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February 13, 2026

Update on Action to Implement Management that is Conscious of Cost of Capital and Stock Price

CTI Engineering Co., Ltd. (the “Company”) hereby announce that, at the meeting of Board of Directors held on February 13, 2026, we analysed and evaluated the current status of measures to realise management that takes our cost of capital and stock price into account, and updated its policies and initiatives for improvement.

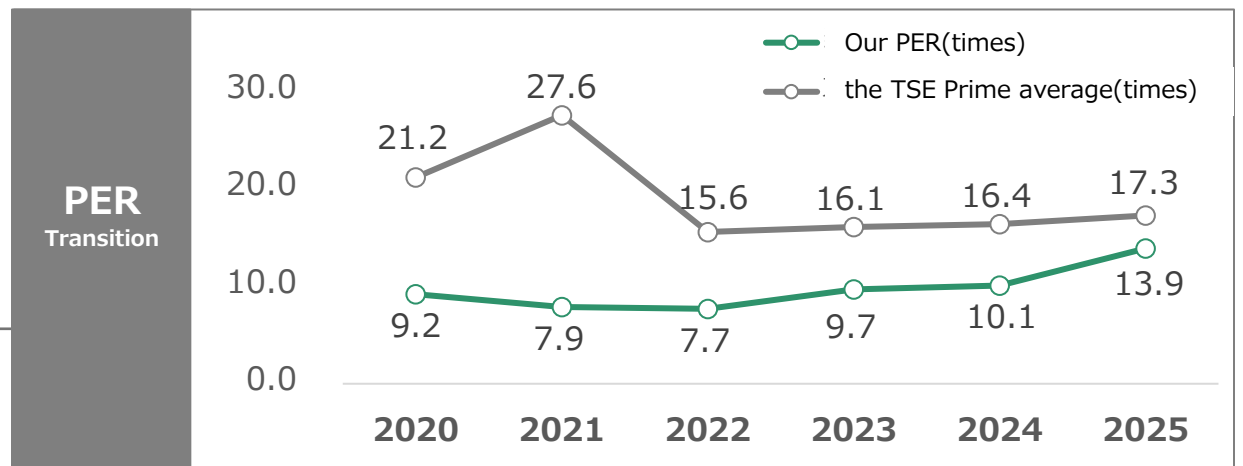
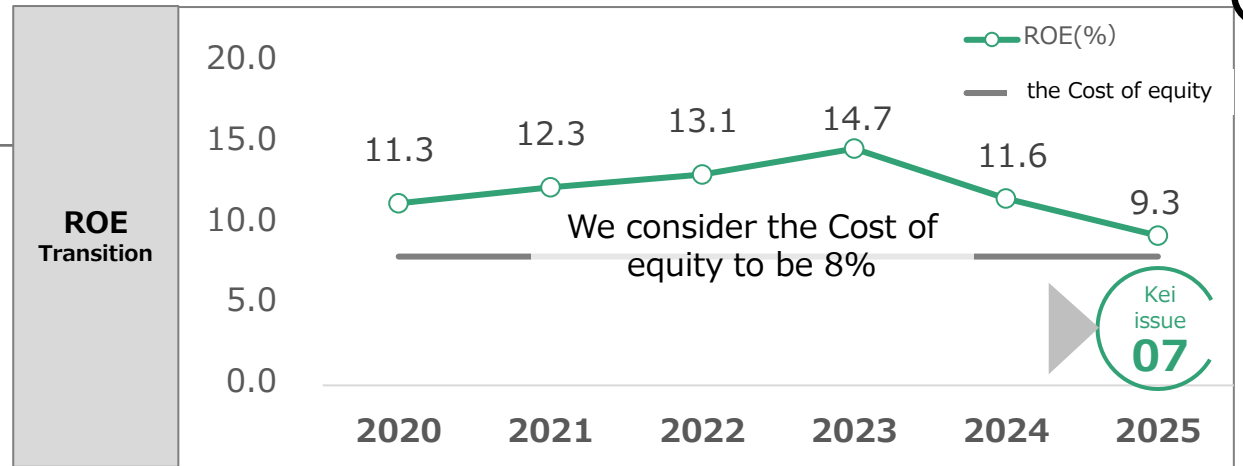
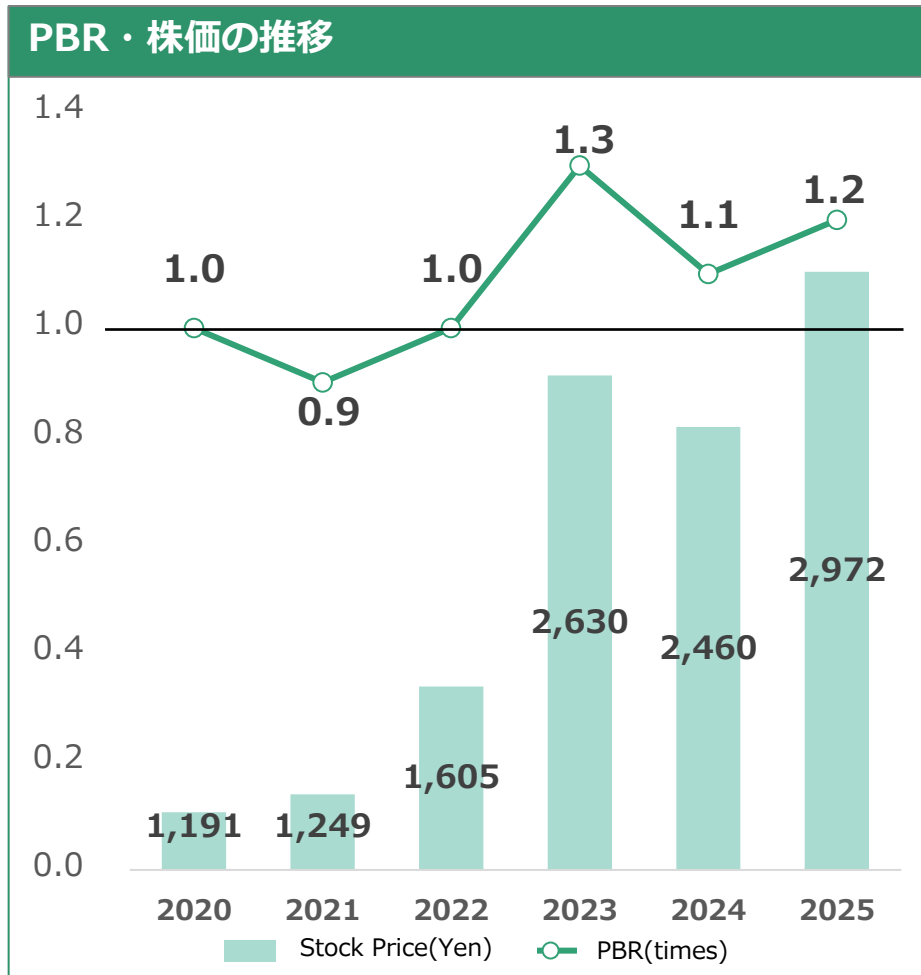
For details, please refer to the attached document "Action to Implement Management that is Conscious of Cost of Capital and Stock Price".

Action for management that is Conscious of Cost of Capital and Stock Price :

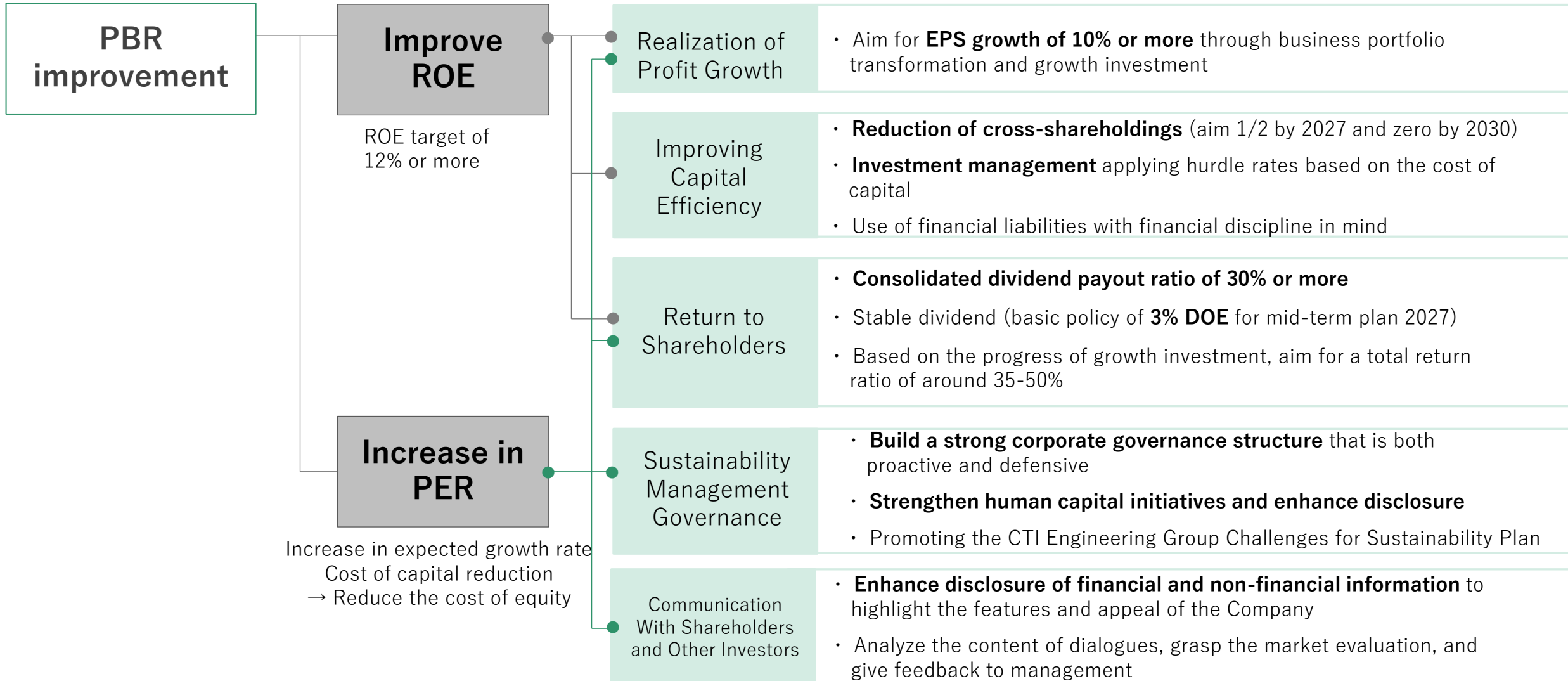
Analysis of the current situation

- Cost of Capital: We estimate the Cost of Equity to be approximately 8%
- ROE: ROE exceeded the Cost of Capital, but it declined from the previous year due to a decrease in profits and the impact of extraordinary losses
- PER: PER increased to 13.9 in the end of FY2025. We consider that this is the result of growth expectations following the announcement of the Mid-Term Management Plan and upward revision of the Mid- to Long- Term Vision, as well as shareholder returns and improved communication with shareholders and investors. However, it continues to be inferior to the Tokyo Stock Exchange Prime Market average
- PBR: PBR currently stands at approximately 1.2 times. We think that Capital Efficiency and steady implementation of growth strategies are important to further enhance corporate value

Please refer to Appendix Page 69-71 for details on Management that is Conscious of Cost of Capital and Stock Price




- By steadily implementing the Mid-Term Management Plan, which focuses on business portfolio reform and reconstruction of the foundation for growth, and by conducting management aimed at improving capital efficiency. Aim to achieve ROE target + improve PER → improve PBR



- Specific results and future strategies for improving ROE and PER are as follows
- Further accelerating our initiatives toward driving PBR growth by achieving ROE targets and improving PER

Action Items and Directions	Progress in 2025	Future Actions
<p>Realisation of profit growth</p> <ul style="list-style-type: none"> • Aim for EPS growth of 10% or more through business portfolio transformation and growth investment 	<ul style="list-style-type: none"> • Achieved Business Portfolio Transformation and Sales growth under the Mid-Term Management Plan 2027 • No execution of M&A deals following investment criteria review • Negative EPS growth 	<ul style="list-style-type: none"> • Deliver steady profit growth through the execution of our growth strategies • Conduct a further scrutiny of the business environment to improve profitability by accelerating Business Portfolio Transformation and DX promotion • Reduce the SG&A expenses ratio
	<ul style="list-style-type: none"> • Reduction of cross-shareholdings (Aiming to reduce by half by 2027 and zero by 2030) 	<ul style="list-style-type: none"> • Aiming to reduce cross-shareholdings by half by 2027, we will continue to further decrease our positions
<p>Improvement of capital efficiency</p> <ul style="list-style-type: none"> • Investment management applying hurdle rates based on the cost of equity 	<ul style="list-style-type: none"> • Established basic policies for investment decision criteria and management rules for M&A and business investments • Set target returns for each investment objective • Decided to acquire treasury stock as there were no growth investment implementation 	<ul style="list-style-type: none"> • Implement and monitor investment activities in accordance with the basic policy
<ul style="list-style-type: none"> • Utilisation of financial debt with a focus on financial discipline 	<ul style="list-style-type: none"> • Close communication with financial institutions 	<ul style="list-style-type: none"> • Consider flexible utilisation of financial debt depending on investment opportunities and cash positions

Action Items and Directions	Progress in 2025	Future Actions
<p>Shareholder returns</p> <ul style="list-style-type: none"> • Consolidated dividend payout ratio of 30% or more • Stable dividends (Basic policy: DOE of 3% during the Mid-Term Management Plan 2027 period) • Implement shareholder returns with a target total payout ratio of approximately 30-35%, based on the progress of growth investment 	<ul style="list-style-type: none"> • Dividend per share : JPY 75 • Dividend payout ratio : 35.0% • DOE : 3.2% • Total payout ratio : 45.4% • Currently executing acquisition of treasury shares up to JPY 1.5 billion or 700,000 shares (Acquisition period: From November 2025 to April 2026) 	<ul style="list-style-type: none"> • Continue to implement shareholder returns with a dividend payout ratio of 30% or more as minimum • Flexibly implement additional returns to aim for a target CAGR 2024-2027 of 10% or more
<p>Sustainability Governance</p> <ul style="list-style-type: none"> • Establish a strong group governance for both offensive and defensive perspectives • Strengthen human capital initiatives and enhance disclosures • Promote the CTI Engineering Group Challenges for Sustainability Plan 	<ul style="list-style-type: none"> • Organisational reform implemented. Audit Office and Legal & Compliance department moved to under direct supervision of the President • Established Corporate Governance Committee to improve the effectiveness of the Board of Directors • Enhanced disclosure in the Integrated Report 2025 • Achieved JPY 36.4 billion in Sales for climate change-related services • GHG emissions are currently being calculated 	<ul style="list-style-type: none"> • Foster a thorough risk and compliance awareness, aiming for zero incidents of serious misconduct • Strengthen and enforce internal control systems across the group companies • Further enhance disclosure by referencing best practices from other companies • Achieve 45% reduction by 2027
<p>Communication with Shareholders and Investors</p> <ul style="list-style-type: none"> • Enhance disclosure of both financial and non-financial information to promote our company strengths • Analyse the content of dialogues to understand market perceptions and provide feedback to management 	<ul style="list-style-type: none"> • Strengthen IR and SR activities <div data-bbox="1251 1200 1676 1296" style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>Refer to next page for details of initiatives </p> </div>	<ul style="list-style-type: none"> • Enhance opportunities for dialogue with investors • Provide continuous feedback to management

- Actively approaching institutional and individual investors as outlined below
- Opinions obtained through dialogue with investors are regularly reported to the Board of Directors to discuss actions and reflect future IR activities

Status of Dialogue with investors and shareholders (Annual Total)

Institutional investors and analysts: **57 times**
(58 times in the previous year)

Opportunities for dialogue with individual investors (excluding the General Meeting of Shareholders) :
 March: Individual investor information session
 September: Nikkei & TSE IR Fair

Main Representatives from the Company

Institutional investor interviews	CEO · Director in charge of IR
Financial Results Briefing	CEO
Briefing for individual investors	Director in charge of IR
IR event	CEO · Director in charge of IR
Internal Financial Results Briefing	CEO
SR Interview	Director in charge of IR · IR/SR staff

Feedback to management

- Report the results of IR and SR activities to the Board of Directors 2-4 times a year
- Discussing and considering countermeasures for feedback from investors and shareholders and implementing them to the greatest extent possible.

Key topics and shareholders interests

- Details of Mid-Term Management Plan 2027
- Constructing engineer industry, market environment
- Our business model, strengths and business portfolio
- Overseas Business Strategy
- M&A Policy
- Capital allocation
- Dividends policy
- Orders received for work related to water supply and sewage and the Ministry of Defense

Examples of results of dialogue with institutional investors and shareholders

Disclosure	<ul style="list-style-type: none"> • Disclosure of financial results briefing transcripts and Q&A summaries (Japanese/English) • Publication of the Integrated Report (Japanese/English) • Same-day English disclosure for all key filing documents • Information dissemination utilising the PR tools of TSE TDnet
Capital Policy	<ul style="list-style-type: none"> • Disclosure of Capital Allocation • Disclosure of Investment Policy
stock	<ul style="list-style-type: none"> • Execution of a stock split (Common stock split from 1 share to 2 shares)

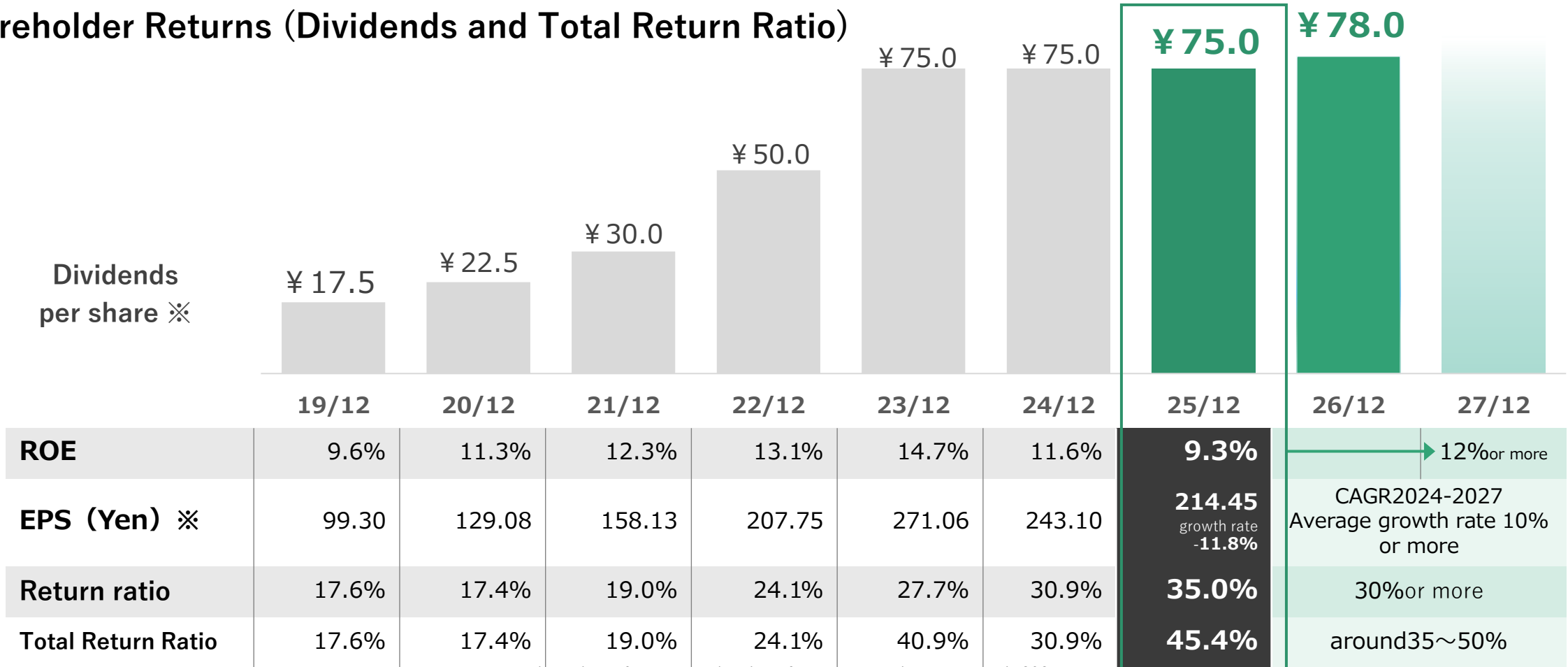
Inclusion in Index structure

- Selected as a constituent of the JPX-NIKKEI Mid and Small Index (for one year from August 2025)

Action for management that is Conscious of Cost of Capital and Stock Price : Shareholder Returns

- Dividends per share : Maintained the dividend at JPY 75, the same as the previous period, resulting in a consolidated dividend payout ratio of 35.0%
- DOE (Dividend on Equity): Achieved our policy of 3% (2025 Result : 3.2%)
- Implemented acquisition of treasury shares up to JPY 1.5 billion and 700,000 shares, achieving a total return ratio of 45.4%
- EPS (Earnings Per Share) : EPS growth was negative this fiscal year due to a decline in profit margins

Shareholder Returns (Dividends and Total Return Ratio)



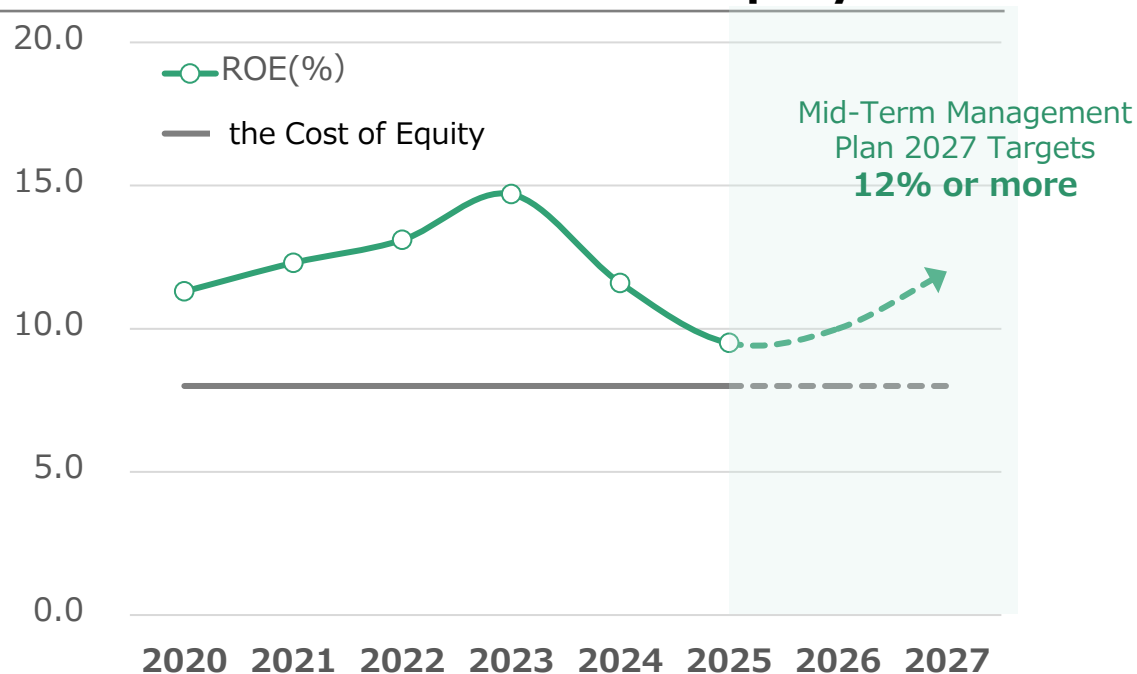
※We conducted two for-one stock splits of common stock on January 1, 2025.

Each dividends and EPS are calculated as if the stock split had occurred at the beginning of year.

Toward achieving ROE of 12% or more

- ROE for FY2025 was 9.3%, exceeding the Cost of Equity and resulting in a positive equity spread. However, it declined YoY due to lower profit margins and the impact of extraordinary losses.
- Achieved steady improvement in profitability through growth investments. While maintaining a balance between growth investment and shareholder returns based on capital efficiency and financial soundness, we aim to further enhance ROE.

ROE and the Cost of Equity



Toward achieving ROE of 12% or more

Investment for growth

- Accelerate Business Portfolio Transformation and shift resources to Growth Areas
- Leverage internal investments (human resources, R&D, DX) and external investments (M&A, alliances)

Profitability improvement

- Expand high-margin business focused on Growth Areas
- Improve operational efficiency and productivity through DX promotion
- Reduce SG&A expenses ratio similar to 2024

Capital efficiency improvement

- Consider the flexible use of debt financing depending on investment projects and cash position
- Improve capital efficiency through the flexible use of dividends and share buybacks

The Cost of Equity (%) in FY25/12

$$\text{risk-free rate} + \text{Beta } (\beta) \text{ sensitivity} \times \text{risk premium} = \text{the Cost of equity } 8\%$$

Calculated by CAPM