

2Q / 60th Term (2022) Financial Results

August 26, 2022



CTI Engineering Co., Ltd.

Agenda

1. Financial Results – 2Q / 60th Term (2022)

2. CTI Group - Value Creation

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Financial Results – 2Q / 60th Term (2022)

2Q / 60th Term – Results Outline (Consolidated)

- Orders Received amount increased 10.1% YoY to 52,700 million yen - a new record performance
- Sales amount increased 18.8% YoY to 41,800 million yen – a new record performance
- Operating Profit increased 53.2% YoY to 5,400 million yen – a new record performance

Results expansion for the CTI Group overall

- Continued strong performance in both the Domestic and Overseas businesses, for orders received
- Posted new 2Q record performances for the line items of orders received, sales amount, and for each profit line item

(JPY million)

	59th Term 2021 2Q	60th Term 2Q 2022	Change (%) (YoY)	60th Term 2022 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	47,959	52,785	+10.1	79,000	66.8
Sales Amount	35,222	41,844	(+18.8)	78,000	53.6
Operating Profit	3,565	5,462	(+53.2)	6,400	85.3
Ordinary Profit	3,627	5,601	(+54.4)	6,500	86.2
Net Income Attributable to Owners of the Parent	2,355	3,796	(+61.2)	4,300	88.3

* Environmental Research & Solutions Co.,Ltd. entered the scope of consolidation in the fiscal year ending December 2022

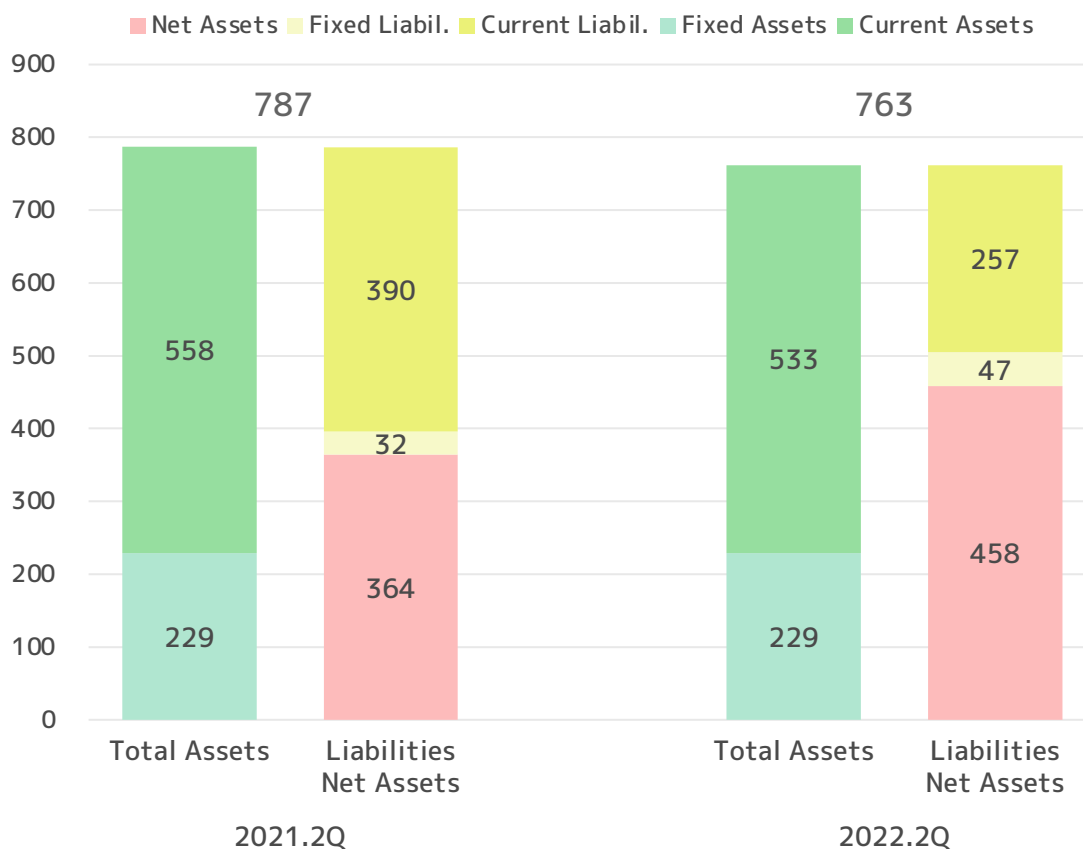
* Due to the application of ASBJ Statement No. 29 Accounting Standard for Revenue Recognition starting in the fiscal year ending December 2022, with the exclusion of orders received, the Year-on-Year change percentages shown here are for reference purposes.

Balance Sheet (Consolidated) – YoY Comparison

- Net assets increased 9,400 million yen, to 45,800 million yen
- The adoption of the Accounting Standard for Revenue Recognition translated into a reduction in both assets and liabilities, and an increase in retained earnings at the beginning of the fiscal year of 3,600 million yen

Balance Sheet (Consolidated)

(JPY 100 million)



Total Assets

76,300 million yen (-2,400 million yen)

- Cash & bank deposits
36,000 million yen (+6,900 million yen)
- Impact of the adoption of accounting standard for revenue recognition (Approximately -10,600 million yen)

Liabilities

30,500 million yen (-11,800 million)

- Impact of the adoption of accounting standard for revenue recognition (Approximately -13,500 million yen)

Net Assets

45,800 million yen (+9,400 million yen)

- Impact of the adoption of accounting standard for revenue recognition (Retained earnings at the beginning of the fiscal year +3,600 million yen)
- Net Worth Ratio
59.7% (+13.6 points)

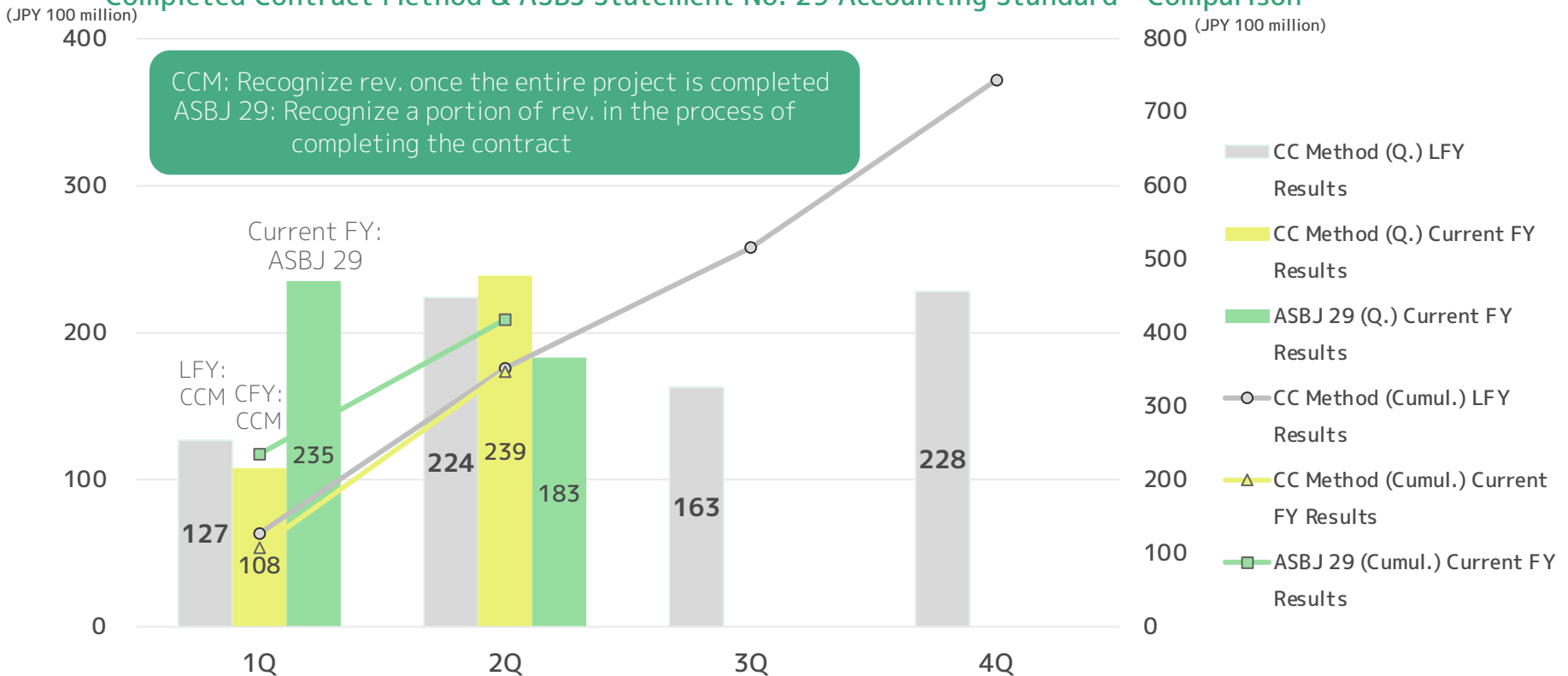
Impact Of The Adoption Of Accounting Standard For Revenue Recognition

Starting in the fiscal year ending December 2022, the company applies ASBJ Statement No. 29 Accounting Standard for Revenue Recognition.

Public-sector projects account for a large share of the CTI Group's sales, and progress in the execution of such projects tends to concentrate at the end of the fiscal year.

As such, compared to the period through to last fiscal year, during which we used the Completed Contract Method, we registered a significant sales amount in the first quarter.

Trend in Sales Amount (Consolidated): Completed Contract Method & ASBJ Statement No. 29 Accounting Standard - Comparison



* Sales Amount for the current fiscal year calculated using the Completed Contract Method presented here for comparative purposes.

2Q / 60th Term – Results Outline (By Segment)

Strong orders received performance and a sales/profit increase, both in the Domestic & Overseas segments

(JPY Million)

	Segment	59th Term 2021 2Q	60th Term 2022 2Q	Change (YoY)	Change (%)
Domestic Business	Orders Received	35,369	38,262	+2,893	+8.2
	Sales Amount	25,790	30,012	(+4,222)	(+16.4)
	Operating Profit	3,299	4,964	(+1,664)	(+50.5)
Overseas Business	Orders Received	12,590	14,523	+1,933	+15.4
	Sales Amount	9,432	11,832	(+2,399)	(+25.4)
	Operating Profit	264	491	(+227)	(+86.3)
Total	Orders Received	47,959	52,785	+4,826	+10.1
	Sales Amount	35,222	41,844	(+6,621)	(+18.8)
	Operating Profit*	3,565	5,462	(+1,896)	(+53.2)

* Environmental Research & Solutions Co.,Ltd., which entered the scope of consolidation in FY 2022, is classified under the Domestic Business segment

* Due to the application of ASBJ Statement No. 29 Accounting Standard for Revenue Recognition starting in the fiscal year ending December 2022, with the exclusion of orders received, the Year-on-Year change amounts and percentages shown here are for reference purposes

* Operating profit total figures presented following inter-segment adjustments

Domestic Consulting Engineering Business

- Orders Received amount increased 8.2% YoY to 38,200 million yen
- Sales amount increased 16.4% YoY to 30,000 million yen
- Operating Profit increased 50.5% YoY to 4,900 million yen

Strong performance in orders received in the domestic business, continuing from last year

- Strong orders, primarily from Government institutions, within the scope of five-year accelerated measures to prevent/mitigate natural disasters, and strengthen national land resilience (through to FY 2025)
- Increase in sales amount, accompanied by decreases in COGS and SG&A margins, led to an improvement in operating profit margin

(JPY million)

	59th Term 2021 2Q	60th Term 2022 2Q	Change (%) (YoY)	60th Term 2022 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	35,369	38,262	+8.2	56,400	67.8
Sales Amount	25,790	30,012	(+16.4)	55,800	53.8
Operating Profit	3,299	4,964	(+50.5)	5,800	85.6
OP Margin	12.8%	16.5%	-	10.4%	-

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2Q / 60th Term – Results Outline (Non-Consolidated)

- Orders Received amount increased 6.3% YoY to 34,700 million yen – growing for the 7th consecutive term
- Sales amount increased 14.0% YoY to 26,500 million yen – growing for the 10th consecutive term
- Operating Profit increased 52.7% YoY to 5,000 million yen - growing for the 6th consecutive term

New records reached for orders received, sales amount, and for each profit line item

- Continued seeing strong orders, thanks to demand from Government institutions, within the scope of five-year accelerated measures to prevent/mitigate natural disasters, and strengthen national land resilience (through to FY 2025)
- Secure engineers and achieve productivity improvements through the promotion of DX. Through these, we intend to make progress toward achieving the targets for the full FY

(JPY million)

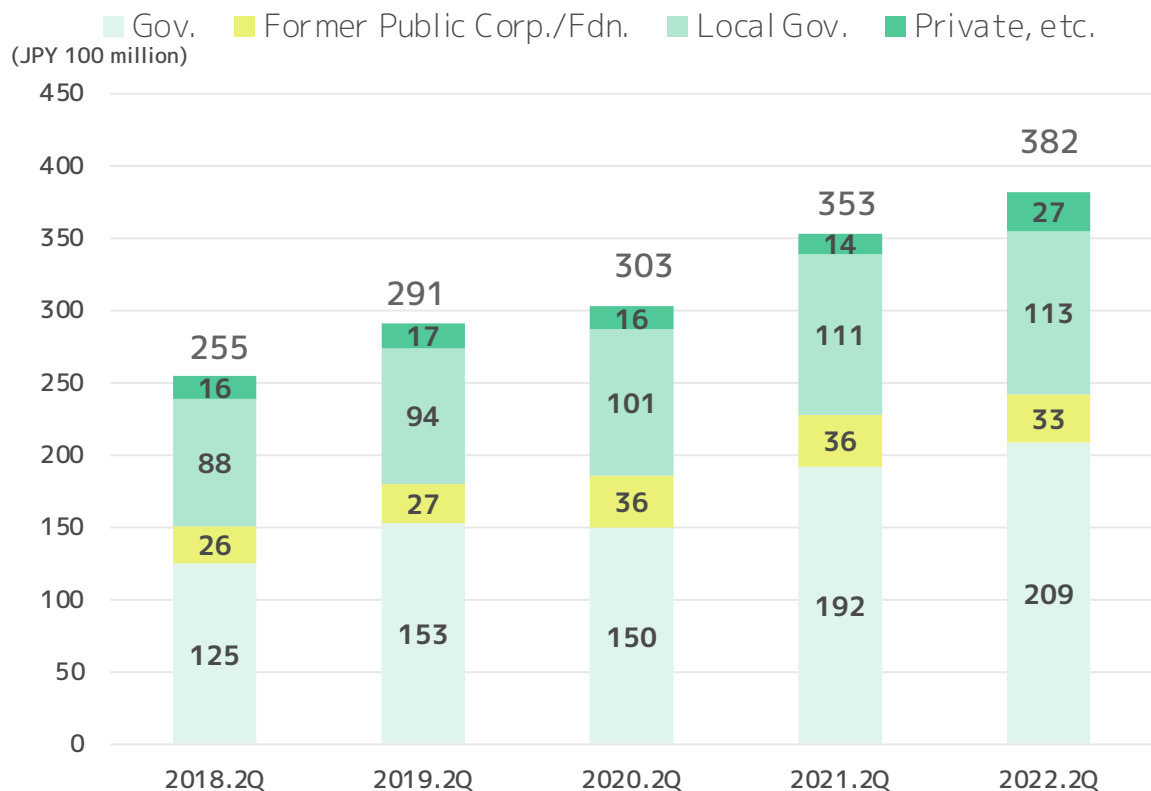
	59th Term 2021 2Q	60th Term 2022 2Q	Change (%) (YoY)	60th Term 2022 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	32,692	34,745	+6.3	50,000	69.5
Sales Amount	23,304	26,570	(+14.0)	49,000	54.2
Operating Profit	3,180	4,856	(+52.7)	5,600	86.7
Ordinary Profit	3,245	5,044	(+55.4)	5,900	85.5
Net Income	2,171	3,469	(+59.7)	4,000	86.7

* Due to the application of ASBJ Statement No. 29 Accounting Standard for Revenue Recognition starting in the fiscal year ending December 2022, with the exclusion of orders received, the Year-on-Year change percentages shown here are for reference purposes.

Orders Received Amount By Source - Trend (Domestic)

Significant increase in orders received amount, primarily from the Japanese Government and its promotion of efforts to build national land resilience

Orders Received Amount By Source



Status By Source

- Increase of 1,700 million yen from Government institutions (+8.8% YoY)
- Slight decrease in orders received from former public corporations and foundations
- Increase of 200 million yen from Local Gov.
- Increase of 1,300 million yen from the private sector

*Orders received for Environmental Research & Solutions Co.,Ltd.:
1,000 million yen
(By source:
Local Government: 400 million yen,
Private, etc.: 600 million yen)

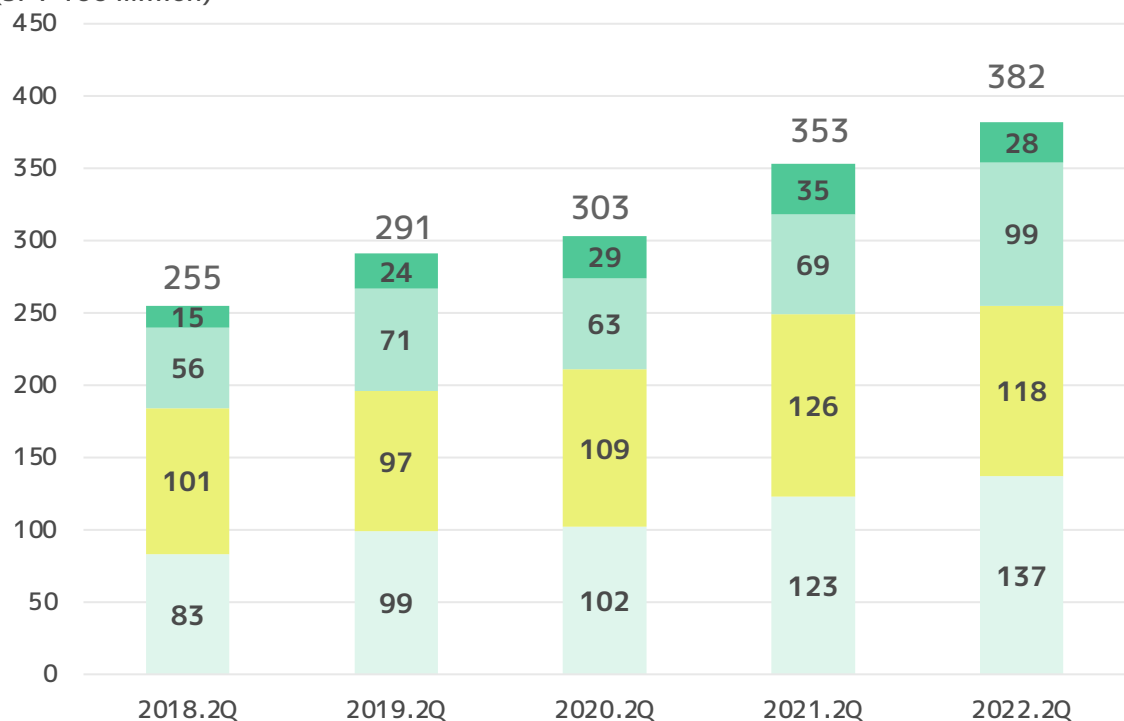
Orders Received Amount By Sector – Trend (Domestic)

Strong performance in orders received, in the sectors of Water & Land (Rivers) and Environmental & Social (Environmental)

Orders Received Amount By Sector

Water & Land Transportation & Urban Environmental & Social Construction Mgmt.

(JPY 100 million)



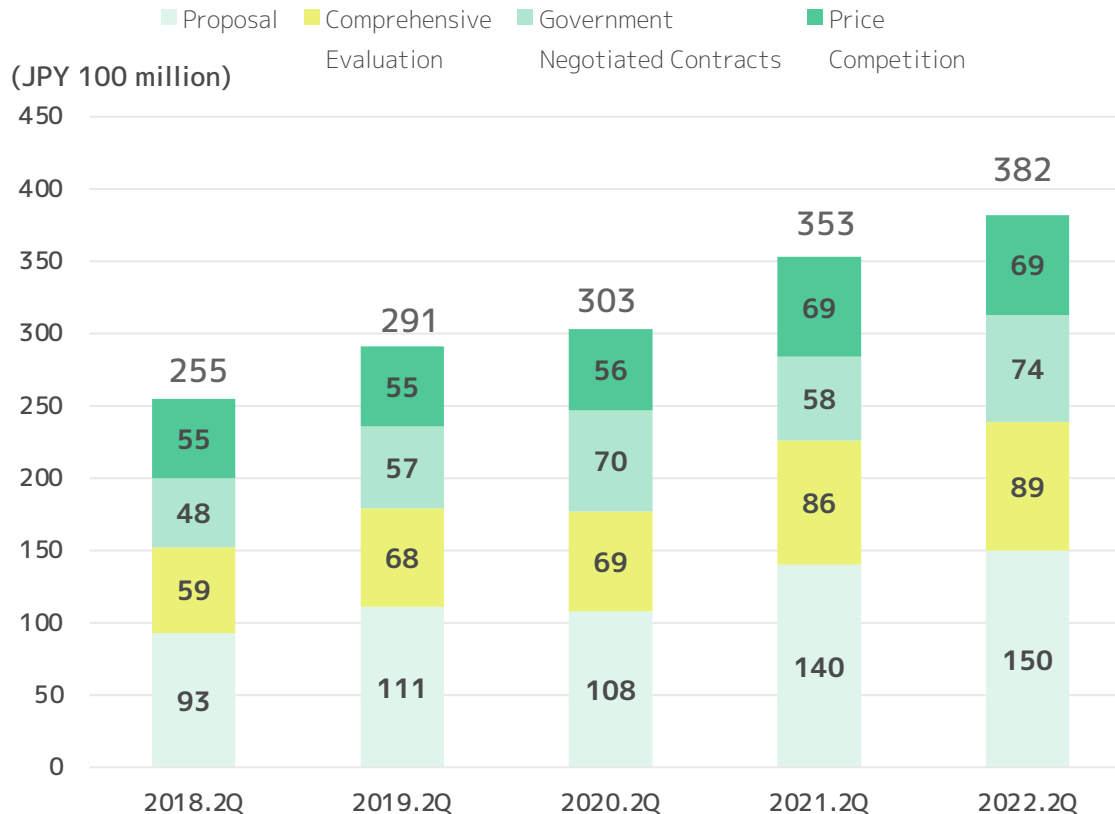
Status By Sector

- Increase of 1,400 million yen in the Water & Land Sector (+11.1% YoY)
- Decrease of 800 million yen in the Transportation & Urban Sector (-6.7% YoY)
- Increase of 3,000 million yen in the Environmental & Social Sector (Includes 1,000 million yen in orders received by Environmental Research & Solutions Co.,Ltd.) (+44.3% YoY)
- Decrease of 700 million yen in the Construction Management Sector (-19.7% YoY)

Orders Received Amount By Contract Method (Domestic)

Methods associated with engineering competitiveness (proposal & comprehensive evaluation) and Government negotiated contracts account for a large share of orders received, and increased, year-on-year

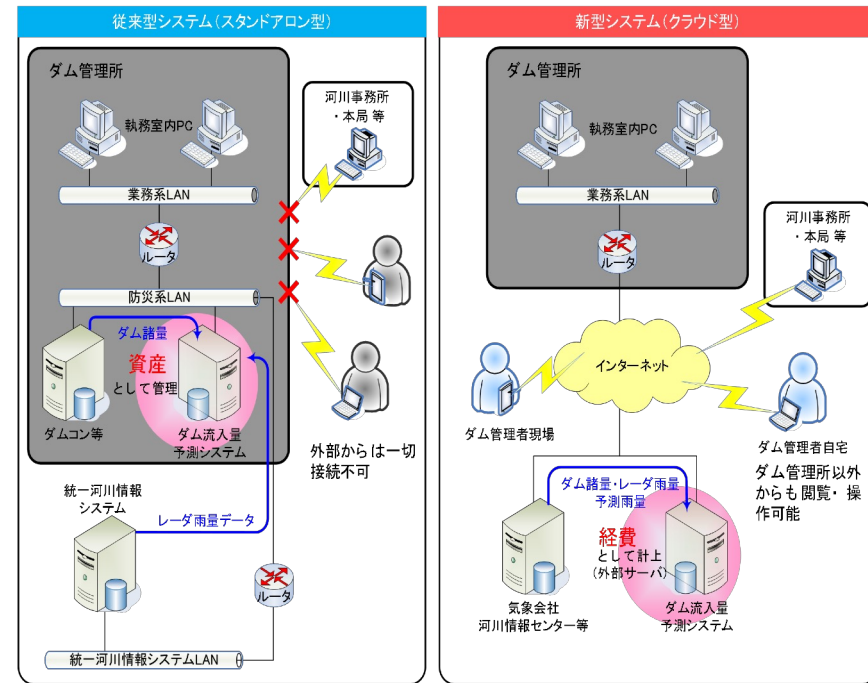
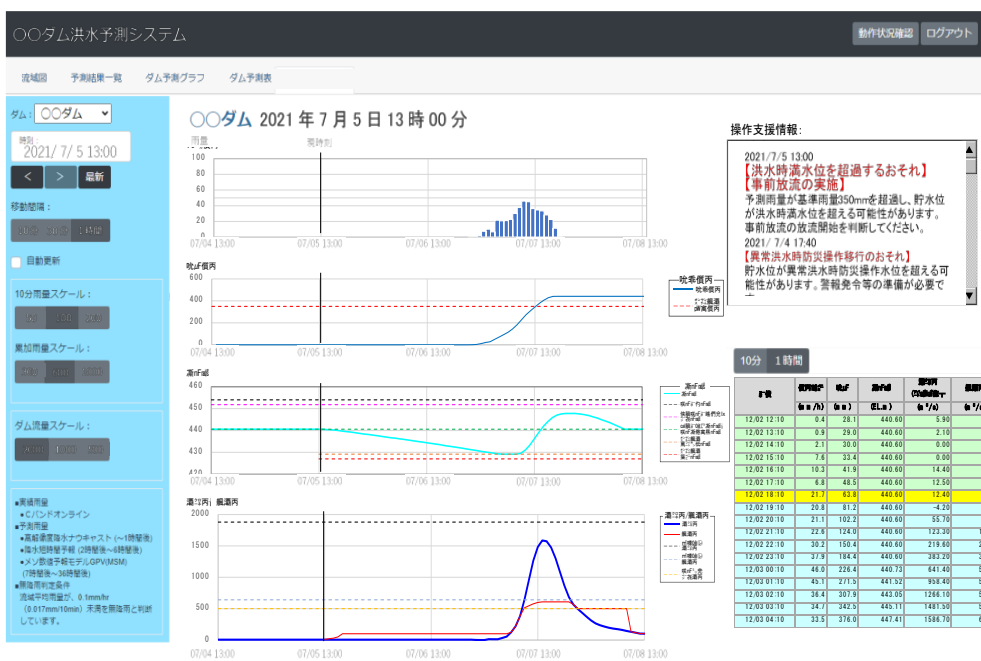
Orders Received By Contract Method



Status By Contract Method

- Increase of 1,000 million yen in orders received for the Proposal contract method (+7.2% YoY)
- Increase of 300 million yen in orders received for the Comprehensive Evaluation contract method (+3.4% YoY)
- Increase of 1,600 million yen in orders received for Government Negotiated Contracts (+26.8% YoY)
- Orders received for the Price Competition contract method remained mostly flat

AI Inflow Volume Forecast (Order Example)



We have packaged a high-precision inflow volume forecast program leveraging AI technology, together with a dam operation support program.

We can now offer these services over the Internet more quickly and at a lower cost.

FY 2022 Results

- ① Ministry of Land, Infrastructure, Transport and Tourism – “Study on Enhancing Dam Operation Capabilities” (Proposal method)
- ② Ministry of Land, Infrastructure, Transport and Tourism – “Dam Group Flood Forecasting System” (Proposal method)

Offshore Wind Power Generation (Order Example)



We offer support to operators of onshore and offshore wind power generation projects in the formulation of business plans.

This includes support in the formulation of exclusive occupancy and use plans over public bidding and countermeasures to community impacts, as well as assessment of environmental impacts and the execution of geological surveys.

FY 2022 Result

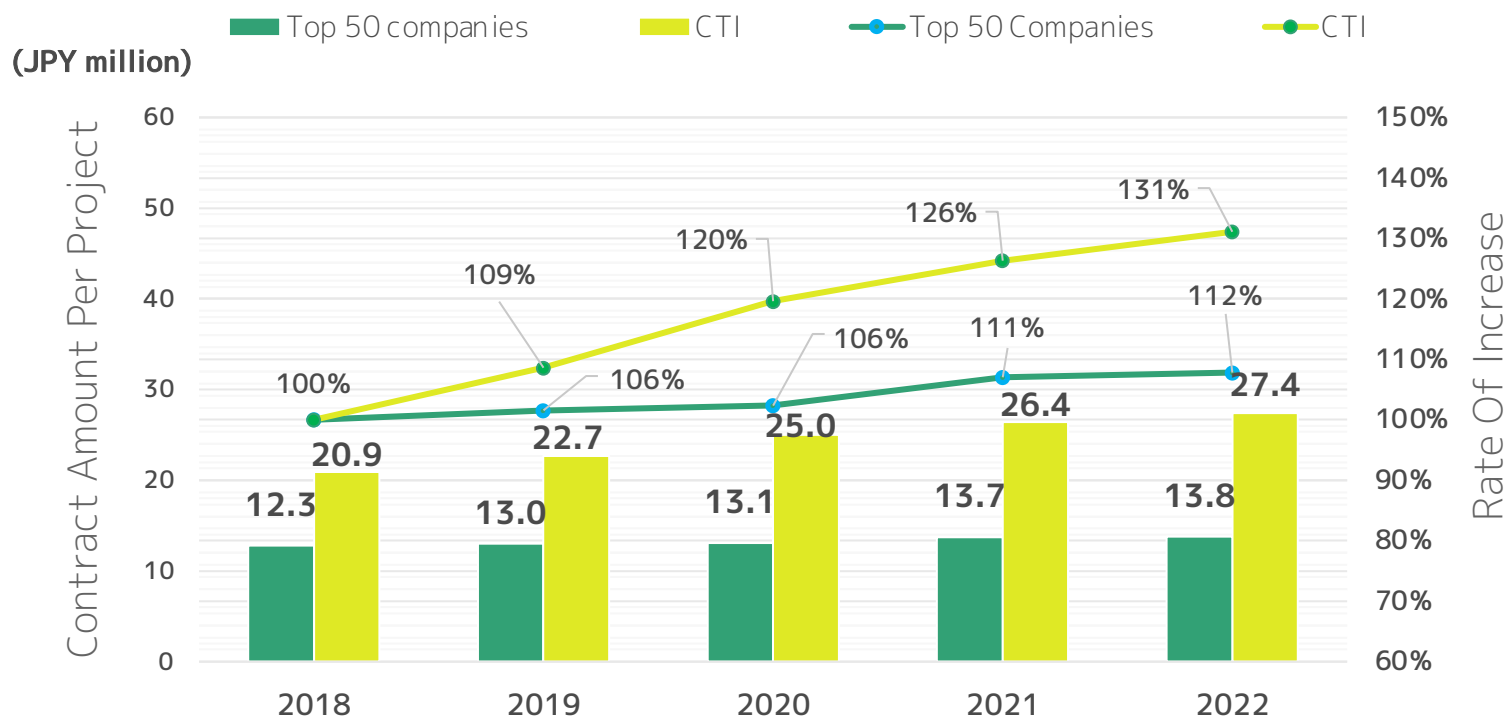
Private sector: Isumi Offshore Wind Project, Japan (Government negotiated contract)

Private sector: Aomori West Offshore Wind Farm Project
(Government negotiated contract)

Contract Amount Per Project (Non-Consolidated)

- The contract amount per project has increased on account of larger project scale (1H)

Contract Amount Per Project & Rate Of Increase Since 2018



Source: Ministry of Land, Infrastructure, Transport and Tourism Policy Bureau Information Policy Division
 Office for Statistical Research and Analysis on Economy in Construction Market - Official Documents
 "Survey of Construction-related Industries" (Month of June);
 "Survey of Table 2 Construction-related Industries" (50 construction consulting companies)
 Contract amount per project for the top 50 companies derived from : 2018 – 2021 (June aggregate); 2022 (May aggregate)

Overseas Consulting Engineering Business

- Orders Received amount increased 15.4% YoY to 14,500 million yen
- Sales amount increased 25.4% YoY to 11,800 million yen
- Operating Profit increased 86.3% YoY to 490 million yen

Results Recovery Overseas

- Steady performance for Waterman's Public Sector-related Business in the UK, and in Ireland and Australia
- CTI Engineering International, too, saw a recovery in business progress in Asia

(JPY million)

	59th term 2021 2Q	60th Term 2022 2Q	Change (%) (YoY)	60th Term 2022 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	12,590	14,523	+15.4	22,600	64.3
Sales Amount	9,432	11,832	(+25.4)	22,200	53.3
Operating Profit	264	491	(+86.3)	600	82.0
OP Margin	2.8%	4.2%	-	2.7%	-

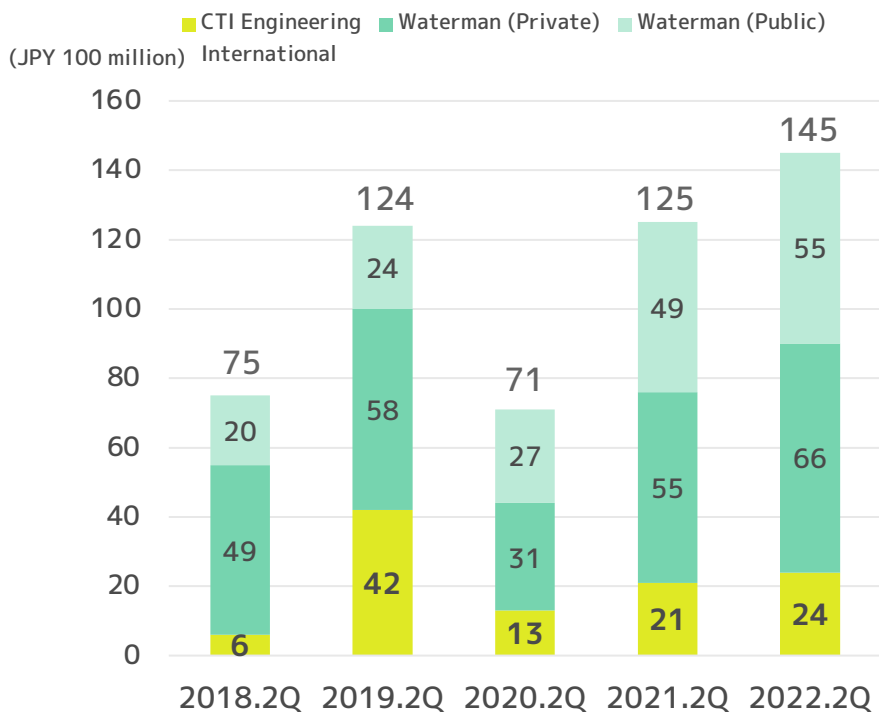
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* Orders received amount includes amount changes from currency fluctuations

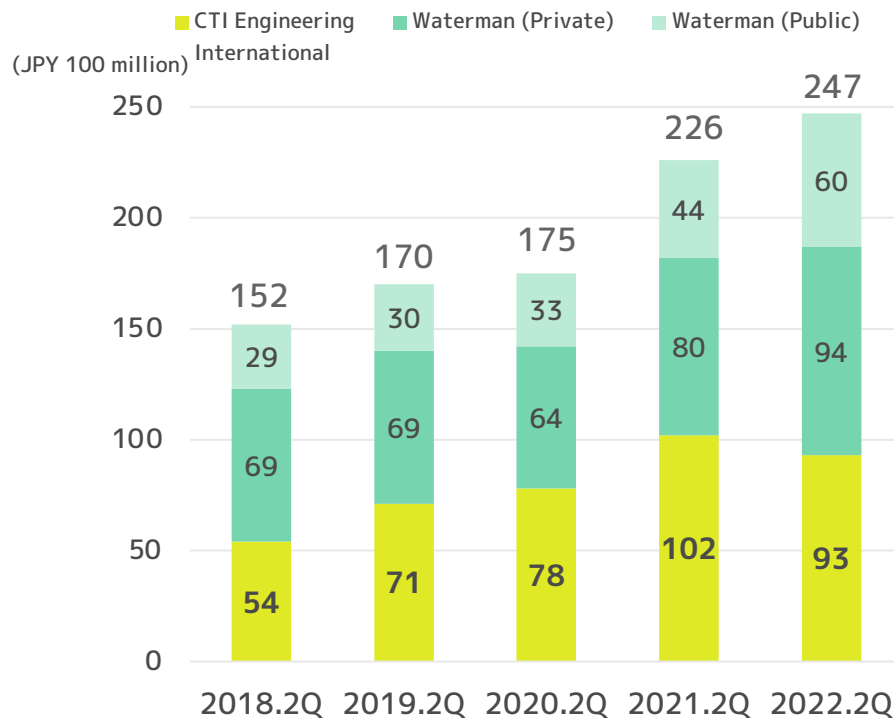
Orders Received Amount Trend (Overseas)

Both Waterman and CTI Engineering International delivered a steady orders received performance

Trend in Orders Received Amount



Trend in Order Balance



Overseas Projects Showcase (Awards Received)



Islamic Republic of Pakistan - East-West Road Improvement Project



Badenoch & Strathspey Community Hospital
(Civil engineering / structural design)

CTI Engineering International's focus is primarily on ODA in NIEs and developing countries in Asia, Africa, the Middle East, South America, etc.

The Waterman Group carries out projects in developed countries like the UK, Ireland, Australia, etc.

★Awarded first prize in the 5th Japan Construction International Award

Islamic Republic of Pakistan - East-West Road Improvement Project
(CTI Engineering International)

★Two awards at Scottish Property Awards (50th edition)

- ① Badenoch & Strathspey Community Hospital (Civil engineering / Structural design)
- ② St James Quarter Project (Environmental consultancy)
(Waterman Group)

60th Term (2022) Management Plan

60th Term Business Plan (Non/Consolidated)

(JPY million)

		59th Term 2021 (Realized)	60th Term 2022 (Forecast)	Change (%) (YoY) *
Consolidated	Orders Received	84,448	79,000	-6.5
	Sales Amount	74,409	78,000	(+4.8)
	Operating Profit	6,991	6,400	(-8.5)
	Ordinary Profit	7,118	6,500	(-8.7)
	Net Income Attributable to Owners of the Parent	4,471	4,300	(-3.8)
Non-Consolidated	Orders Received	53,433	50,000	-6.4
	Sales Amount	48,591	49,000	(+0.8)
	Operating Profit	5,823	5,600	(-3.8)
	Ordinary Profit	6,085	5,900	(-3.1)
	Net Income	3,922	4,000	(+2.0)
	Dividends	60 yen	60 yen	—

* Due to the application of ASBJ Statement No. 29 Accounting Standard for Revenue Recognition starting in the fiscal year ending December 2022, with the exclusion of orders received, the forecasts listed above refer to figures following the application of this Standard for Revenue Recognition. The Year-on-Year change percentages shown here are for reference purposes.

Additionally, Environmental Research & Solutions Co.,Ltd., which entered the scope of consolidation at the start of FY 2022, is included in the above forecast

Challenges And Outlook For 2H

Challenges and outlook going forward, based on 1H results

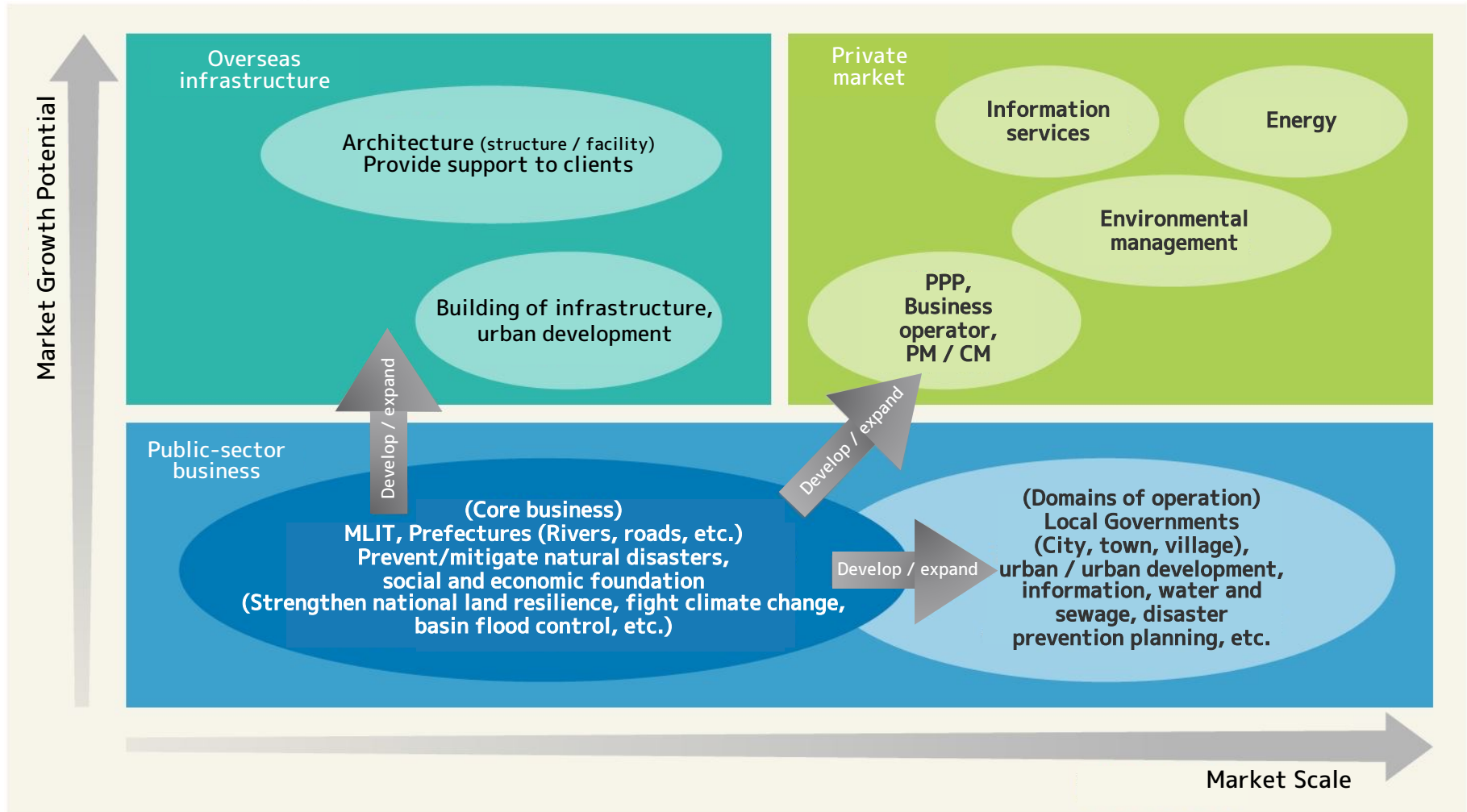
Challenges	Measures going forward
Steady advances in production system reform	<ul style="list-style-type: none"> · Carry out activities to secure orders, in a systematic and strategic manner, within the realm of what the production output capabilities of our engineers allows. · Carry out mid-career hiring in order to secure production output capabilities, while simultaneously enhancing our efforts to secure new subcontractor companies. · We seek to carry out Groupwide horizontal expansion of results and insights generated in the newly established – in the current fiscal year - Production System Reform HQ, and improve productivity.
Promote business structural reform through intra-Group collaboration	<ul style="list-style-type: none"> · Accelerate expansion into new domains and businesses through the promotion of activities within the scope of the PPP Business Promotion and Energy Business Promotion Sections, which were newly established in April 2022. · Promote the assignment of employees to overseas CTI Group companies in order to foster the nurturing of global human resources.
Enhance governance	<ul style="list-style-type: none"> · Ensure that our response policy is executed in addressing the key risks we outlined at the start of the current fiscal year, namely the spread of COVID-19, compliance violations, and information security incidents.
Promote sustainability management	<ul style="list-style-type: none"> · Formulate and execute an action plan for “CTI Group Sustainability Challenge,” which was announced in June of 2022.

2

CTI Group - Value Creation

Business Portfolio

Business processes, services / domains,
market expansion



Growth Investment

① Secure & train human resources

1) Hire new graduates / mid-career hires

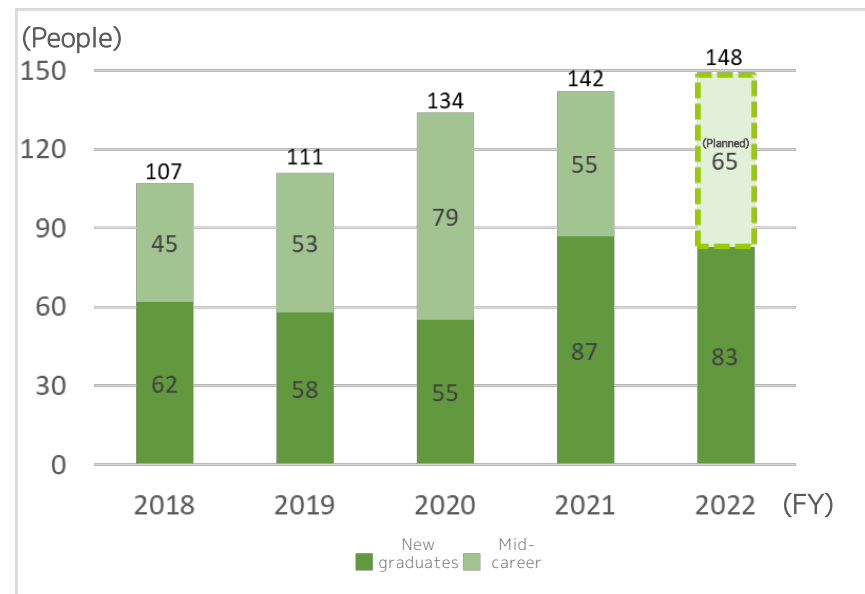
- Hired over 80 new graduates in 2021 & 2022
- Continue to take in a combined number of over 100 employees every year, in new graduates and mid-career hires

2) Secure diverse human resources

- Adopt a remuneration system rewarding employees in specialized positions (specified employment) on the basis of the difficulty and level of expertise required for said positions
- Through this, we seek to promote the hiring of a diverse set of human resources and the adoption of an adequate remuneration system

3) Reward employees

- In July of 2022, we raised the baseline for pay contingent on results and/ability, for regular full-time positions (younger demographics), general office work positions, and specialized positions (specified employment)



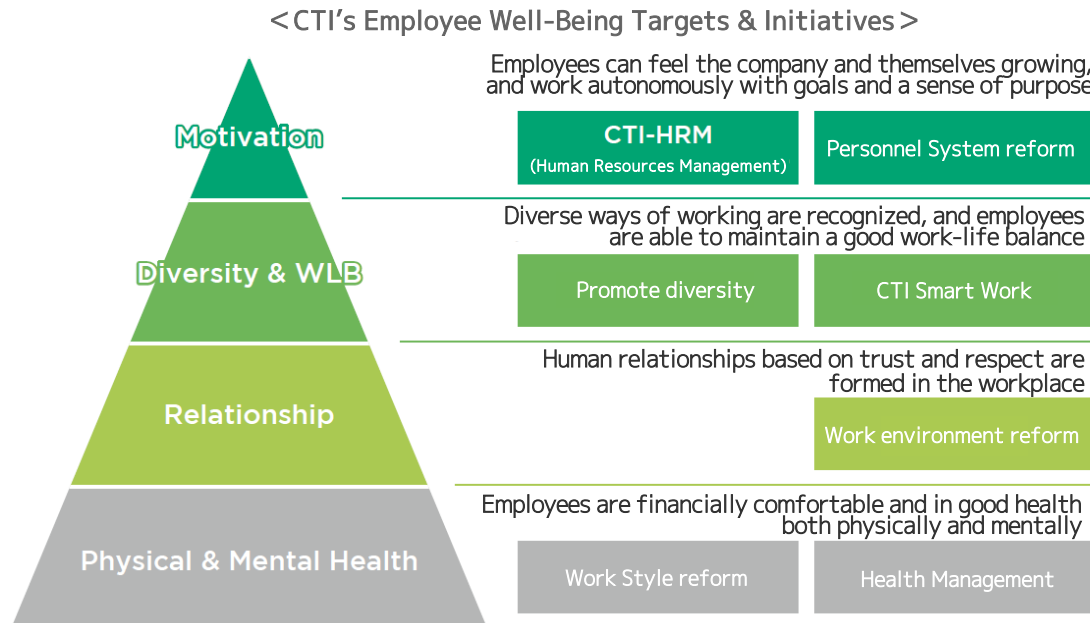
CTI – Trend in hiring

Growth Investment

① Secure & train human resources

4) Well-Being

- Announcement of "CTI Well-Being Declaration"
- CTI's Basic Policy on Well-Being
 1. Employees are financially comfortable and in good health both physically and mentally
 2. Human relationships based on trust and respect are formed in the workplace
 3. Diverse ways of working are recognized, and employees are able to maintain a good work-life balance
 4. Employees can feel the company and themselves growing, and work autonomously with goals and a sense of purpose
- Adopted Initial Professional Development (IPD) System < Embody CTI-HRM >



Growth Investment

② Investment in R&D

- CTI Engineering adopted a company-wide development system (Currently R&D investment) in 1977, dedicating 2% of sales to R&D
- The investment amount for 2022 is 1,100 million yen, corresponding to approximately 2% of the total sales amount
- Development results will be leveraged into the start of services in new businesses and proof-of-concept experiments



We added a detailed evaluation system (new service) of water-related hazards to our Riskma service (alert service for water-related disaster risks)



① Request rides (application)



② Routing & dispatch



③ Wait for the vehicle



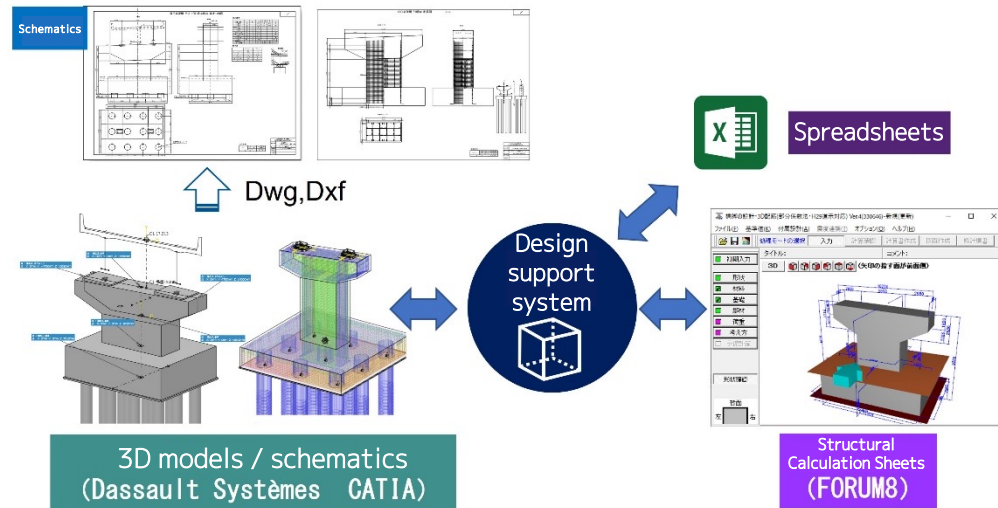
④ Get on / off the vehicle

City Mobi On-demand mobility service
Process illustration – requesting rides to getting on the vehicle

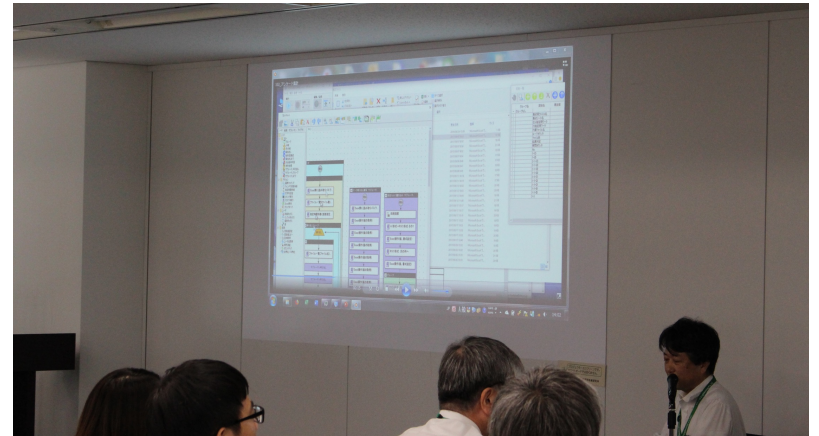
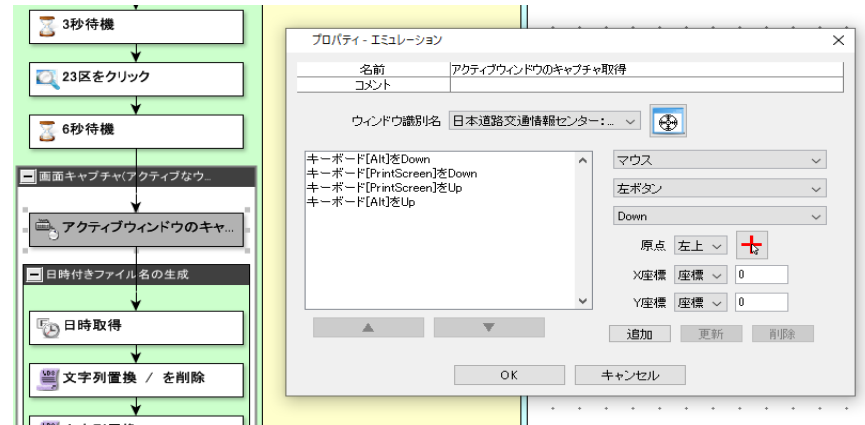
Growth Investment

③ Invest in the promotion of internal DX

Achieve production efficiency and quality improvements, and grow the company's presence, through investment in the development of new technologies, and the further enhancement of existing technologies



Development of a 3D design support system (Ver.1)



Pro-actively leverage RPA to improve productivity (top) and host internal training sessions toward expanding the use of RPA (bottom)

Thank you for listening!

