

# 60th Term (2022) Financial Results

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**CTI Engineering Co., Ltd.**

# Agenda

1. 60th Term (2022) Financial Results

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2. Partial revision to the Mid-Term Management Plan for 2024 and

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61st Term (2023) Management Plan

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# 60th Term (2022) Financial Results

# 60th Term – Results Outline (Consolidated)

- Orders Received amount increased 1.7% YoY to 85,800 million yen
- Sales amount increased 12.2% YoY to 83,400 million yen – a sales increase for the 10th consecutive fiscal year
- Operating Income increased 14.7% YoY to 8,000 million yen – an operating income increase for the 6th consecutive fiscal year

## Delivered a new record performance

- Continued strong performance in the Domestic business during the fiscal year under review, as well, and thanks to demand within the scope of measures to strengthen national land resilience
- Strong performance in the Overseas business, as the negative impact of COVID-19 has almost dissipated

(JPY million)

	59th Term 2021 (Realized)	60th Term 2022 (Initial Forecast)	60th Term 2022 (Realized)	Change (%) (YoY)	Change (%) vs. Initial Forecast
Orders Received	84,448	79,000	85,887	+1.7%	+8.7%
Sales Amount	74,409	78,000	83,485	(+12.2%)	+7.0%
Operating Income	6,991	6,400	8,017	(+14.7%)	+25.3%
O I Margin	9.4%	8.2%	9.6%	(+0.2pt)	+1.4pt
Ordinary Profit	7,118	6,500	8,235	(+15.7%)	+26.7%
Net Income Attributable to Owners of the Parent	4,471	4,300	5,874	(+31.4%)	+36.6%

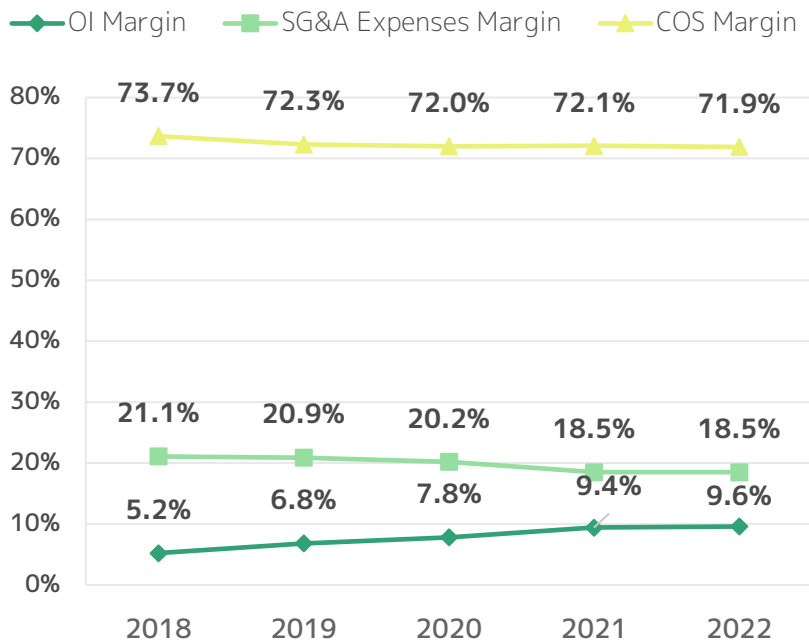
\* Environmental Research & Solutions Co.,Ltd. entered the scope of consolidation in the fiscal year ended December 2022.

\* 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.

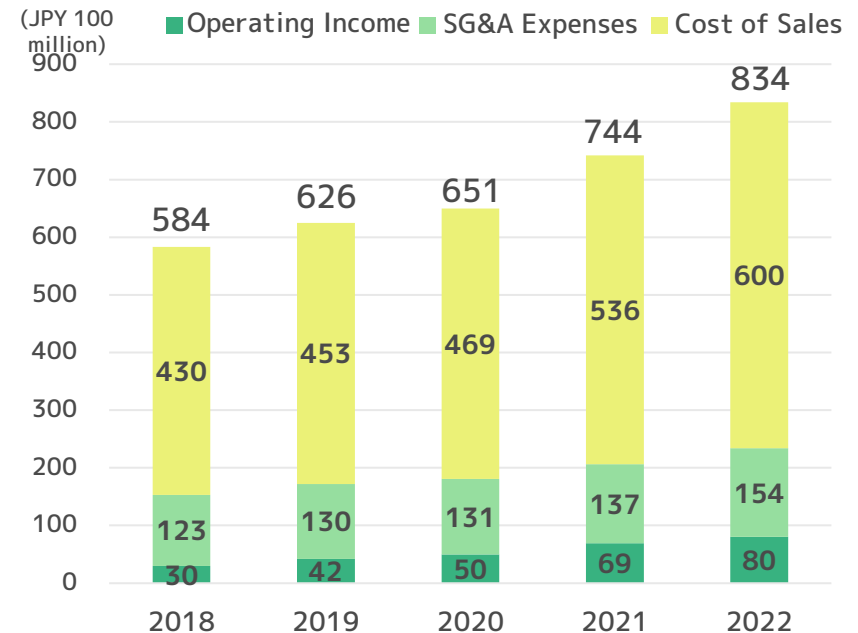
# Income Statement (Consolidated) – 5-year Trend

- Sales Amount 83,400 million yen
- Operating Income 8,000 million yen
- Cost of Sales Margin 71.9% (-0.2pt YoY)
- SG&A Expenses Margin 18.5% (+0.0pt YoY)
- Operating Income Margin 9.6% (+0.2pt YoY)

## Operating Income Margin – 5-Year Trend



## Sales Composition – 5-year Trend



# Balance Sheet (Consolidated) – YoY Comparison

- Consolidated total assets increased 1,400 million yen from the end of LFY, to 73,200 million yen
- The adoption of the new accounting standard for revenue recognition led to a reduction in assets and liabilities; Retained earnings at the beginning of the fiscal year increased 3,600 million yen

## Total Assets

**73,200** million yen (+1,400 million yen)

Cash & bank deposits 22,500 million yen (+2,000 million yen)

Impact of the adoption of accounting standard for revenue recognition (Approximately -5,000 million yen)

## Liabilities

**25,500** million yen (- 7,500 million yen)

Impact of the adoption of accounting standard for revenue recognition (Approximately -9,500 million yen)

## Net Assets

**47,700** million yen (+8,900 million yen)

Impact of the adoption of accounting standard for revenue recognition (Approximately +4,500 million yen)

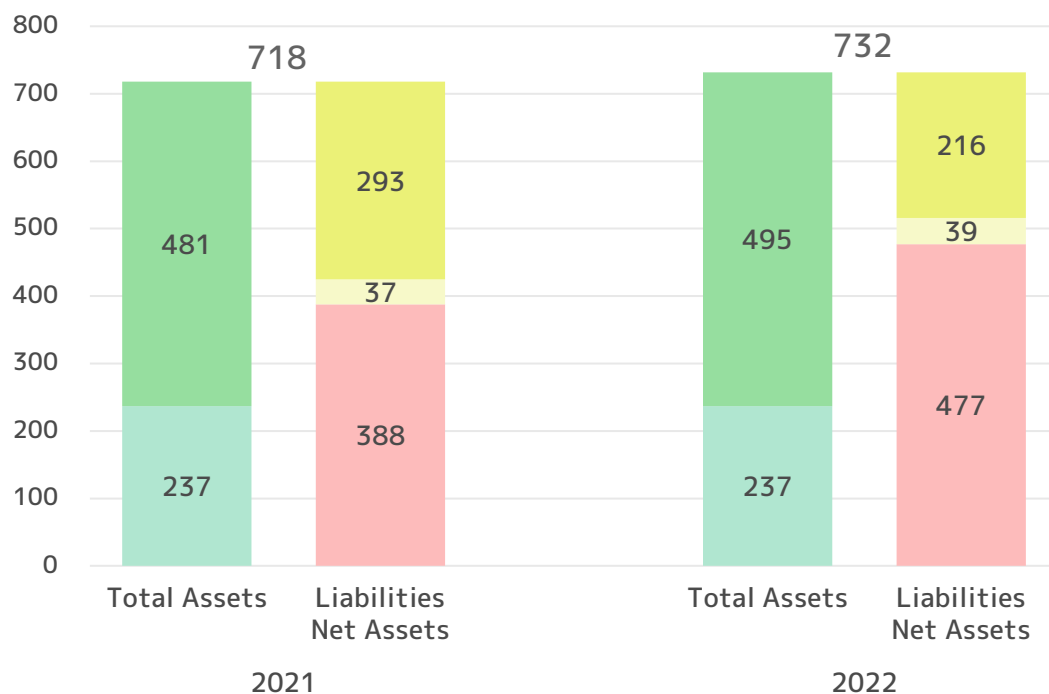
Net Worth Ratio 64.8% (+11.0pt)

ROE 13.1% (+0.8pt)

(JPY 100 million)

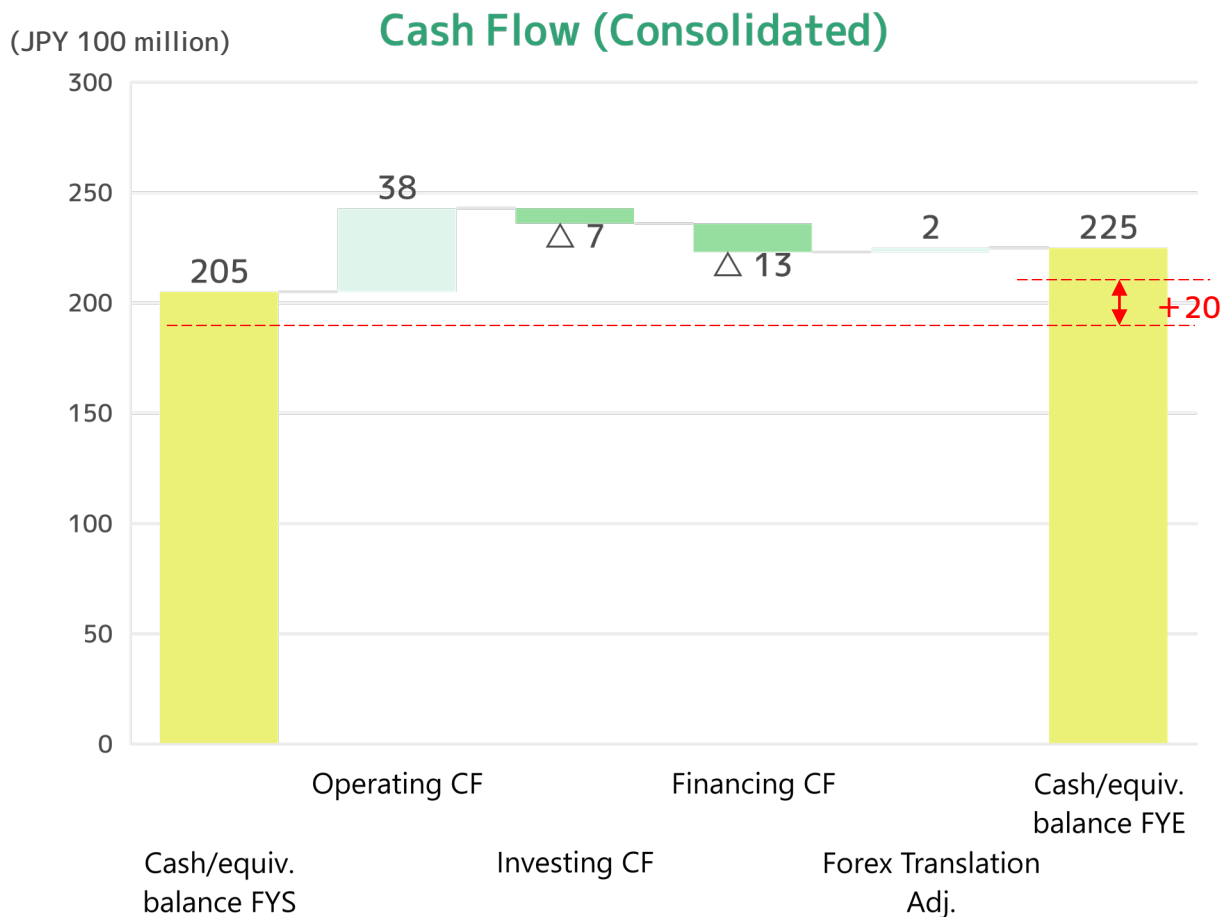
## Balance Sheet (Consolidated)

■ Net Assets      ■ Fixed Liabil.      ■ Current Liabil.  
■ Fixed Assets      ■ Current Assets



# Cash Flow (Consolidated)

Operating CF increased thanks to an increase in profits



## Cash & cash equivalents closing balance

**22,500** million yen  
(+2,000 million yen YoY)

## Operating CF +3,800 million yen

Earnings Before Tax	+8,200 million yen
Depreciation Expenses	+1,200 million yen
Increase in Accounts Receivable	-2,300 million yen
Corporate Taxes, etc.	-3,100 million yen

## Investing CF -700 million yen

Acquisition of PPE	-500 million yen
Acquisition of Intangible Assets	-100 million yen

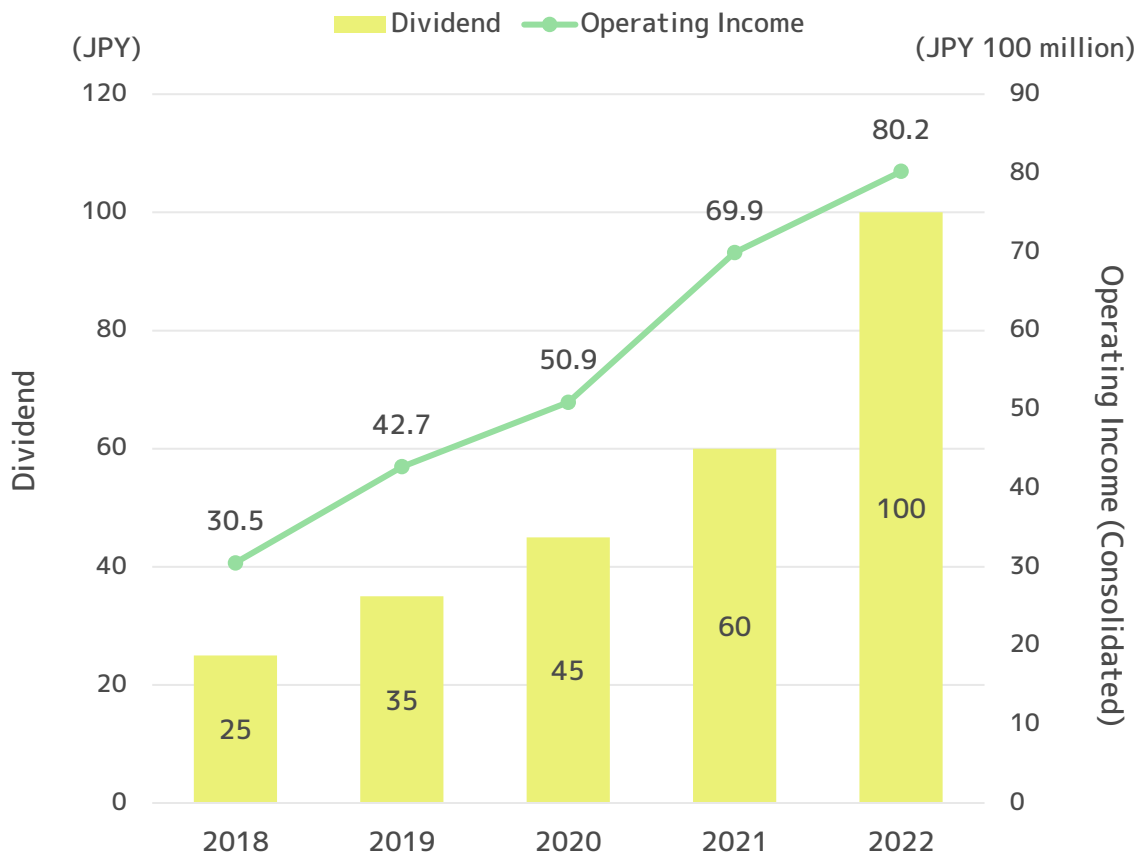
## Financing CF -1,300 million yen

Dividends Paid	-800 million yen
Repayment of Lease Obligations	-500 million yen

# Dividend Policy

Expect to raise dividends for the 6th consecutive FY thanks to a sustained profit increase

## Operating Income & Dividends - Trend



## Approach to Shareholder Returns

- Secure attractive shareholder returns and also retained earnings for use toward future investment
- Fundamental principle of offering stable dividends
- Aim for a dividend payout ratio of 30% over the mid-to-long term
- Current FY's dividend payout ratio 27.4% (Non-consolidated basis)



# 60th Term Results Outline (By Segment)

Sales/profit increase in the Domestic & Overseas segments

(JPY Million)

Segment	Item	59th Term 2021 (Realized)	60th Term 2022 (Realized)	Change (YoY)	Change (%) (YoY)
Domestic Business	Orders Received	58,660	58,191	△469	△0.8%
	Sales Amount	53,696	58,160	(+4,463)	(+8.3%)
	Operating Income	6,032	6,885	(+852)	(+14.1%)
	O I Margin	11.2%	11.8%	—	(+0.6pt)
Overseas Business	Orders Received	25,787	27,696	+1,908	+7.4%
	Sales Amount	20,713	25,325	(+4,612)	(+22.3%)
	Operating Income	951	1,131	(+179)	(+18.8%)
	O I Margin	4.6%	4.5%	—	(△0,1pt)
T o t a l	Orders Received	84,448	85,887	+1,439	+1.7%
	Sales Amount	74,409	83,485	(+9,075)	(+12.2%)
	Operating Income*	6,991	8,017	(+1,026)	(+14.7%)
	O I Margin	9.4%	9.6%	—	(+0.2pt)

\* 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 income total figures presented following inter-segment adjustments.

# Domestic Consulting Engineering Business

- Orders Received amount decreased 0.8% YoY to 58,100 million yen (+3.2% vs. initial forecast)
- Sales amount increased 8.3% YoY to 58,100 million yen
- Operating Income increased 14.1% to 6,800 million yen

## Achieved the targets stated in the initial forecast

- Continued strength in terms of orders, thanks to demand 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 margin, led to an improvement in the operating income margin

(JPY Million)

	59th Term 2021 (Realized)	60th Term 2022 (Initial Forecast)	60th Term 2022 (Realized)	Change (%) (YoY)	Change (%) Vs. Initial Forecast
Orders Received	58,660	56,400	58,191	△0.8%	+3.2%
Sales Amount	53,696	55,800	58,160	(+8.3%)	+4.2%
Operating Income	6,032	5,800	6,885	(+14.1%)	+18.7%
O I Margin	11.2%	10.4%	11.8%	(+0.6pt)	+1.4pt

\* 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 percentages shown here are for reference purposes.

# 60th Term – Results Outline (Non-Consolidated)

- Orders Received amount decreased 4.1% YoY to 51,200 million yen (+2.5% vs. the initial forecast)
- Sales amount increased 5.7% YoY to 51,300 million yen – growing for the 10th consecutive term
- Operating Income increased 15.1% YoY to 6,700 million yen – growing for the 6th consecutive term

## New records reached for sales and each profit line item

- Despite a strong market climate, we made a conscious decision to limit the number of orders – compared to LFY levels – in order to achieve quality improvements and reduced workloads
- Achieved the full year forecast target, thanks to sales, an increase in engineer unit value, productivity improvements through the promotion of DX, etc.

(JPY million)

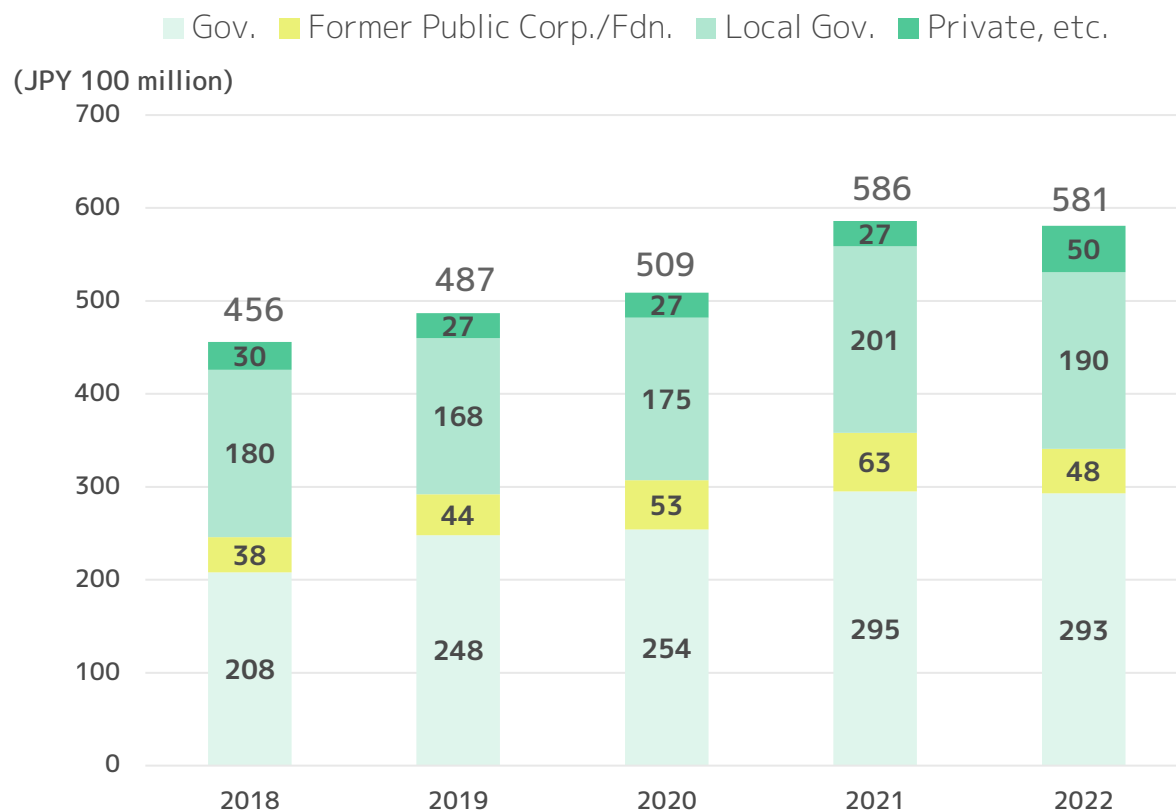
	59th Term 2021 (Realized)	60th Term 2022 (Initial Forecast)	60th Term 2022 (Realized)	Change (%) (YoY)	Change (%) Vs. Initial Forecast
Orders Received	53,433	50,000	51,226	△4.1%	+2.5%
Sales Amount	48,591	49,000	51,359	(+5.7%)	+4.8%
Operating Income	5,823	5,600	6,705	(+15.1%)	+19.7%
O I M a r g i n	12.0%	11.4%	13.1%	(+1.1pt)	+1.6pt
Ordinary Profit	6,085	5,900	7,024	(+15.4%)	+19.1%
N e t I n c o m e	3,922	4,000	5,167	(+31.7%)	+29.2%

\* 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)

This fiscal year, we made a conscious decision to limit the number of orders received. Despite this, the amount of orders for projects in the Private sector, etc., in the Environmental domain increased.

## Orders Received Amount By Source



## Status By Source

- Decrease of 200 million yen from Government institutions
- Decrease of 1,500 million yen from former public corporations and foundations
- Decrease of 1,100 million yen from Local Government
- Increase of 2,300 million yen from the private sector

\* Orders associated with Environmental Research & Solutions Co.,Ltd. stood at 1,600 million yen (Local Gov. 500 million yen, private sector 1,100 million yen)

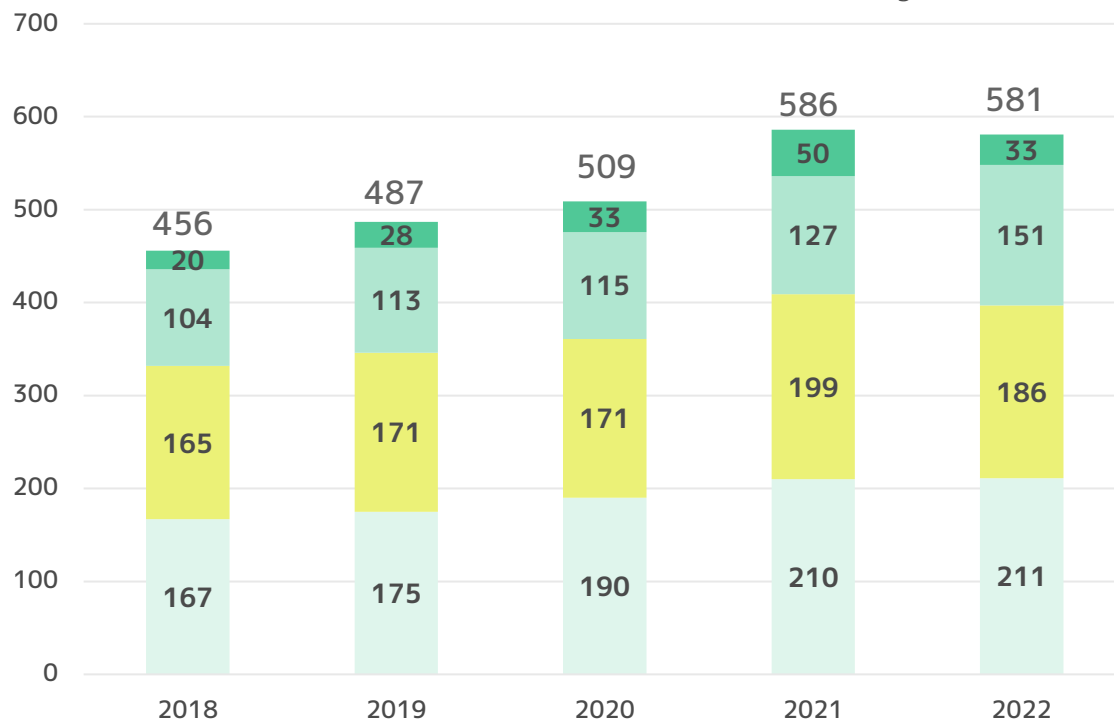
# Orders Received Amount By Sector – Trend (Domestic)

Increase in orders received amount from 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)



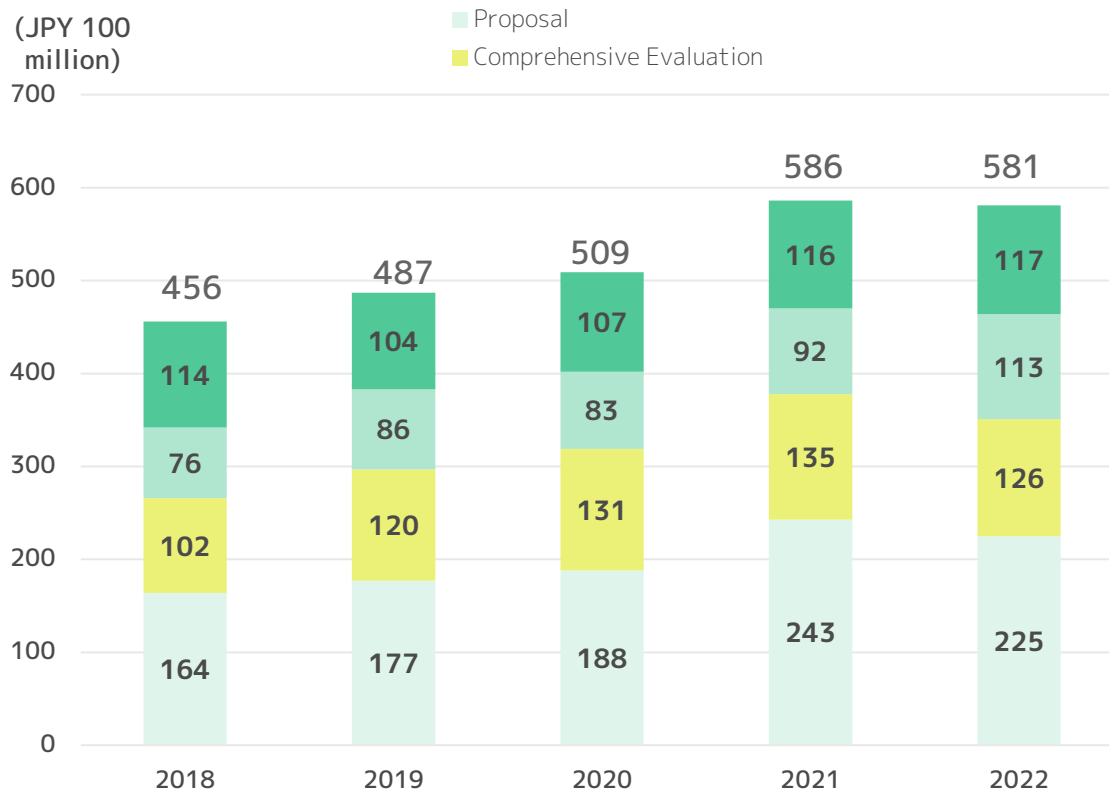
## Status By Sector

- Increase of 100 million yen in the Water & Land Sector
- Decrease of 1,300 million yen in the Transportation & Urban Sector
- Increase of 2,400 million yen in the Environmental & Social Sector (Includes 1,600 million yen in orders received by Environmental Research & Solutions Co.,Ltd.)
- Decrease of 1,700 million yen in the Construction Management Sector

# Orders Received Amount By Contract Method (Domestic)

Methods associated with engineering competitiveness (proposal & comprehensive evaluation) account for a large share of orders received; Government negotiated contracts increased in the Environmental sector

## Orders Received By Contract Method



## Status By Contract Method

- Decrease of 1,800 million yen in orders received for the Proposal contract method
- Decrease of 900 million yen in orders received for the Comprehensive Evaluation contract method
- Increase of 2,100 million yen in orders received for Government Negotiated Contracts
- Orders received for the Price Competition contract method remained mostly flat

\* Orders associated with Environmental Research & Solutions Co.,Ltd. stood at 1,600 million yen (Government Negotiated Contracts 1,200 million yen, Price Competition 400 million yen)

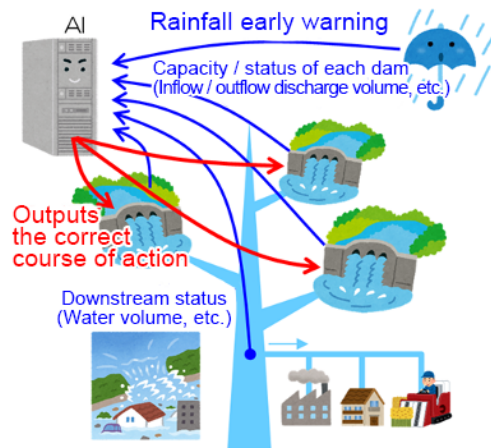
# Information Provision Service / System Development Domain

Expansion of orders in the information system / system development domain, thanks to the active execution of initiatives toward infrastructure DX

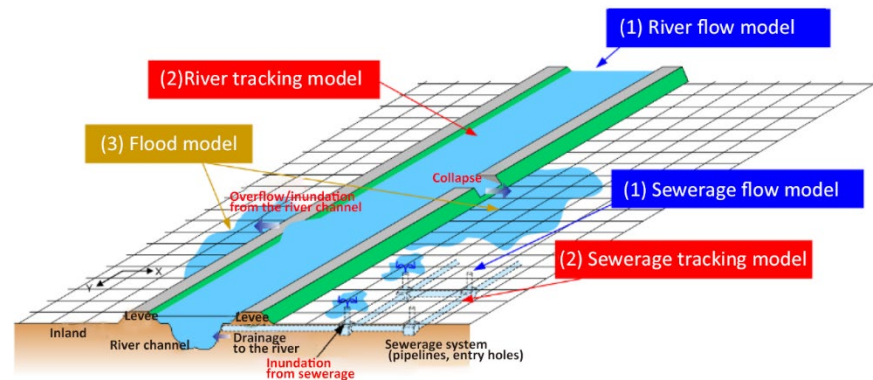
## ■ Initiatives related to infrastructure DX & main types of projects

- Enhance flood early warning capabilities . . . . flood early warning systems, flood damage risk maps
- DX Data Center . . . . Consider the promotion of DX in the domain of infrastructure
- Leverage BIM / CIM . . . . Consider leveraging BIM / CIM
- Improve efficiency for inspections / management operations . . . . Upkeep maintenance – consider the use of three-dimensional data, support management/maintenance of roads in the winter, etc.

## ■ Others: Noteworthy technology services



- Help enhance dam operation capabilities



- Flood risk analysis utilizing a simultaneous sewerage and river water flood analysis model

# Energy Domain

Expand our business in the energy domain toward realizing the vision of a decarbonized society, by actively engaging with and expanding into the business of renewable energy, and offer support to private power producers and local municipalities, through things like the assessment of environmental impacts, facility infrastructure, the creation of relevant documents, etc.



Main business results for FY 2022

- Private power producers – Off-shore wind power generation projects / onshore wind power generation, etc.
- Local Governments – Formulation of an “Energy Vision,” “Analysis of the viability of the introduction of energy,” etc.

## Comprehensive support toward consensus formation in the local community



How will the scenery change?



Support  
Ex. 1

Leverage photo montages to help visualize changes in scenery

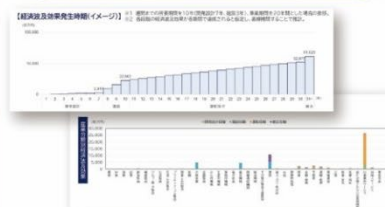


How does the community benefit?



Support  
Ex. 2

Estimate the economic ripple effect resulting from the adoption of renewable energy



I can't picture what kinds of projects these are



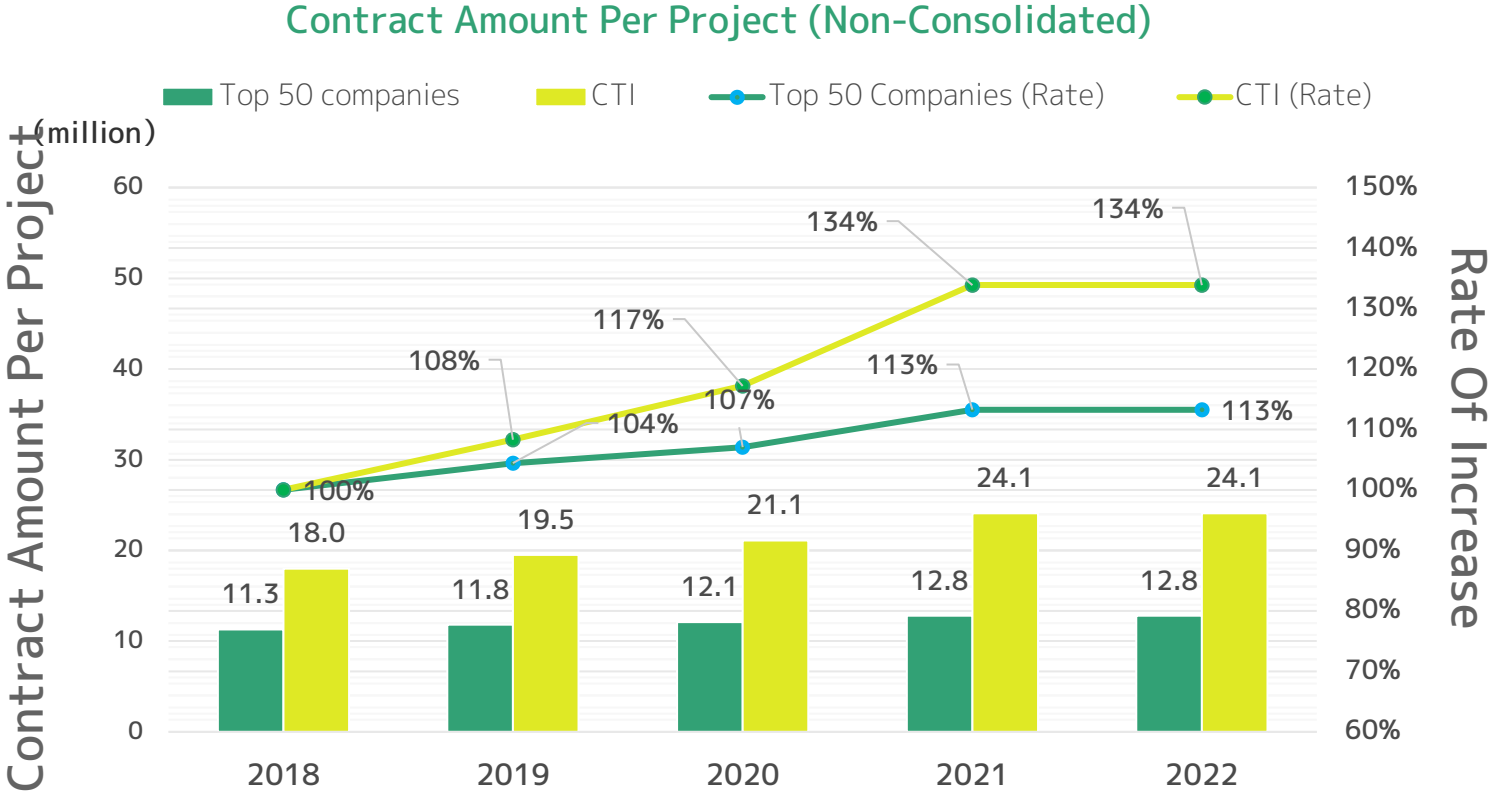
Support  
Ex. 3

Carry out tours of regions that have already adopted renewable energy





# Contract Amount Per Project (Non-Consolidated)

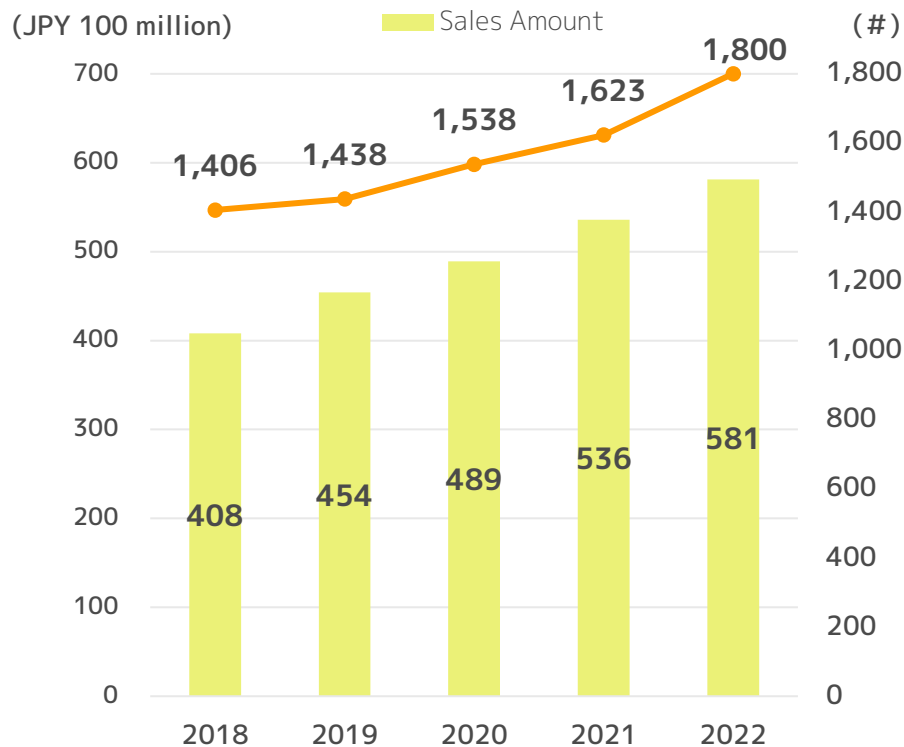


Source: Ministry of Land, Infrastructure, Transport and Tourism Policy Bureau Information Policy Division Office for Statistical Research and Analysis on Economy in Construction Market - Official Documents "Survey of Construction-related Industries" (Month of November);  
 "Survey of Table 2 Construction-related Industries" (50 construction consulting companies)

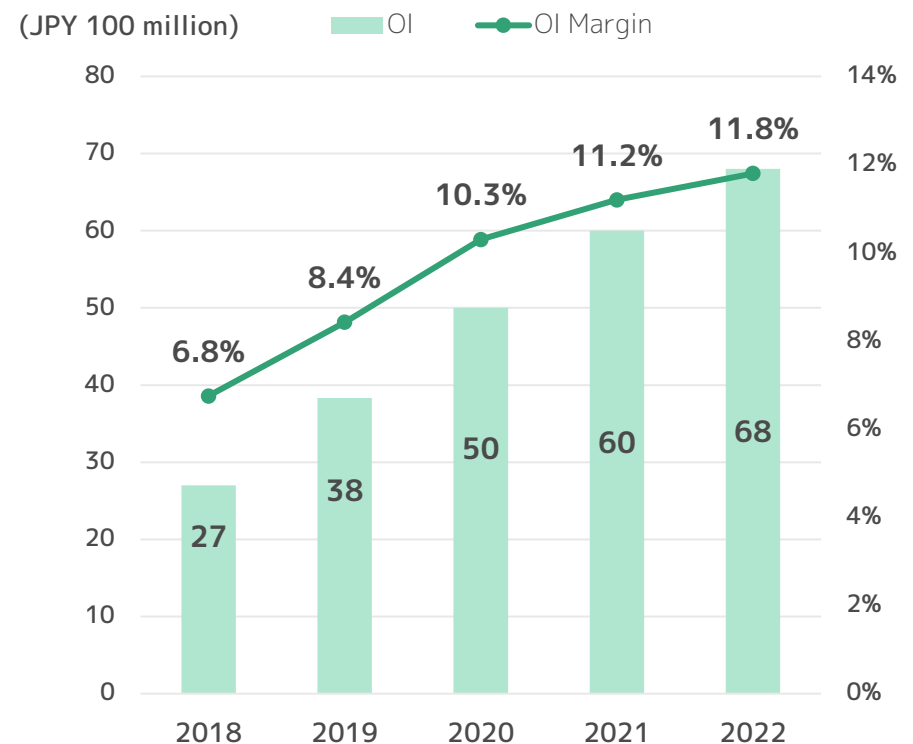
# Sales Amount & Profit Trend (Domestic)

Sales and operating income margin both rose, thanks to the enhancement of Human Resources and an increase in productivity

### Trend in Sales Amount and Number of Engineers



### Trend in OI and OI Margin



# Overseas Consulting Engineering Business

- Orders Received amount increased 7.4% YoY to 27,600 million yen
- Sales amount increased 22.3% YoY to 25,300 million yen
- Operating Income increased 18.8% YoY to 1,100 million yen

## Overseas Performance is on an upward trajectory

- The impact from COVID-19 has almost virtually dissipated
- Waterman and CTI Engineering International continued improving results at a strong pace across all regions and domains

(JPY million)

	59th Term 2021 (Realized)	60th Term 2022(Initial Forecast)	60th Term 2022 (Realized)	Change (%) (YoY)	Change (%) Vs. Initial Forecast
Orders Received	25,787	<b>22,600</b>	<b>27,696</b>	+7.4%	+22.6%
Sales Amount	20,713	<b>22,200</b>	<b>25,325</b>	(+22.3%)	+14.1%
Operating Income	951	600	<b>1,131</b>	(+18.8%)	+88.6%
O I Margin	4.6%	2.7%	<b>4.5%</b>	(△0.1pt)	+1.8pt

\* Orders received amount includes amount changes from currency fluctuations.

\* 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.

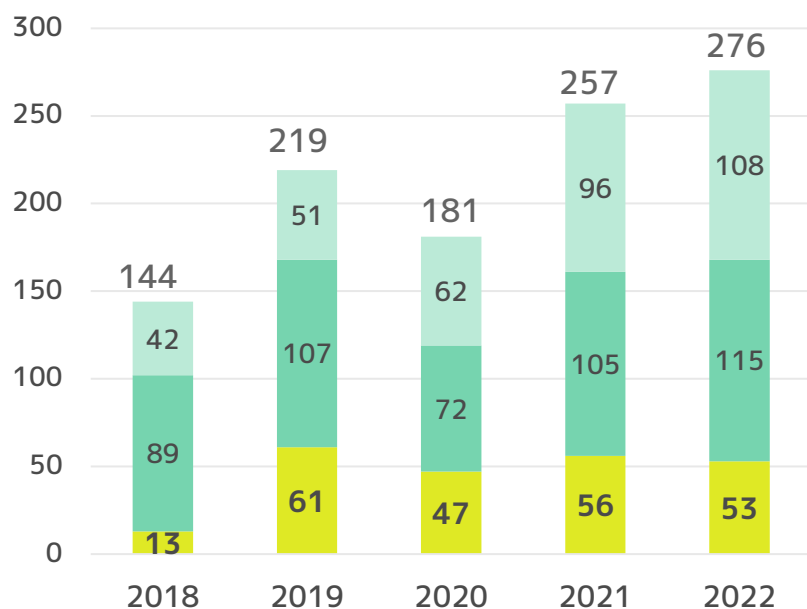
# Orders Received Amount Trend (Overseas)

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

### Trend in Orders Received Amount

(JPY 100 million)

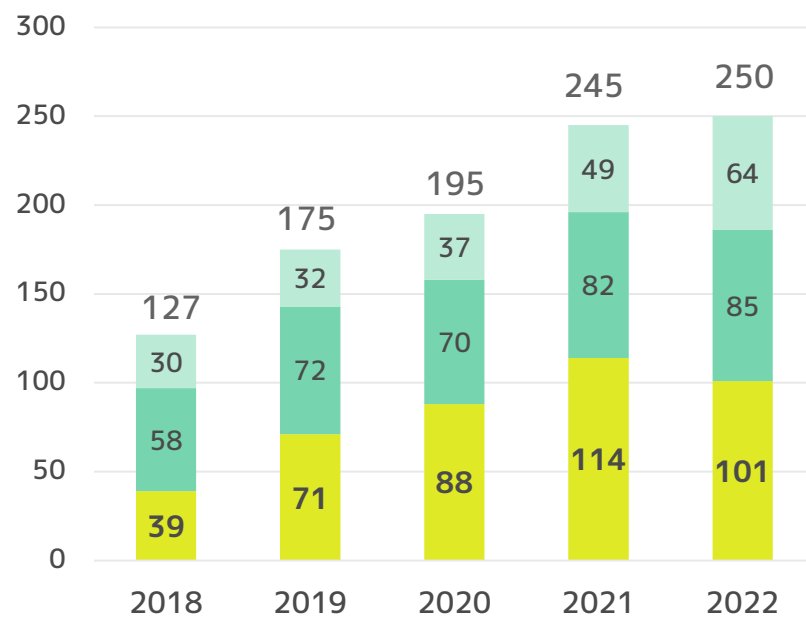
- Waterman (Public)
- Waterman (Private)



### Trend in Order Balance

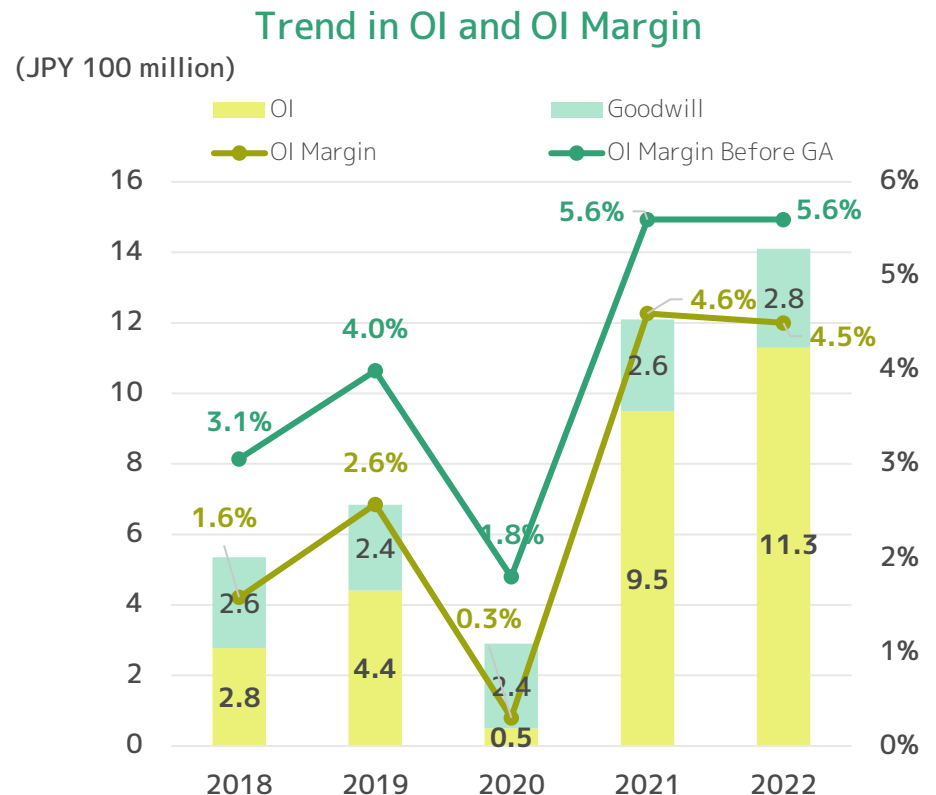
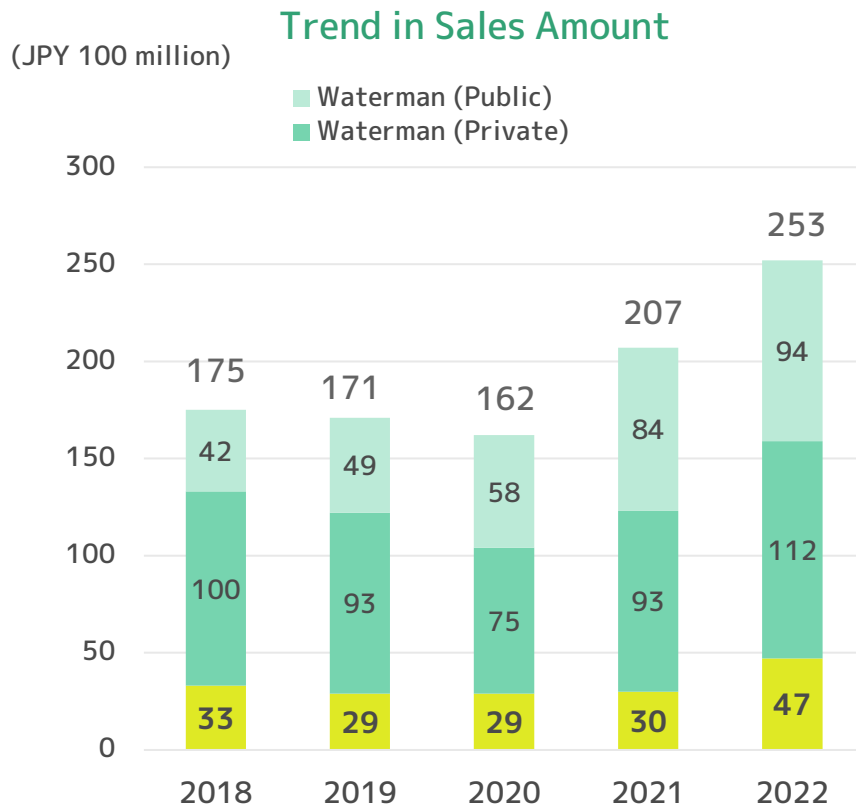
(JPY 100 million)

- Waterman (Public)
- Waterman (Private)



# Sales Amount & Profit Trend (Overseas)

The impact of COVID-19 has virtually dissipated and there has been great growth across all regions and domains



# Overseas Project Showcase



Artist rendering (Overview of completed viaduct)



Artist rendering (Interchange)

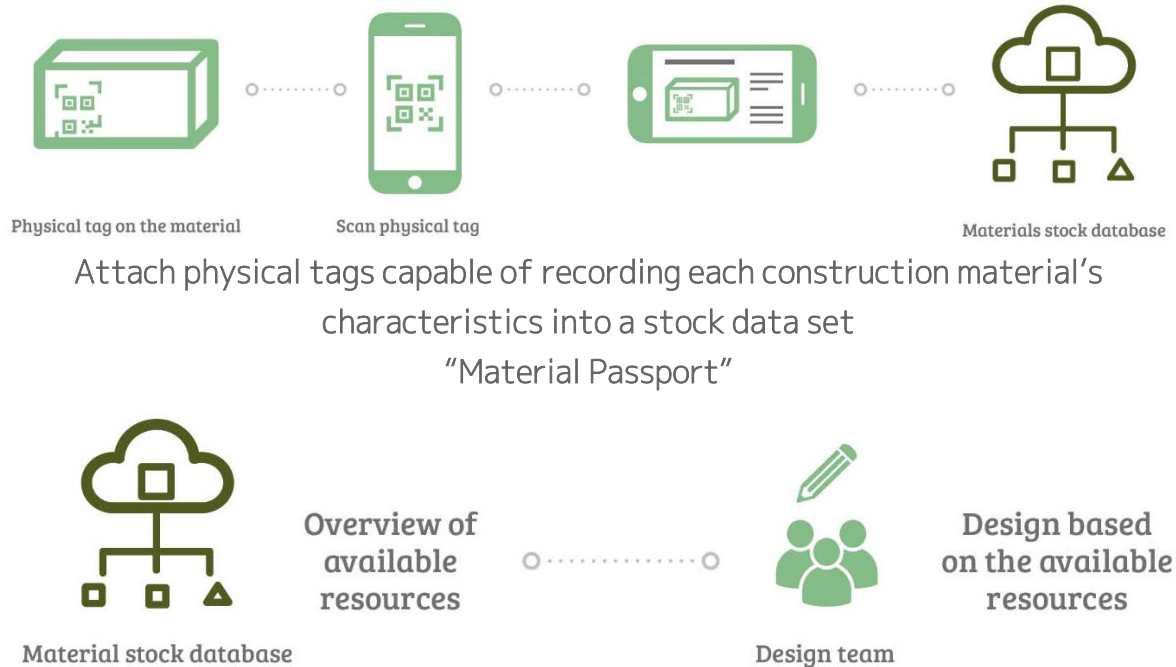
- Project Name : Detailed design of the LAGUNA LAKESHORE ROAD NETWORK PROJECT
- Country / Region : The Republic of the Philippines / Manila Metropolitan Area
- Construction Period : December 2021 ~ August 2023
- Project Details : This is a joint project carried out by 4 Japanese companies, with CTI Engineering International as lead managers, which was chosen by The Republic of the Philippines' Department of Public Works and Highways.

Financing was provided by the Asian Development Bank, and this project involved the detailed planning of a road network boasting a total of 50.8 km in length, consisting of a 37.4 km main lane, 8 interchange exits (7.3 km), and 6.1 km in access roads.

# Overseas Projects Showcase (Awards Received)



Construction plan for the "Edenica" commercial building, leveraging "Material Passport"



Leverage data from "Material Passport" into design

## ★Waterman won "Best Net Zero Project" at the ACE's (Association for Consultancy and Engineering) Consultancy and Engineering Awards

Waterman Group was awarded the "Best Net Zero Project Award" for its design of the "Edenica" commercial building, which leverages "Material Passport," which places heavy emphasis on the concept of a circular economy. "Material Passport" refers to data sets recording the composition of building materials, and is a technology facilitating the current use of construction materials, as well as their future salvage and reuse.

# 2

Partial revision to the Mid-Term  
Management Plan for 2024 and 61st  
Term (2023) Management Plan



# Partial revision to the Mid-Term Management Plan for 2024



## Main changes to the Mid-Term Management Plan for 2024

- ◆ Revision to profit margin resulting from an increase in order unit value and improvements in productivity (ROE=10%)
- ◆ Enhancing key focus domains (information services and development, energy)

## 61st Term Management Plan

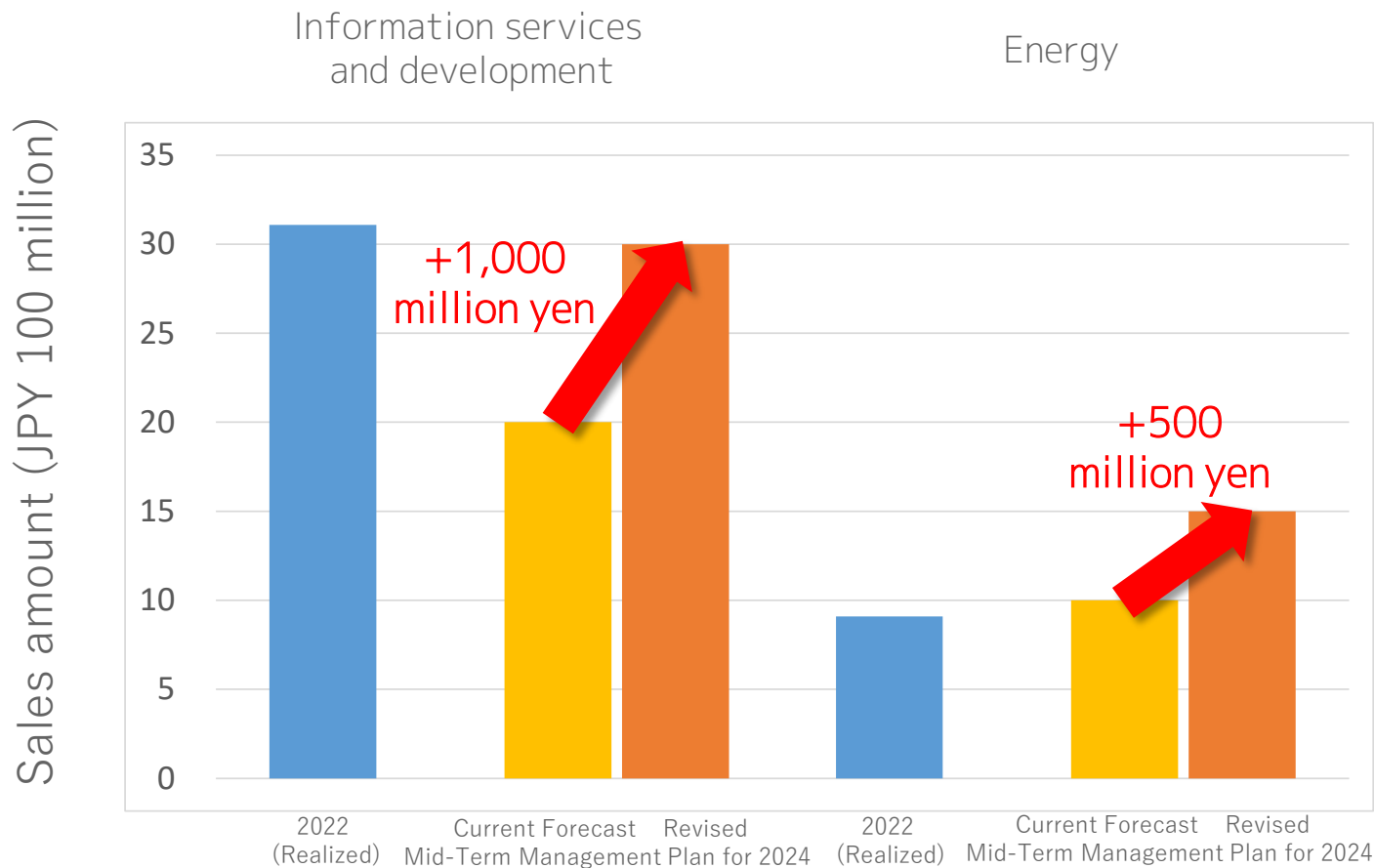
- Enhance **personnel** and training, as well as investment in human resources through revisions to the remuneration system, etc.
- Enhance investment related to development and quality improvements, in order to **further strengthen our Company's technological competitiveness**
- Enhance R&D investment toward **business expansion and increases in productivity**

(JPY 100 million)

		Mid-Term Management Plan for 2024					
		60th Term (2022)		61st Term (2023) (Forecast)	MTMP 2024 (2024)		
		Forecast	Realized		Initial	Revised	Change (%)
Consolidated	Orders Received	790	858.9	840	850	850	—
	Sales Amount	780	834.9	840	850	850	—
	Operating Income	64	80.2	72	68	77	+13.2%
	Operating Income Margin	8.2%	9.6%	8.6%	8.0%	9.1%	+1.1pt
Non-Consolidated	Orders Received	500	512.3	520	550	550	—
	Sales Amount	490	513.6	520	550	550	—
	Operating Income	56	67.1	63	55	64	+16.4%
	Operating Income Margin	11.4%	13.1%	12.1%	10.0%	11.6%	+1.6pt

# Partial revision to the Mid-Term Management Plan for 2024

- Revised the forecast figures for the Company's key focus domains (information services and development, energy)



# 61st Term (2023) Management Plan

## 61st Term Business Plan (Non/Consolidated)

(JPY Million)

		60th Term 2022 (Realized)	61st Term 2023 (Forecast)	Change (%) (YoY)	MTMP 2024 (2024)
C o n s o l i d a t e d	Orders Received	85,887	84,000	△2.2%	85,000
	Sales Amount	83,485	84,000	+0.6%	85,000
	Operating Income (O I M a r g i n)	8,017 (9.6%)	7,200 (8.6%)	△10.2% (△1.0pt)	7,700 (9.1%)
	Ordinary Profit	8,235	7,300	△11.4%	—
	Net Income Attributable to Owners of the Parent	5,874	4,900	△16.6%	—
N o n - c o n s o l i d a t e d	Orders Received	51,226	52,000	+1.5%	55,000
	Sales Amount	51,359	52,000	+1.2%	55,000
	Operating Income (O I M a r g i n)	6,705 (13.1%)	6,300 (12.1%)	△6.0% (△1.0pt)	6,400 (11.6%)
	Ordinary Profit	7,024	6,500	△7.5%	—
	Net Income Attributable to Owners of the Parent	5,167	4,500	△12.9%	—
	D i v i d e n d s	100 yen	100 yen	—	—

# 61st Term (2023) Management Plan

## Concept of the Management Plan (Domestic Consulting Engineering Business)

### ■ Status and challenges

- There is a need for continued active investment in the business of public sector projects and to execute business structure transformation adapted to changes in initiatives related to the promotion of strengthening national land resilience
  - Further enhance market and business expansion into the domains of projects related to Local Government and the private sector; further enhance technical competitiveness capabilities
  - Accelerate the promotion of DX and achieve productivity improvements through production system reform
- There is a need to develop an ability to comprehensively and steadily address risks – which now present themselves in a multiplicity of ways – and create a work environment where all employees can work with a sense of security and peace of mind

### ■ 61st Term (2023) Business Plan – Concept

- We expect orders received to increase by 1.4% YoY, taking into account the need to alleviate employee workloads
- We expect operating income to decrease slightly, taking into account pro-active investment to be undertaken in the execution of business expansion
  - Enhance investment in human resources, by enhancing personnel and employee training, as well as through revisions to the remuneration system
  - Enhance investment related to technical development and quality improvements, with an eye toward strengthening our technical competitiveness capabilities
  - Enhance investment in R&D in order to realize business expansion and improvements in productivity

(JPY million)

		60th Term (2022)			61st Term (2023) Forecast	YoY Change (%)
		Initial Forecast	Realized	Achievement (%)		
Domestic Consulting Engineering Business	Orders Received	56,400	58,191	103.2%	59,000	+1.4%
	Sales Amount	55,800	58,160	104.2%	59,000	+1.4%
	Operating Income (OI Margin)	5,800 (10.4%)	6,885 (11.8%)	118.7% (+1.4pt)	6,500 (11.0%)	△5.6% (△0.8pt)

# 61st Term (2023) Management Plan

## Concept of the Management Plan (Overseas Consulting Engineering Business)

### ■ Status and challenges

- While this business has for the most part recovered from the impact of COVID-19, inflation on a global scale has emerged as a factor weighing down on results
- Continue active initiatives to enhance intra-Group coordination, such as the secondment of engineers to Waterman and the training of engineers at CTI Pilipinas

### ■ 61st Term (2023) Business Plan – Concept

- Orders received, sales amount, and operating income targets formulated taking into account an environment of economic uncertainty against the backdrop of the conflict in Ukraine and rising inflation
- Ramp up intra-Group coordination, in light of a recovery from the impact of COVID-19

(JPY million)

		60th Term (2022)			61st Term (2023) Forecast	Change (%) (YoY)
		Initial Forecast	Realized	Achievement (%)		
Overseas Consulting Engineering Business	Orders Received	<b>22,600</b>	27,696	+122.6%	<b>25,000</b>	△9.7%
	Sales Amount	<b>22,200</b>	25,325	+114.1%	<b>25,000</b>	△1.3%
	Operating Income (OI Margin)	600 (2.7%)	1,131 (4.5%)	+188.6% (+1.8pt)	<b>700</b> <b>(2.8%)</b>	△38.1% (△1.7pt)

# 61st Term Management Plan Slogan

## ■ 61st Term Management Plan Slogan

All employees working together to accelerate  
business structure transformation and the  
evolution of production systems

## ■ Key focus themes for the 61st Term Management Plan

- Promote business structure transformation
- Promote the evolution of production systems
- Enhance governance
- Promote sustainability management

Thank you for listening!

