey of all Directors and Auditors from November 2024 to December 2024 to conduct a comprehensive self-evaluation of the composition, functions, operations, etc. of the Board of Directors. We also conducted interviews with External Directors and External Auditors.

As a result of these discussions, our Board of Directors has established a culture of open and active discussion and sincere consideration of opinions and issues raised by External Directors and External Auditors. However, it has been recognized that there is a need to narrow down more important agenda items in order to further deliberate on the overall direction of management (vision, mid-term management plan, global strategy, etc.), and that there is room for improvement in the way the Board of Directors is operated for these issues. In addition, it has been pointed out that further strengthening of internal controls is necessary, in relation to Inappropriate Cost Management that came to light in 2024. Based on the results of the evaluation, in cooperation with the Corporate Governance Committee established on April 1, 2025, we will review by prioritizing the agenda items to be deliberated by the Board of Directors, deliberating on matters that are lacking, reviewing the standards for deliberation by each meeting body as necessary after confirming the roles of each meeting body, including the Executive Officers' Meetings and the Management Meetings. Additionally, we will ensure that measures to prevent recurrence of Inappropriate Cost Management are implemented and that monitoring is carried out by officers, including the Board of Directors, in order to further strengthen internal controls and review the structure of the Board of Directors' operations.

[Supplementary Principle 4.14.2 Training Policy for Directors and Auditors]

Please refer to "Corporate Governance" (Chapter 5, 5.5 6 of "Basic Policy for Corporate Governance" (<https://www.ctie.co.jp/english/sustainability/corp-governance/>)) on our website for the training policy for Directors and Auditors.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

Please refer to "Corporate Governance" on our website (Chapter 6, Section 6.1 of "Basic Policies for Corporate Governance" in <https://www.ctie.co.jp/english/sustainability/corp-governance/>)) for policy on the development of systems and initiatives to promote constructive dialogue with shareholders."

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] [English disclosure available]

【Update date: 2025/02/14】

To achieve sustainable growth and increase corporate value over the mid- to long-term, we will analyze and evaluate capital costs, capital profitability, and market valuations, and implement specific measures to improve various indicators such as PBR and PER. Please refer to the following for details on measures to realize management that takes capital costs and stock prices into account.

(Disclosed Material) https://www.ctie.co.jp/news/uploads/2025/02/ir_20250214-3.pdf

(Published in English) https://www.ctie.co.jp/english/news/uploads/2025/02/ir_20250214_2_en.pdf (P. 50 of Financial Results)

<https://www.ctie.co.jp/ir/financial/uploads/2025/02/62.pdf>

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd(trust account)	1,501,800	10.82
HIKARI POWER LIMITED	1,396,800	10.06
CTI Engineering Employees' Stock-sharing Association	1,068,024	7.70
Yasumitsu Shigeta	396,500	2.86
MUFG Bank, Ltd.	371,991	2.68
Custody Bank of Japan, Ltd.(trust account)	368,400	2.65
Mitsubishi UFJ Trust and Banking Corporation	354,312	2.56
Sumitomo Life Insurance Company	300,300	2.16
Dai-ichi Life Insurance Company, Limited	269,300	1.94
Yutaka Takahashi	235,000	1.69

Name of Controlling Shareholder, if applicable
(excluding Parent Companies)

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Name of Parent Company, if applicable

Not Adopted

Supplementary Explanation

We have conducted a 2-for-1 stock split of its common shares as of January 1, 2025. The above "Status of Major Shareholders" shows the number of shares held before the stock split.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	December
Business Sector	Services
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which May have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*
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*Referred to as "Company with *Kansayaku* Board" in the Corporate Governance Code reference translation

Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	11
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Fumiko Kosao	Tax Accountant											
Yoshihisa Sonobe	Other											
Atsuko Ogasawara	Other											
Toru Kuwano	Other								△			

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/Audit and Supervisory Board Member
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Fumiko Kosao	○	-	<p>At the Board of Directors, Ms. Kosao provided supervision to ensure the appropriateness of finance and accounting from the perspective of an experienced tax accountant, and also actively provided advice on ensuring the diversity of us and the promotion of women's participation and advancement in us. As a result, she appropriately supervises the execution of operations. We have judged that she will continue to appropriately perform her duties as an External Director and has therefore nominated her as a candidate for External Director.</p> <p>[Reasons for appointment as an Independent External Directors/Auditors]</p> <p>Ms. Kosao satisfies the requirements for an Independent External Director as stipulated in the independence standards of Tokyo Stock Exchange, Inc. and us. We have determined that there is no risk of conflict of interest with general shareholders and has designated her as an Independent External Director.</p>
Yoshihisa Sonobe	○	-	<p>Mr. Sonobe has played an appropriate role in ensuring the validity and appropriateness of decision-making at the Board of Directors by providing supervision and advice on our management issues, etc., based on his knowledge and broad insight into finance, accounting, global business, etc. We have judged that he will continue to appropriately perform his duties as an External Director and has therefore nominated him as a candidate for External Director.</p> <p>[Reasons for appointment as an Independent External Directors/Auditors]</p> <p>Mr. Sonobe satisfies the requirements for an Independent External Director as stipulated in the independence standards of Tokyo Stock Exchange,</p>

			Inc. and us. We have determined that there is no risk of conflict of interest with general shareholders and has designated him as an Independent External Director.
Atsuko Ogasawara	○	-	<p>Ms. Ogasawara has been nominated as a candidate for an Independent External Director because she is expected to fulfill an appropriate role in ensuring the validity and appropriateness of decision-making at the Board of Directors by providing supervision and advice on our management issues based on her wealth of experience and expertise in the business world.</p> <p>[Reasons for appointment as an Independent External Directors/Auditors]</p> <p>Ms. Ogasawara satisfies the requirements for an Independent External Director as stipulated in the independence standards of Tokyo Stock Exchange, Inc. and us. We have determined that there is no risk of conflict of interest with general shareholders and has designated her as an Independent External Director.</p>
Toru kuwano	○	-	<p>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 believes that he will leverage his extensive experience, a high level of expertise, and broad insight in the overall management of the Company and has nominated him as a candidate for External Director.</p> <p>[Reasons for appointment as an Independent External Directors/Auditors]</p> <p>Mr. Kuwano satisfies the requirements for an Independent External Director as stipulated in the independence standards of Tokyo Stock Exchange,</p>

			Inc. and us. We have determined that there is no risk of conflict of interest with general shareholders and has designated her as an Independent External Director.
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination & Remuneration Advisory Committee	6	0	2	4	0	0	External Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination & Remuneration Advisory Committee	6	0	2	4	0	0	External Director

Supplementary Explanation

The Committee has been established as an advisory body to the Board of Directors with the aim of strengthening the independence, objectivity and accountability of the Board of Directors' functions regarding the nomination and remuneration of Directors and auditors. For specific activities, please refer to the section titled "(2) Nomination & Compensation Advisory Committee" in "2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System))" below.

Audit and Supervisory Board Member*

*Referred to as "kansayaku" in Corporate Governance Code reference translation

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit and Supervisory Board Members	4

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Auditors hold collaborative meetings attended by the Auditors of Major Group Companies to facilitate communication from

the perspective of the appropriate development and operation of internal control systems in our group management.

The Auditors actively strive to improve the environment for audits and collect information within us in light of the nature of Auditors.

They also monitor and verify the status of the development and operation of the internal control system on a daily basis and share such information with other Auditors. Auditors hold quarterly meetings with the Accounting Auditors to understand audit activities and exchange information. They also hold regular meetings to exchange opinions on audit plans and the execution of audits. We also support the Accounting Auditors in carrying out efficient accounting audits, with the Corporate Auditors present at some of the audits. Regarding the "Key Audit Matters" (KAM), the Auditors continuously consulted with the Accounting Auditors, and the Auditors also responded by requesting explanations from the business execution side as appropriate. With the Audit Office, which is the Internal Audit Department, we exchange information and opinions as appropriate on the plans and results of audits of us and our group companies. In addition to, receiving regular reports from the Legal and Compliance Division, we are working to exchange opinions with the aim of preventing misconduct.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes			Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yasuro Tanaka	Lawyer													
Go Ishikawa	Lawyer										○			

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/ Audit and Supervisory Board Member
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)
- Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Yasuro Tanaka	○	-	<p>At the Board of Auditors, Mr. Tanaka reports on audits he has conducted and closely exchanges information with other Auditors. He also expresses necessary opinions by drawing on his insight mainly in the field of legal affairs and his abundant experience gained as an attorney. He has been appointed as an External Auditors in the expectation that he will continue to contribute to the strengthening of corporate governance.</p> <p>[Reasons for appointment as an]</p> <p>Mr. Tanaka satisfies in the requirements for an Independent External Director as stipulated in the independence standards of Tokyo Stock Exchange, Inc. and us. We have determined that there is no risk of conflict of interest with general shareholders and has designated him as an Independent External Director.</p>
Go Ishikawa	○	<p>We have entered into a legal advisory agreement with Auditor, Mr. Ishikawa since April 2019.</p> <p>However this transaction is a general transaction related to legal consultation, and his annual compensation is less than 5 million yen and therefore is immaterial.</p>	<p>At the Board of Auditors, Mr. Ishikawa reports on audits he has conducted and closely exchanges information with other Auditors. He also expresses necessary opinions by drawing on his insight mainly in the field of legal affairs and his abundant experience gained as an attorney. He has been appointed as an External Auditors in the expectation that he will continue to contribute to the strengthening of corporate governance.</p> <p>[Reasons for appointment as an]</p> <p>Mr. Ishikawa satisfies in the requirements for an Independent External Director as stipulated in the independence standards of Tokyo Stock Exchange, Inc. and us. We have determined that there is no risk of conflict of interest with general shareholders and has designated him as an Independent External</p>

			Director.
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Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members

6

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

We have six Independent Directors: four External Directors and two External Auditors.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme / Other

Supplementary Explanation for Applicable Items

(1) Performance-linked compensation (monetary bonuses)

With regard to performance-linked compensation(monetary bonuses), the base amount of bonuses 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, Order, ROE and ESG using the following calculation formula, and shall be resolved at the Board of Directors meeting after deliberation by the Nomination&Compensation Advisory Committee.

Payment Category	target	percentage	Method of Payment Calculation
Payments as short-term incentives	Directors (Managing Principal and President of group companies)	30%	① Basic bonus amount×30%×②Operating income Coefficient(Consolidated)
		20%	① Basic bonus amount×20%×②Commissioned Company Profit Coefficient and Commissioned Order coefficient
	Directors(Business Division and International Affairs)	30%	① Basic bonus amount×30%×②Operating income Coefficient(Consolidated)
		20%	① Basic bonus amount×20%× ② Commissioned Order coefficient
	Directors (Other than the above)	50%	① Basic bonus amount×50%×②Operating income Coefficient(Consolidated)
Payments as long-term incentives	All Directors	50%	① Basic bonus amount×50%×ROE evaluation index
		+20%	① Basic bonus amount×20%×ESG evaluation index

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

We have introduced a restricted stock compensation plan as long-term incentive compensation for our Directors (excluding

External Directors; hereinafter referred to as the "Eligible Directors") with the aim of providing them with incentives to sustainably increase our corporate value and further promote shared value with shareholders. At the 51st General Meeting of Shareholders held on March 27, 2014, it was approved that the maximum amount of remuneration for our Directors shall not exceed 400 million yen per year (however, this does not include the employee portion of remuneration for Directors who concurrently serve as employees). However, we have set a separate limit for the remuneration for our Eligible Directors under the Restricted Stock Compensation Plan from the above limit. Specifically, the total amount of monetary claims to be paid to Eligible Directors under the Plan shall be not more than 100 million yen per year (excluding employee salaries of Directors who concurrently serve as employees), and the total number of ordinary shares to be newly issued or disposed of by us shall be not more than 50,000 shares per year. The specific timing of payment and allocation to each Eligible Director shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors
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Supplementary Explanation for Applicable Items

The annual compensation for Directors for the fiscal year ended December 31, 2024 was 326 million yen (excluding compensation for employees).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic Policy

(1) Compensation for Directors (excluding External Directors)

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

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

(2) Compensation for External Directors and Auditors

i) Compensation for External Directors

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

ii) Compensation for Auditors

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

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

(1) Fixed compensation

Fixed compensation (monthly compensation) shall be appropriately calculated in accordance with a predetermined table of monthly compensation standards for executives within the range of maximum amount of compensation of Directors which was determined by the resolution of the General Meeting of Shareholders and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee. In addition, part of the fixed compensation (monthly compensation) shall be allocated to the acquisition of the Company's shares under the Executive's Stock-sharing Association Program.

(2) Performance-Linked compensation (monetary bonuses)

Please refer to "Implementation Status of Measures related to Incentives Granted to Directors" above.

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

With regard to non-monetary compensation (restricted stock compensation), the number of shares granted shall be calculated according to the position and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee. In addition, the Transfer Restriction Period shall expire at the time of retirement of officers. With regard to non-monetary compensation (restricted stock), provisions shall be established to the effect that the Company may, after deliberation by the Board of Directors, acquire all shares granted without consideration in the following cases : (i) cases where the Director has been engaged in the business of a company that competes with the Group without the consent of us, (ii) cases where the Director has caused damage to us due to

fraudulent accounting or large losses, etc., or (iii) other cases where we have judged that the shares should be acquired without consideration.

Support System for Outside Directors (and/or Outside Audit and Supervisory Board Members)

Although we do not have a dedicated department to assist External Directors and External Auditors, we distribute necessary materials in advance of the Board of Directors in principle. In addition, the Director in charge or the department in charge provides explanations in advance as necessary to provide information.

Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Kazuo Murata	<i>Sodanyaku</i> (*)	Public interest outside activities	Full/remuneration	24, March, 2022	One year (Continue as needed)

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)
After Retiring as Representative Director and President, etc.

1

Other Related Matters

(*) Major external activities of Mr. Murata are as follows:

- Executive Director, Japan River Association
- Advisor, The Japan Construction Consultants Association
- President of the Federation of Consulting Engineers

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

We have opted to become a company with an Audit & Supervisory Board with enriched statutory auditing functions. In addition, we have established a Nomination & Compensation Advisory Committee made up of Independent External Directors as its principal members in order to enhance managerial transparency and fairness. We have 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 our Group, we have established a Legal and Governance Division in April 2025 to develop and promote governance.

* Board of Directors

The Board of Directors consists of 11 Directors (including 4 External Directors). The Board is chaired by Tatsuya Nishimura, Representative Director and President, CEO. In addition to matters prescribed in laws and regulations and the Articles of Incorporation, it resolves matters stipulated in the Regulations of the Board of Directors and particularly important matters pertaining to the management of our Group, such as our Group's vision, mid-term business plan, and global strategies. External Director Ms. Fumiko Kosao conducted supervision and gave advice, etc. to ensure the appropriateness of finance and accounting at the Board of Directors Meetings based on her viewpoint as an experienced Certified Public Tax Accountant, thereby appropriately supervising business execution. External Director Mr. Yoshihisa Sonobe gave advice, etc. on our Group's management strategies, including business development, and capital policies, etc., at the Board of Directors Meetings based on his extensive insight and experience in finance and accounting, thereby appropriately supervising business execution. External

Director Ms. Atsuko Ogasawa gave advice, etc. on management issues, etc. of us based on her extensive experience and expertise related to the business community, thereby appropriately supervising business execution. At the 62nd Ordinary General Meeting of Shareholders on March 25, 2025, External Director Mr. Toru Kuwano was appointed as a new External Director. The Company believes that he will leverage his extensive experience, a high level of expertise, and broad insight in the overall management of the Company.

*** Nomination & Compensation Advisory Committee**

We have established the Nomination & Compensation Advisory Committee, an advisory body to the Board of Directors consisting of External Directors Ms. Fumiko Kosao, Mr. Yoshihisa Sonobe, Ms. Atsuko Ogasawara, and Mr. Toru Kuwano, Representative Director, Chairman Tetsumi Nakamura and Representative Director and President, CEO Tatsuya Nishimura. The Committee, chaired by External Director Ms. Fumiko Kosao, met six times a year in response to consultations from the Board of Directors, with all members attending all of the meetings. The Committee deliberates the selection of candidates for the Representative Director and President, CEO, formulation of officer succession plans, reviews of officers' compensation, and other matters related to the personnel affairs, compensation, etc. of Directors and Auditors, reports the results of its deliberations to the Board of Directors, and thereby endeavors to enhance managerial fairness and transparency and strengthen the independence and objectivity of the functions of the Board of Directors as well as its accountability.

***Corporate Governance Committee**

On April 1, 2025, we established the Corporate Governance Committee, an advisory body to the Board of Directors consisting of 4 External Directors and 2 Representative Directors. The Committee is chaired by External Director Mr. Yoshihisa Sonobe and aims to improve the governance function of the Board of Directors. In response to inquiries from the Board of Directors, the Committee deliberates and reports to the Board of Directors on matters related to the evaluation of the effectiveness of the Board of Directors, matters related to measures to improve the effectiveness of the Board of Directors, and other matters related to the Company's corporate governance, thereby improving the effectiveness of the Board of Directors.

*** Management Meeting**

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

*** Executive Officers' Meeting**

We have 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**

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

*** Audit & Supervisory Board Meeting**

The Audit & Supervisory Board Meetings consists of 4 Auditors (including 2 External Auditors), as stated in “(2) Executive Management” as of the date of the submission of this Securities Report, and Audit & Supervisory Board Meetings are held once a month in principle. The Audit & Supervisory Board Meetings 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 Meetings. The Audit & Supervisory Board Meetings 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.

*** Sustainability Committee**

We have established the Sustainability Committee, an advisory body to the Representative Director and President, CEO. The Committee has two main goals: (1) increasing corporate value by promoting sustainability, considering measures that contribute to the creation of a sustainable society, and overseeing information related to ESG that should be disclosed; and (2) supervising activities of the CTI Group Sustainable Challenge, while proposing and evaluating measures related to sustainability management (mainly non-financial information such as ESG), and promoting sustainability management. The committee held 5 meetings in this fiscal year.

*** Risk Management Committee**

This committee, which acts as an advisory body for the Representative Director and President, CEO, establishes policies and measures related to risk management, identifies risks, and formulates countermeasures to those risks, based on which individual risks are managed by the individual departments. The Risk Management Committee also determines the status of and provides supervision and guidance for the management of individual risks. Control and administration of risk management overall is achieved through the Committee's regular reports to the Board of Directors on the status of its initiatives and deliberations in the

Board of Directors. For key risks pertaining to non-financial indicators, the Risk Committee cooperates and shares information with the Sustainability Committee before responding to those risks. Last year, the Meeting was held twice a year, and this year it is planned to be held three times.

3. Reasons for Adoption of Current Corporate Governance System

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

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	We strive to disclose the notice of convocation earlier than the statutory deadline.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	Since the fiscal year ends in December, the degree of concentration is low, but we try to avoid the date of concentration and set the date of the General Meeting.
Electronic Exercise of Voting Rights	This system has been in place since the General Meeting of Shareholders in March 2021.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	An electronic voting platform was introduced at the General Meeting of Shareholders in March 2021.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Notice of Convocation is available in English.
Other	-

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	We have established the "Disclosure Policy" and posted it on our website. The basic policy of the Disclosure Policy is to disclose corporate information in a timely, fair, accurate and continuous manner to further enhance the trust and understanding of our stakeholders, including shareholders, employees, clients, business partners and local communities.	
Regular Investor Briefings held for Individual Investors		Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	We hold briefing sessions for analysts and institutional investors after the 2Q Financial Results and the year-end Financial Results, and representatives provide explanations.	Held
Regular Investor Briefings held for Overseas Investors		Not Held

Online Disclosure of IR Information	On the IR section of our website, we post messages from representatives, Financial Information (Financial Results), Securities reports (Quarterly Reports), Notice of The General Meeting of Shareholders, Timely Disclosure Materials, Financial Report Materials, Videos of Financial Results briefing sessions, CTI reports (business reports), Integrated Reports, etc.
Establishment of Department and/or Placement of a Manager in Charge of IR	The General Manager of the Corporate Administration Division is in charge of IR, while the General Affairs Department of the Corporate Administration Division (5 members) and the Public Relations Office of the Corporate Administration Division (3 members) are in charge of IR.
Other	-

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Our Code of Corporate Conduct calls for the promotion of corporate activities that value people, the cultivation of a corporate culture, and the building of relationships of trust with stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>One of our Code of Corporate Conduct is "Contributing to the Formation of a Sustainable Society". We are contributing to the formation of a sustainable society by providing advanced services to realize a recycling-oriented society, a society in harmony with nature, and a low-carbon society.</p> <p>One of our Code of Corporate Conduct is "Resolution of Social Issues". In addition to utilizing the technologies we have cultivated to date; we will promote various innovations and resolve social issues through our corporate activities. In addition, we are promoting corporate activities so that citizens can enjoy safe, secure, and comfortable lives. We will always value people and foster a corporate culture in which diverse human resources can play an active role.</p> <p>The status of our sustainability promotion activities and environmental conservation activities is disclosed in an annual integrated report on our website.</p>
Formulation of Policies, etc. on Provision of Information to Stakeholders	Our Code of Corporate Conduct calls for the development of excellent human resources, the provision of high-quality services to society, the appropriate disclosure of information, and the building of relationships of trust with stakeholders through repeated and sincere dialogue.
Other	

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

1. Basic Views

We recognize that the development and operation of an appropriate business execution system based on the management philosophy of our Group is an important responsibility of management that leads to the improvement of corporate value, and has established a system to ensure the appropriateness of business operations as follows.

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

We shall clarify the matters to be observed by Directors and employees of our Group in the execution of their duties, enhance the compliance system and the operational control system, and improve them through monitoring, etc. In particular, we shall have no relationship with antisocial forces and organizations that pose a threat to the order and safety of society and shall respond firmly to and refuse unreasonable demands. In addition, in accordance with the provisions of the “Regulations on the Handling of Internal Reporting“, we shall enhance its internal reporting system and strive to prevent illegal and wrongful acts from occurring, to detect and correct them at an early stage, and to prevent their recurrence.

(2) System for the storage and management of information related to the execution of duties by Directors

Directors shall give consideration to the transparency of corporate governance, and shall establish an information management system for documents and other information related to the execution of business in accordance with the “CTI Group Information Security Policy“ and other internal rules, and shall appropriately disclose, store, abolish and manage such information.

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

With the aim of reducing the occurrence of risks, we will strengthen its risk management system and build a system that can respond quickly and appropriately in the event of a crisis. In addition, we will consolidate information on each subsidiary and strengthen its risk management system.

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

We shall clarify the duties and authority delegated to Directors, such as the separation of decision-making, supervisory functions, and business execution, and shall hold regular (monthly) the Board of Directors and the Management Committee to make decisions after sufficient discussion. The management plan shall be regularly verified and brushed up while checking the results. Establish an internal control system that facilitates cooperation and coordination among business sites and departments. Our Corporate Administration Division and other relevant departments at the Headquarters shall actively support the operations of subsidiaries to ensure efficient business execution.

(5) Systems to ensure the appropriateness of business in our Group (including systems for reporting matters related to the execution of duties by Directors, etc. of subsidiaries to us)

We shall establish a management system for our Group based on the basic policies of our Group, such as its management philosophy and management strategies. Directors of subsidiaries report important management matters to us in accordance with the Regulations for Management of Subsidiaries and obtain prior approval from us as necessary.

(6) If Auditors have requested that employees be assigned to assist with the duties of Auditors, matters concerning such employees

When Auditors request the appointment of employees to assist our duties, we shall consult with the Auditors, select employees in consideration of our suitability, and obtain the consent of the Auditors about the relevant personnel.

(7) The matters related to the independence of the employees set forth in the preceding item from the Directors, and the matters related to ensuring the effectiveness of instructions from the Auditors

Such employees shall not be under the direction or command of Directors. When the persons are concurrently serving as the Auditors, the persons shall not be subject to the instructions and order of the Directors while assisting the Auditors in the person's duties. In addition, we shall obtain the consent of the Auditors with respect to the transfer, evaluation, reward and punishment, etc. of such employees.

(8) System for Directors and Employees to Report to Auditors and Other Systems for Reporting to Auditors, and System for Ensuring that Persons Who Have Reported to Auditors Are Not Treated Disadvantageously on the Grounds of Having Made the Report

Directors and employees of our Group shall report to the Auditors whenever an event that may have a significant impact on corporate management occurs or is likely to occur. Matters to be reported to Auditors shall be determined in advance through discussions between Directors and Auditors, and an internal system for reporting shall be established. In addition, it is prohibited to treat the Auditors unfavorably on the grounds of making such reports.

(9) The matters related to the policy on the procedures for the advance payment or reimbursement of costs arising from the execution of the duties of Auditors, and on the processing of other costs or obligations arising from the execution of the duties

With respect to expenses, etc. arising from the execution of duties by Auditors, unless the Directors prove that such expenses, etc. are not necessary for the execution of duties by Auditors, expenses, including advance payments, shall be promptly paid to Auditors, or debts shall be settled.

(10) Other systems to ensure that audits by Auditors are conducted effectively

In order for audits by Auditors to be conducted effectively, Directors and Auditors shall recognize various matters including the development of an audit environment (matters related to cooperation with the internal audit division, etc.), and shall discuss and confirm them as necessary to secure an implementation system.

2. The status of operation

The following is an overview of the operational status of the system necessary to ensure the appropriateness of operations during

the fiscal year under review.

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

Our Code of Corporate Conduct calls for the promotion of integrity, fair and responsible corporate activities. In addition to clarifying the duties of Directors and employees by establishing the Rules of the Board of Directors, the Organization Rules, and the Rules on the Division of Duties, we have established the Legal and Compliance Division and the Audit Office. The Legal and Compliance Division and the Audit Office conduct compliance training for Group companies and other entities, conduct internal audits, and monitor matters pointed out in internal audits in order to make continuous improvements. In addition, we have established "Rules on the Handling of Internal Reporting" to further enhance the internal reporting system and build a system to ensure that risk information is accurately conveyed to upper management. In addition, the Corporate Governance Division and relevant departments work together to strengthen the Group's compliance system, and important matters that may affect the Group are promptly decided by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, and internal rules.

② System for Storage and Management of Information Related to the Execution of Duties by Directors

We strictly manage information that needs to be stored and managed, such as contracts, materials for the Board of Directors, minutes, and other documents, important business information, and personal information related to business, by establishing the "CTI Group Information Security Policy, Information Security Basic Policy, and Information Security Implementation Guidelines".

③ Regulations and other systems for the management of risk of loss

Our Code of Corporate Conduct calls for thorough risk management. The Corporate Planning & Sales Division continuously examines potential risks and based on the results of the examination; each division is working to improve risk management. In addition, we monitor the status of risk management by our Group and regularly reports to the Board of Directors, etc. At the same time, it sets forth the actions to be taken by us in the event of an emergency, to bring the emergency situation under control promptly and appropriately, and to restore the trust of our Group.

④ System to ensure efficient execution of duties by Directors

We have clearly defined the duties and authority of Directors in the Rules of the Board of Directors, the Regulations of Administrative Authority, and other internal rules, and holds regular meetings of the Board of Directors and the Management Committee to make efficient and prompt decisions.

⑤ System to ensure the appropriateness of operations in the Group

We have established "Subsidiary Management Regulations" and assigned a supervisor to supervise Group companies. We also hold Group Management Meetings, Management Meetings, and Liaison Meetings with Group companies to share information and strengthen cooperation.

⑥ System to support audits by Auditors

Auditors attend important meetings of the Board of Directors, the Management Committee, the Executive Officers' Committee, the Group Management Committee, and the Risk Management Committee to directly confirm the status of business execution. The Auditors hold regular meetings with the Accounting Auditors and the Internal Audit Department to exchange information and cooperate with each other.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

We take a firm stance against antisocial forces and organizations that pose a threat to the order and safety of society, in cooperation with relevant police agencies. The specific status of the establishment of a system against antisocial forces is as follows.

(1) Provisions in the Basic Policy on Internal Control

The Basic Policy on Internal Control stipulates that we shall have no relationship with anti-social forces and organizations, and shall resolutely respond to and refuse unreasonable demands.

(2) Provisions in the Compliance Regulations

Our "Compliance Rules" stipulate that we will resolutely confront anti-social forces and organizations and will not have any relationship with them.

(3) Exclusion of Anti-Social Forces in the Basic Terms and Conditions of the Service

We have included a clause on the exclusion of anti-social forces in the terms and conditions of service contracts concluded with business partners.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation for Applicable Items	
-	

2. Other Matters Concerning the Corporate Governance System

(1) Overview of Corporate Governance System

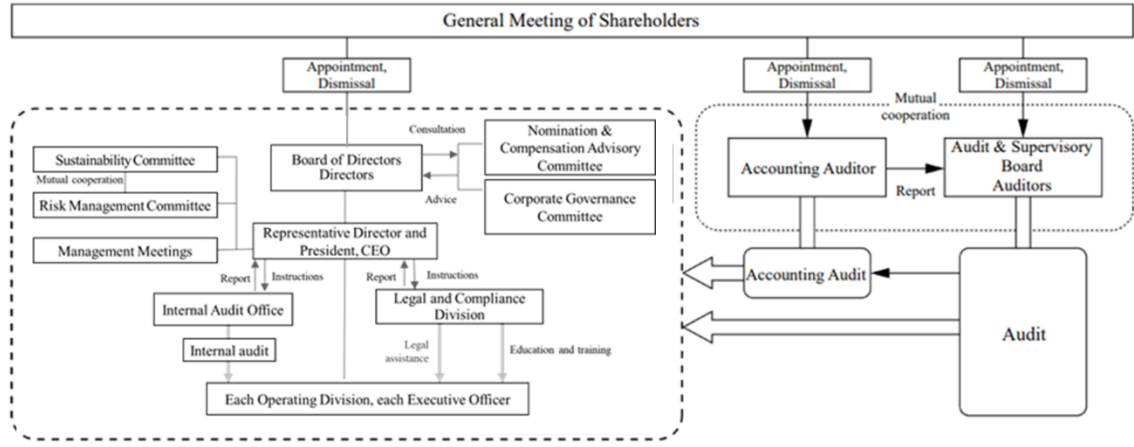
The corporate governance structure of us is shown in Appendix 1.

(2) Overview of Timely Disclosure System

We have established the "Disclosure Policy", which sets forth the practical guidelines for the timely disclosure system, and discloses it on our website.

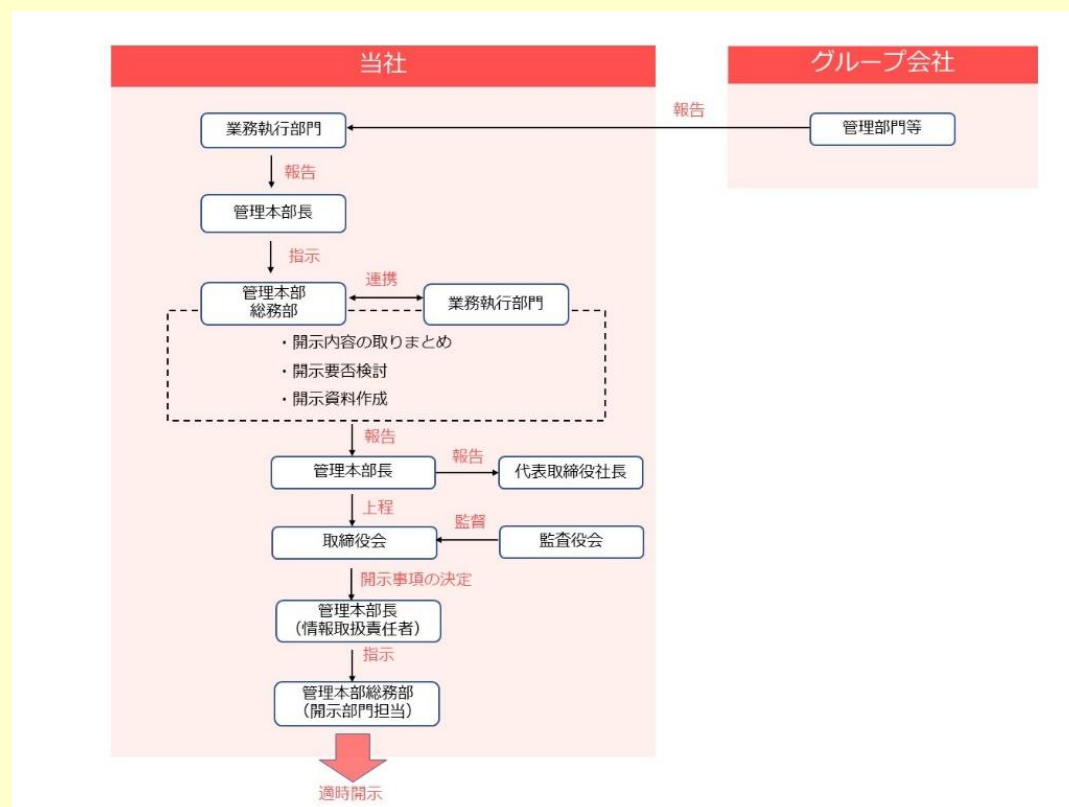
The timely disclosure system of us is shown in Appendix 2.

Appendix 1

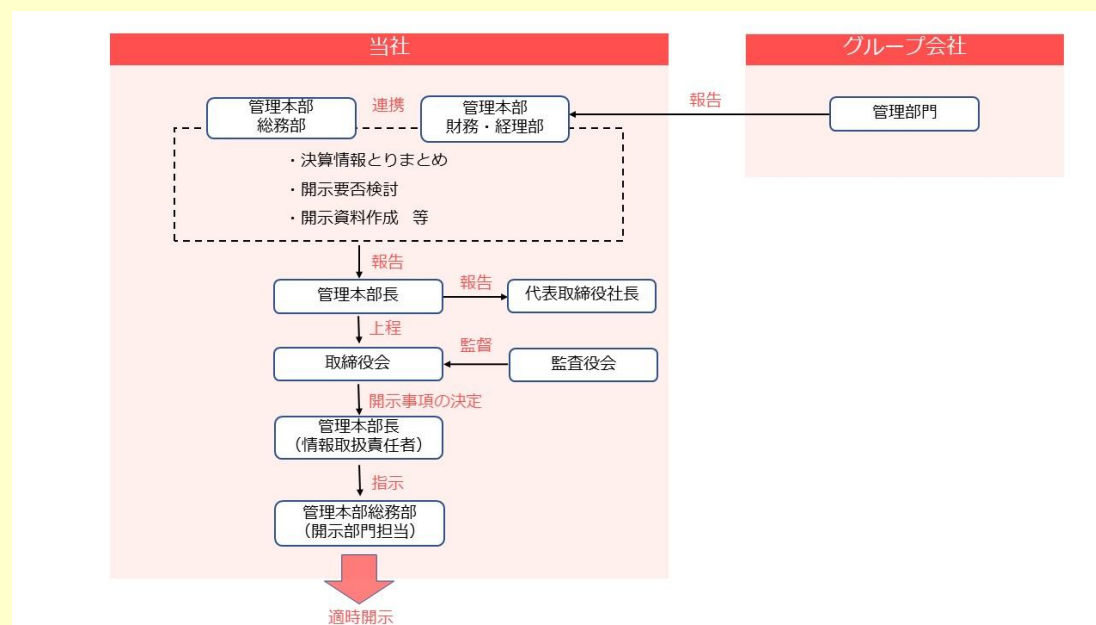


Appendix 2

<Decision and Occurrence><Revised Information (Revision of Dividend Forecast, etc.)>



<Financial Results>



END