

Medium-Term Business Plan 2021

1. CTI Group's initiatives toward 2021

CTI Group will pursue the following three initiatives to expand its business and ensure continuous and stable management.

- 1) Expanding business fields and markets dynamically throughout the Group
- 2) Stable management of Group companies and expansion of orders and profits
- 3) Strengthening Group Governance

As for the public work business in Japan, while the investment relating to land resilience (disaster management and mitigation) is increasing, it is expected that the investment will be shifted to the areas of stock maintenance, life prolongation, renewal and stock reconstruction.

In overseas, there is a great demand for infrastructure development, particularly in Southeast Asia and Africa, and it is expected that we, the consultants, play an active role.

In this business environment, CTI Group has been expanding construction management businesses and the number of Group companies in accordance with its Medium-Term Management Plan 2018, and the Group has also been

working to form alliances with ICT-related companies. In the next three years, we will further accelerate the expansion of our business fields and markets by strengthening our Group power. We will also expand our overseas market by collaborating with Waterman Group Plc and by strengthening our overseas production bases.

Also, in order to ensure the stable Group management, we will ensure stable management of Nissoken and Environmental Research & Solutions Co., Ltd., which have been steadily restructured since entering the Group in 2015. We also enhance the ability to respond to the risks of political instability and terrorism in overseas businesses.

In addition, we will strengthen Group-wide governance, including quality and safety management in new fields and markets, and risk control associated with the introduction of diverse work styles.



2. CTIE*'s initiatives toward 2021

*CTI Engineering Co., Ltd.

Three reforms and one reinforcement will drive rapid change and growth.

- 1) Reform of the business structure
- 2) Reform of the production system
- 3) Reform of the human resources system
- 4) Reinforcement of governance



As the core company of the CTI Group, CTI Engineering Co., Ltd. (CTIE) will accelerate the transformation of its business structure to be adapted for new fields and markets, aiming to drive the Group's business expansion.

At the same time, we will reform our production and human resources systems to improve productivity, realize a variety of working styles, and create a company that is rewarding to work for.

We will also strengthen Group-wide governance to promote improved risk control in new business areas and markets, group-wide compliance, quality control and safety management.

3. Business Targets

In 2018, the target year of Medium-Term Management Plan 2018, we achieved the 2025 order targets set in CLAVIS 2025. We will continue to promote investment for "Three reforms and reinforcement" and achieve sustainable growth. The business targets of Medium-Term Business Plan 2021 are as follows.

(1) Business targets of the CTI Group

Table 2.1 Sales amount, operating profit targets, ROE, ROA, and dividend payout ratio

		Results in 2018	Targets for 2021
CTI Group	Sales amount	59.7 billion yen	70 billion yen
	Operating profit (margin)	3.1 billion yen (5.1%)	4.2 billion yen (6%)
	ROE	7%	8%
	ROA (Ordinary income to total assets)	6.3%	7.5%
	dividend payout ratio	Maintain a stable dividend over the medium to long term	
Domestic Business	Sales amount	42.1 billion yen	50 billion yen
	Operating profit (margin)	2.8 billion yen (6.7%)	3.7 billion yen (7.5%)
Overseas Business	Sales amount	17.6 billion yen	20 billion yen
	Operating profit (margin)	500 million yen (2.9%)	800 million yen (4%)

Note) The CTI Group and Domestic businesses include the non-consolidated Environmental Research & Solutions Co., Ltd. Operating income of the CTI Group includes the amortization expense of the goodwill of Waterman Group Plc.

(2) Business Targets of CTIE

Table 2.2 Sales amount and operating profit targets

	Results in 2018	2021 target
Sales amount	36.8 billion yen	42 billion yen
Operating profit (margin)	2.7 billion yen (7.3%)	3.4 billion yen (8%)

(3) Number of CTIE employees

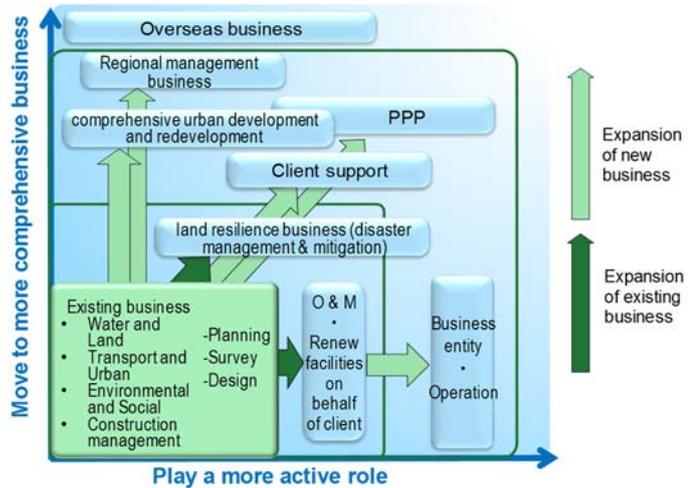
Table 2.3 Employee Targets

	Results in 2018	2021 target
Number of employees	1,608	1,800

4. Priority Issues

4.1 Business Structure Reforms

We will strategically expand our business to new customers, while maintaining existing customers, by focusing on areas such as land resilience, management of existing stocks, client support, PPP, comprehensive urban development and redevelopment, and regional management.



4.2 Production System Reforms

- (1) Realization of diverse working styles through IT innovation

We will strengthen our systems and human resources by improving the ICT environment, including the development of ICT equipment and a network environment, expanding a variety of communication channels including information sharing systems and web conference systems, promoting telework, developing information security and working rules, strengthening the AI Solution capabilities, and improving BIM/CIM technologies.

- (2) Establishment of production systems for developing new key business areas

In addition to strengthening our business promotion structure, we will promote proactive appointment of management-level engineers and improve technical services by providing technical support for on-site engineers. Also, in addition to collaboration within the Group, we will promote external alliances such as M & A and capital investment.

4.3 Human Resources System Reforms

By changing the perspective of personnel evaluation from "seniority" to "duty and achievement", and by developing the personnel evaluation system to encourage longer-term challenges, we will rebuild a human resources system that enables employees to continue working with a sense of satisfaction and security.

4.4 Reinforcement of Governance

We will strengthen governance by promoting the following measures.

- Strengthen the governance of the CTI Group as a whole by improving CTIE's headquarters functions.
- We will strengthen our control system to respond to business expansion and diverse working styles.
- We will enhance our system and human resources of our governance unit to ensure that our audit activities are more effective and that they function effectively in new areas such as external alliances and new markets.

