CTI Engineering Co., Ltd.

Transcription of 62nd (2024) Financial Results Presentation

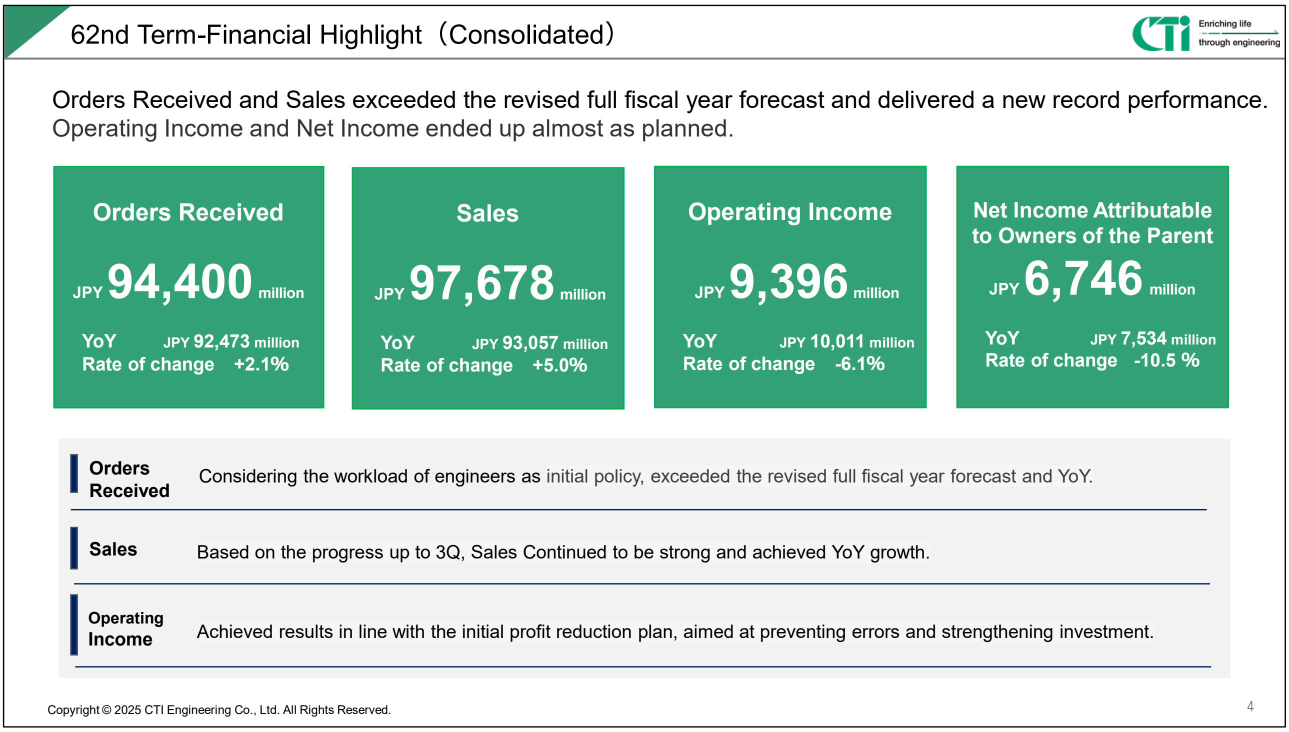
Date and time: 21 February 2025 (Fri) 13:00 - 14:10

Tatsuya Nishimura, Representative Director and President, CEO（hereinafter “Nishimura”）

Nishimura：

Today’s presentation will follow the order outlined in the presentation materials.

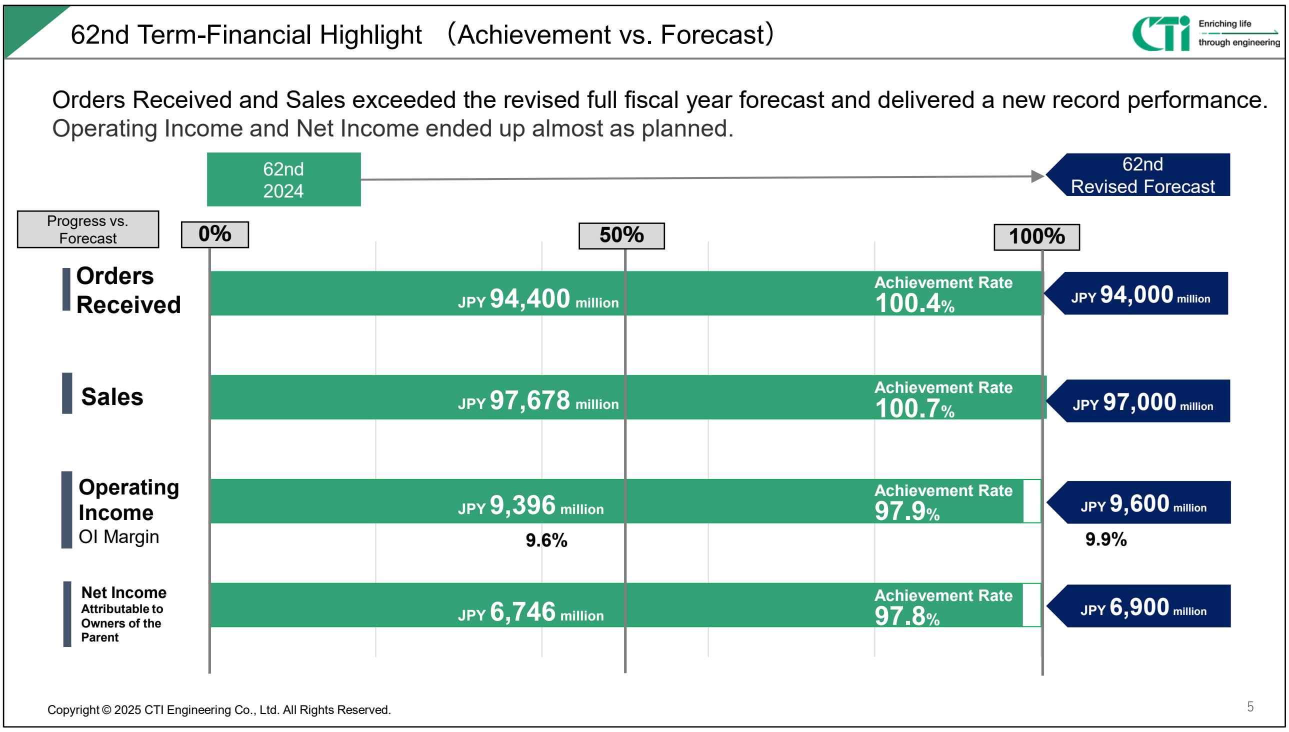
Allow me to start with the financial results for fiscal year 2024.



Nishimura：
This slide shows the consolidated highlights for fiscal year 2024.

We registered 94.4 billion yen in orders received and 97.7 billion yen in sales – corresponding to a year-on-year increase.

Operating income stood at 9.4 billion yen and net income attributable to owners of parent at 6.7 billion yen – while this corresponds to a slight year-on-year decrease, realized results were in line with the revised forecast.



Nishimura：

This slide shows a comparison between realized results and the revised forecast.

Orders received and sales came in slightly above the forecast while operating income and net income ended up as planned, falling just slightly short of the revised figures.

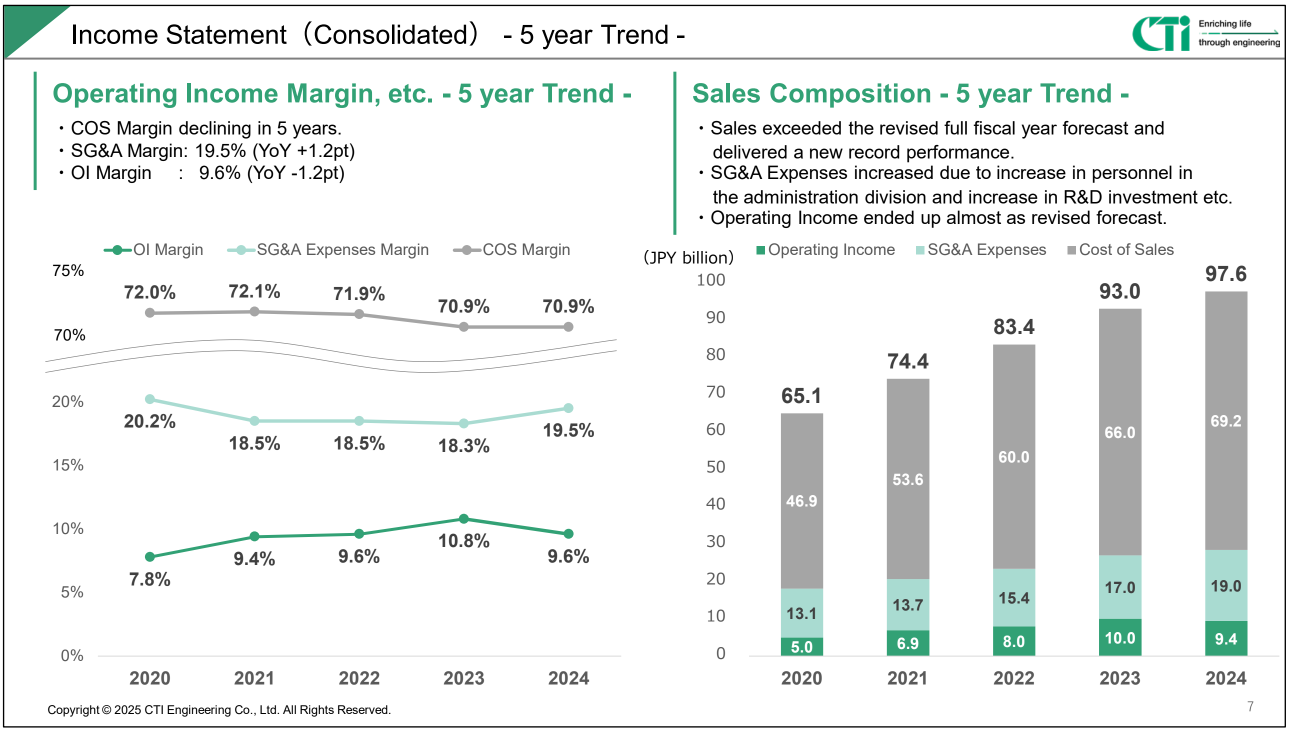
62nd Term-Results Outline（Consolidated）

（JPY million）

Item	61st Term 2023	62nd Term 2024			62nd Term 2024 (Revised FY Forecast)	
			Change(¥) (YoY)	Change(%) (YoY)		Achievement vs. Forecast (%)
Orders Received	92,473	**94,400**	+1,926	+2.1%	94,000	100.4%
Sales	93,057	**97,678**	+4,621	+5.0%	97,000	100.7%
Operating Income	10,011	**9,396**	-614	-6.1%	9,600	97.9%
OI Margin	10.8%	**9.6%**	-	-1.1pt	9.9%	-
Ordinary Profit	10,153	**9,535**	-617	-6.1%	9,700	98.3%
Net Income Attributable to Owners of the Parent	7,534	**6,746**	-788	-10.5%	6,900	97.8%

Nishimura：

This table contains the results for the various line items of orders received, sales, operating income, operating income margin, ordinary profit, and net income attributable to owners of the parent.



Nishimura：

This slide shows the 5-year trend for the consolidated income statement.

Allow me to direct your attention to the graph on the left.

The gray line at the top corresponds to the cost of sales margin, which stood at 70.9% in fiscal year 2024, unchanged from the previous year.

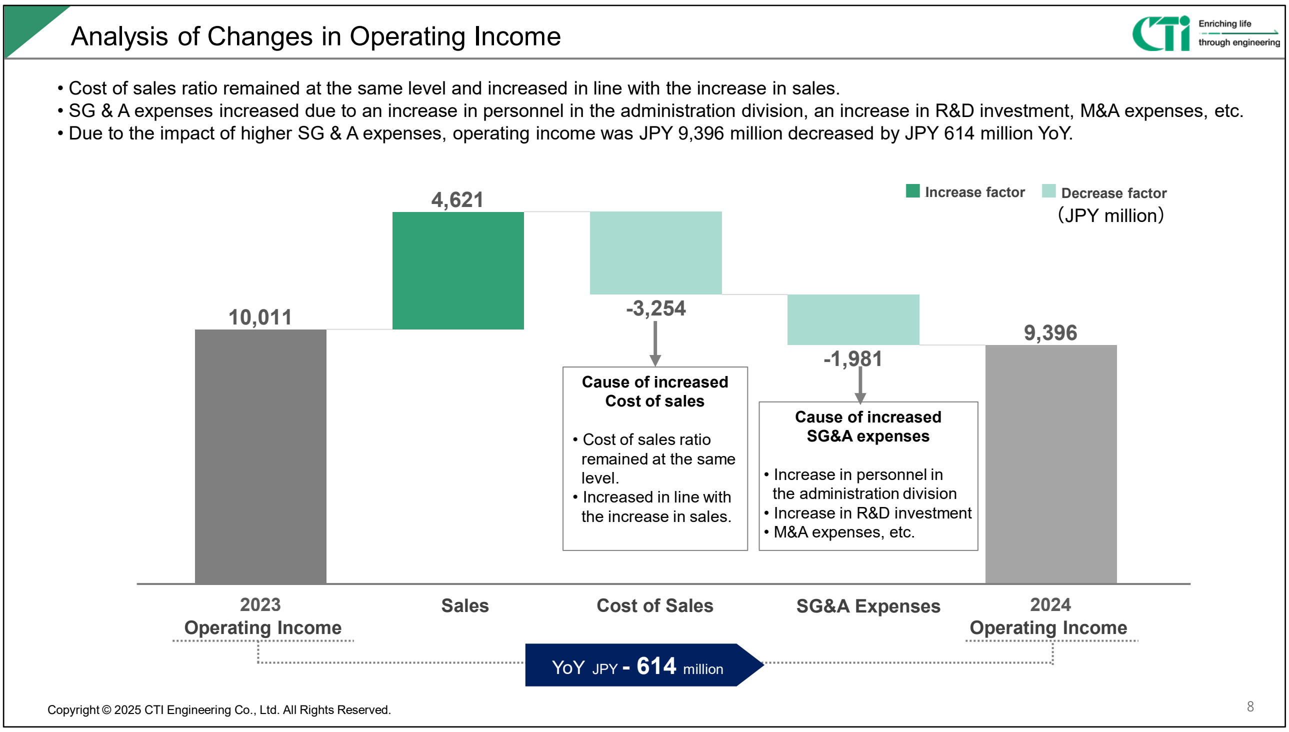
The green line in the middle represents the SG&A expenses margin, which rose by 1.2 percentage points on a year-on-year basis to 19.5%.

SG&A expenses increased due to an increase in personnel in the administrative division and an increase in R&D investment.

Consequently, the operating income margin decreased slightly to 9.6%, on account of higher SG&A expenses.

Next, the vertical bar graph on the right shows the 5-year trend in terms of the sales composition.

As you can see, sales have grown at a strong pace over the years.



Nishimura：

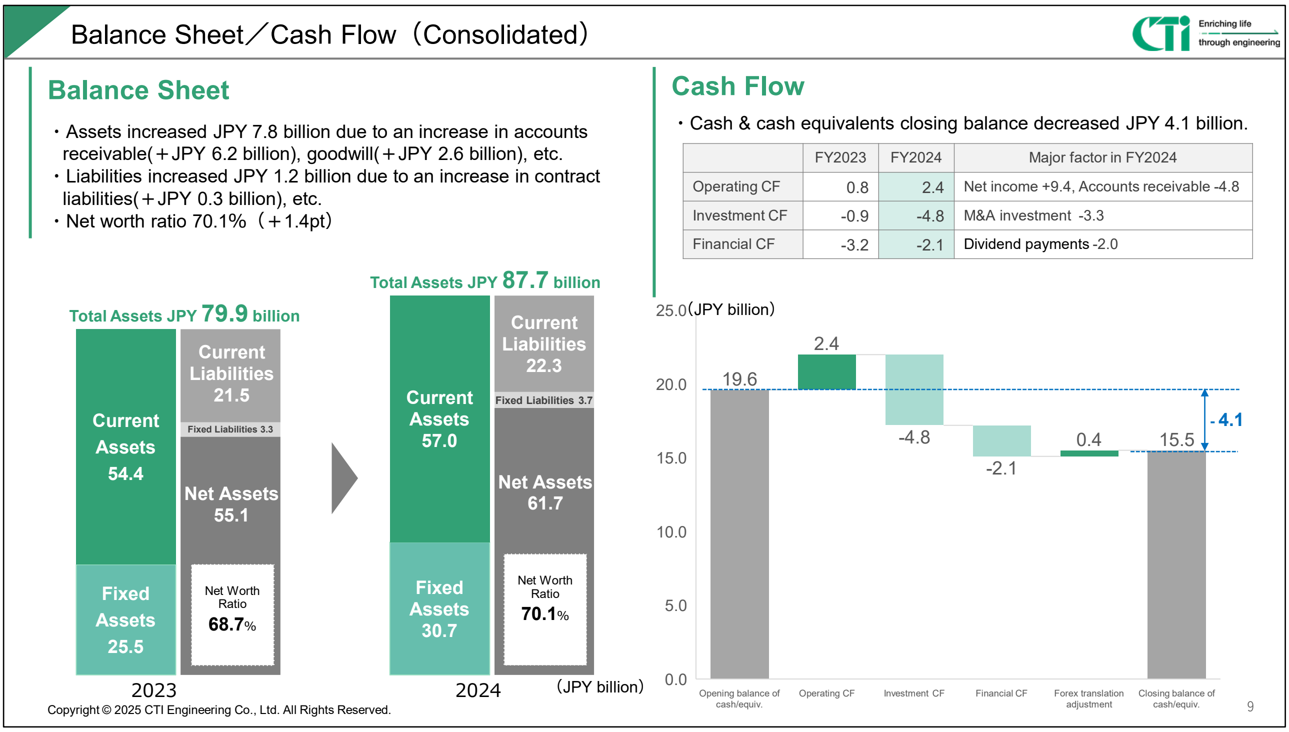
This waterfall chart shows an analysis of changes in operating income.

We registered around 10 billion yen in operating income for fiscal year 2023.

From this baseline, sales increased by 4.6 billion yen and this increase was followed by a higher cost of sales, which weighed down on operating income by 3.25 billion yen.

SG&A expenses also weighed down on operating income – by around 2 billion yen.

All in all, operating income came in at 9.4 billion yen in fiscal year 2024.



Nishimura：

The left-hand side contains a balance sheet comparison between fiscal years 2023 and 2024.

Assets increased by 7.8 billion yen due to an increase in accounts receivable and goodwill amortization.

Liabilities increased by 1.2 billion yen due to an increase in contract liabilities.

Lastly, CTI Engineering's net worth ratio stood at 70.1%, which corresponds to a year-on-year increase of 1.4 percentage points.

Next is the cash flow statement.

The opening balance of cash and cash equivalents stood at 19.6 billion yen.

Operating cash flow increased to 2.4 billion yen on account of an increase in net income before income tax and a decrease in accounts receivable.

We registered investment cash outflows of 4.8 billion yen as a result of M&A investment, and an outflow of 2.1 billion yen in financial cashflows resulting from the payment of dividends.

All put together, the cash and cash equivalents closing balance decreased by 4.1 billion yen to 15.5 billion yen at the end of fiscal year 2024.

62nd Term-Results Outline by Segment：Domestic Business

Enriching life through engineering

Orders Received and Sales exceeded the revised forecast, Operating Income ended as planned.

- Orders received continued to be strong from the previous year due to " Five years acceleration measures for disaster prevention, mitigation and national resilience" , achieving 105.2% of the revised forecast.
- Sales increased due to an increase in sales in business areas such as energy, urban and construction, environmental analysis and PPP, achieving 101.4% of the revised forecast.
- Operating income was in line with the revised forecast. (99.0% of the forecast)

(JPY million)

	61st Term 2023	62nd Term 2024			62nd Term 2024 (Revised FY Forecast)	
			Change(¥) (YoY)	Change(%) (YoY)		Achievement vs. Forecast (%)
Orders Received	62,161	**65,724**	+3,563	+5.7%	62,500	105.2%
Sales	64,473	**66,945**	+2,471	+3.8%	66,000	101.4%
Operating Income	8,943	**8,610**	-333	-3.7%	8,700	99.0%
OI Margin	13.9%	**12.9%**	-	-1.0pt	13.2%	-

Nishimura：

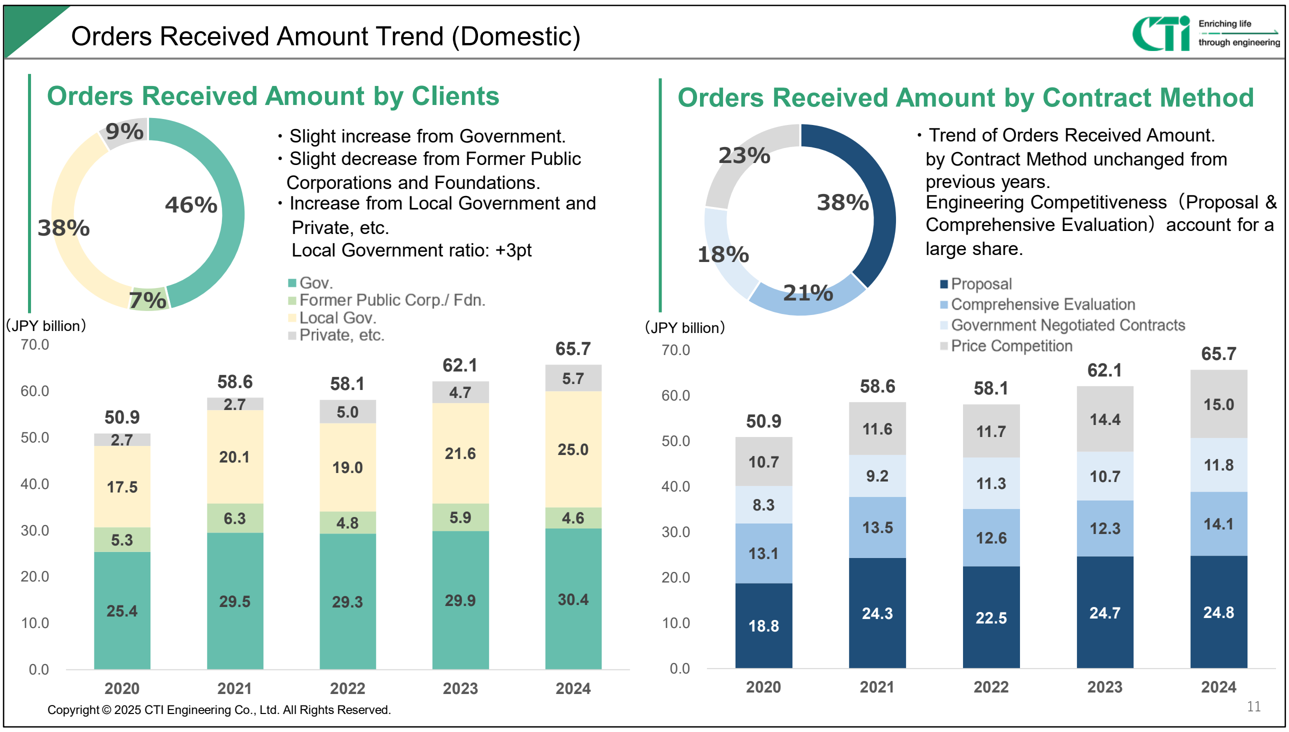
I would now like to go over the results outline by segment, starting with the Domestic Consulting Engineering business.

Orders received stood at 65.7 billion yen and sales at 66.9 billion yen – both growing on a year-on-year basis and exceeding the revised forecast numbers.

Operating income stood at 8.6 billion yen, down on a year-on-year basis, but more or less in line with the revised forecast.

The operating income margin was 12.9%.

We registered an increase in orders received and sales thanks to higher orders and sales associated with the Japanese government's disaster prevention, mitigation, and national resilience plan, as well as orders and sales in the business areas of energy, urban and construction, environmental analysis, and PPP.



Nishimura：

Next is a breakdown of the orders received amount by clients within the Domestic Consulting Engineering business – shown here on the left.

We registered a slight year-on-year increase in orders from the Ministry of Land, Infrastructure, Transport and Tourism and a significant increase from local governments.

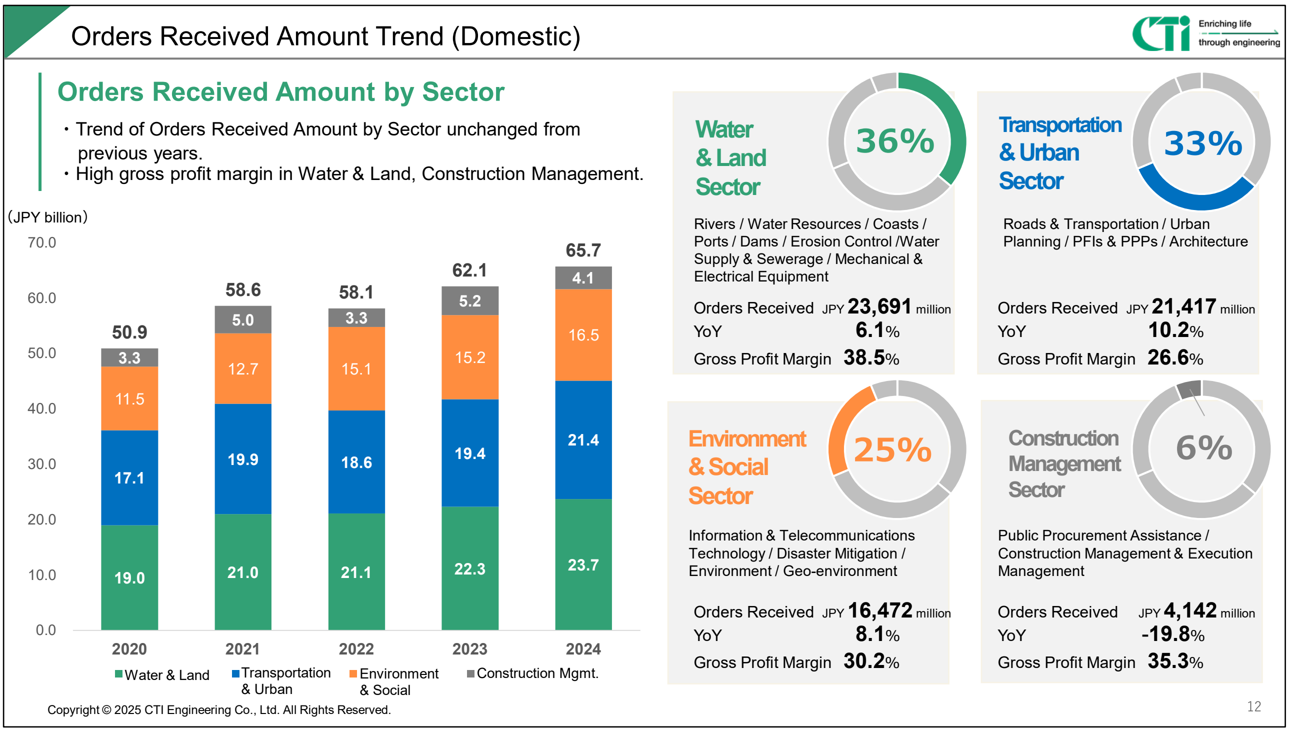
Orders from private entities also increased by around 1 billion yen – a significant year-on-year increase.

Next, on the right, we have a breakdown of the orders received amount by contract method.

Starting from the bottom we have the Proposal contract method, followed by Comprehensive Evaluation.

Orders received through the Proposal contract method were in line with last fiscal year, and we also grew order amounts associated with the Comprehensive Evaluation and Price Competition methods.

As you can see from the pie chart, the Proposal and Comprehensive Evaluation contract methods account for around 60% of the orders received amount total.



Nishimura：

The vertical bar graph on the left contains an overview of orders received amount by sector.

Starting from the bottom, we have the sectors of Water and Land, Transportation and Urban, Environment and Social, and Construction Management.

We continue growing the sectors of Water and Land, Transportation and Urban, and Environment and Social.

While the orders received amount for Construction Management is down slightly, this was on account of the fact that we secured two year’s worth of orders in 2023.

Additionally, the respective share percentage per segment – shown here in the pie charts on the right – remains mostly in line with last year.

62nd Term-Results Outline by Segment：Overseas Business

Sales were almost in line with the revised forecast.
Operating income fell short of the plan due to a rise in personnel costs, etc.

Orders Received were 91.0% of the revised forecast, Sales were 99.1%, and Operating Income was 85.9%.

（JPY million）

	61st Term 2023	62nd Term 2024			62nd Term 2024 (Revised FY Forecast)	
			Change(¥) (YoY)	Change(%) (YoY)		Achievement vs. Forecast (%)
Orders Received	30,312	**28,676**	-1,636	-5.4% (-13.4%)	31,500	91.0%
Sales	28,583	**30,733**	+2,150	+7.5% (-0.9%)	31,000	99.1%
Operating Income	1,073	**773**	-299	-27.9% (-33.6%)	900	85.9%
OI Margin	3.8%	**2.5%**	-	-1.2pt	2.9%	-

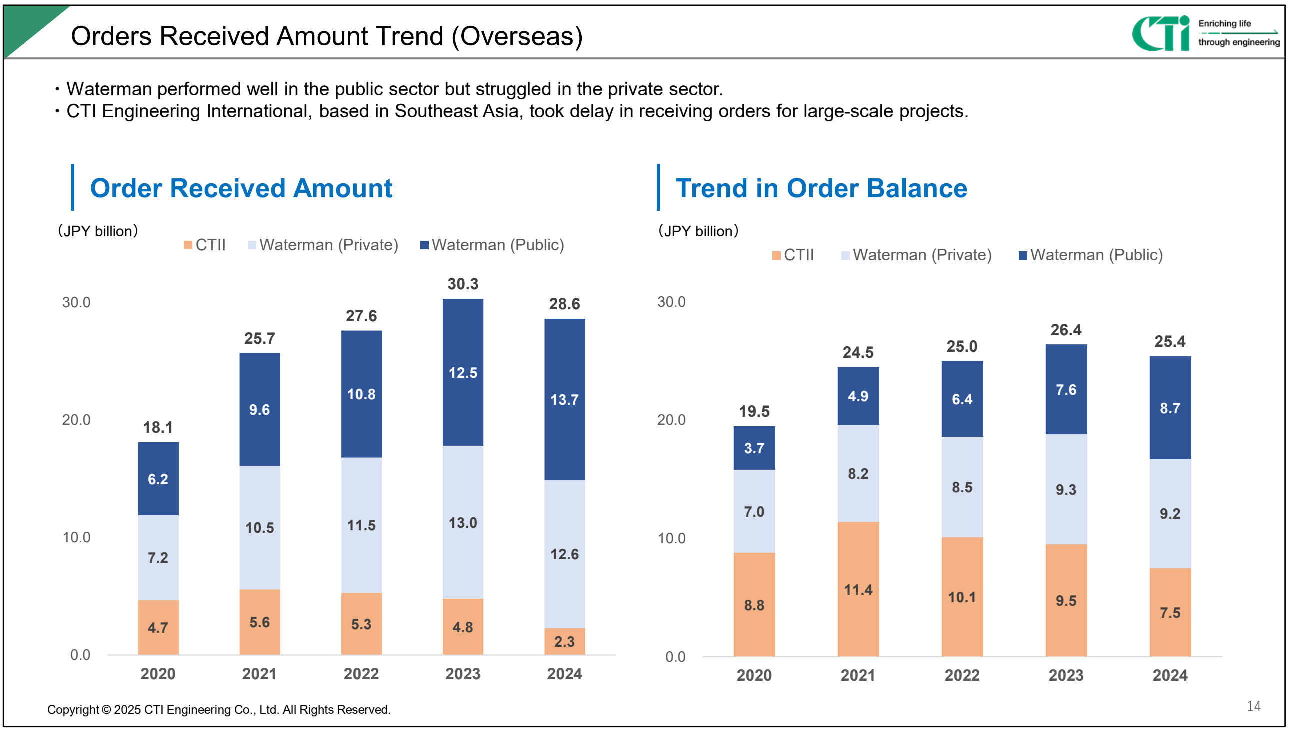
※Orders Received amount includes amount changes from currency fluctuations associated with the end-of –FY order backlog at our overseas subsidiaries.
The figures in parenthesis represent at change percentage excluding the foreign currency adjustment of our overseas subsidiaries.

13

Nishimura：
I would now like to go over the results outline for the Overseas Consulting Engineering business.

Orders received stood at 28.7 billion yen – a slight year-on-year decrease. Conversely, sales came in at 30.7 billion yen, up on a year-on-year basis.

Operating income stood at close to 800 million yen, corresponding to a year-on-year decrease.



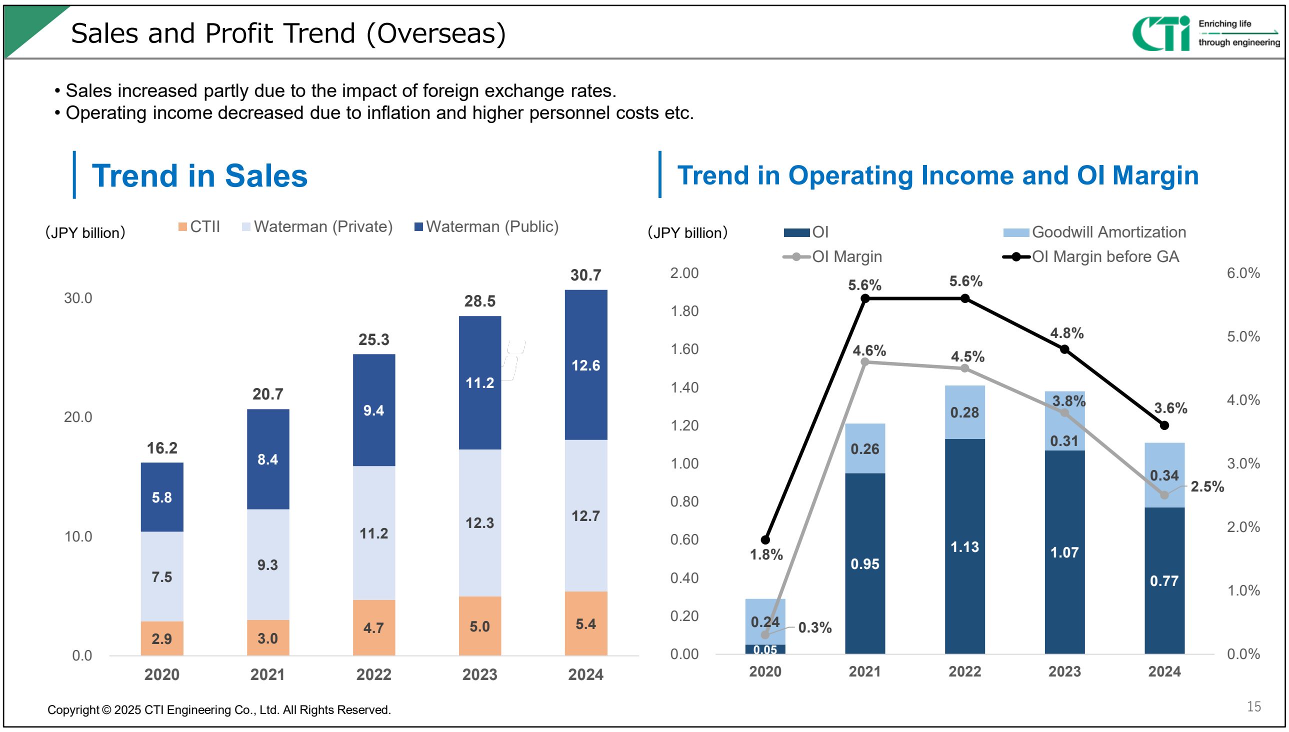
Nishimura：
The vertical bar graph on the left shows the trend in the orders received amount.

Looking at the graph, Waterman’s private and public-sector related businesses – shown in navy and light blue – continued growing the orders received amount at a strong pace.

Receipt of orders for large-scale projects was delayed into 2025 for CTI Engineering International – shown at the bottom of the vertical bars – so this caused a decrease in the orders received amount.

The trend in order balance is shown on the right.

The aforementioned decrease in the orders received amount for CTI Engineering International also translated into a slight decrease in the order balance for this Group company.



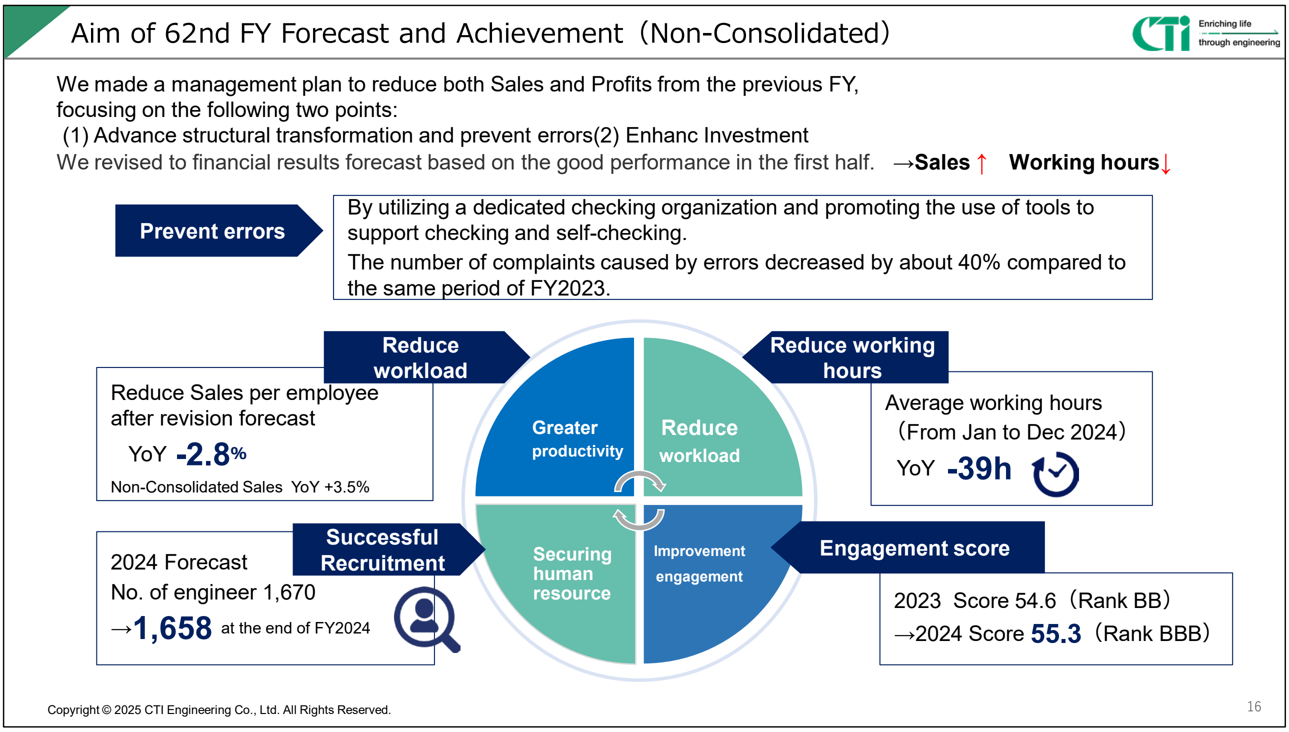
Nishimura：
The vertical graph on the left shows the trend in sales.

Earlier, I mentioned a decrease in the orders received amount for CTI Engineering International, but this Group company was nevertheless able to grow sales on a year-on-year basis.

Waterman, too, recorded a sales increase over the same period.

The graph on the right shows the trend in operating income margin.

After the amortization of goodwill, the operating income margin has decreased to 2.5% – on account of inflationary pressures, and soaring personnel expenses.



Nishimura：

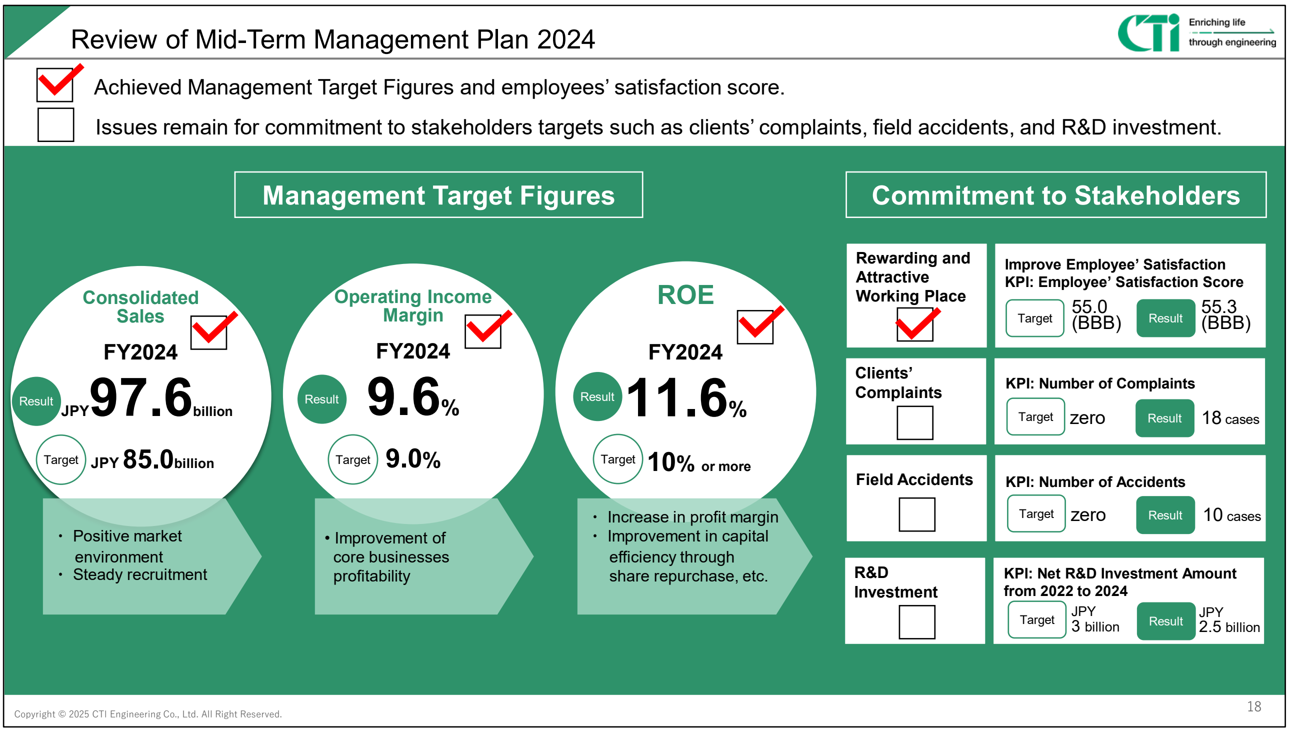
We initially forecast a year-on-year decrease in profits. Within this scope, we sought to prevent errors by reducing workloads, so I would now like to use this opportunity to go over the results of these measures.

To prevent errors, we utilize a dedicated checking organization and this system led to a year-on-year decrease of 40% in the number of complaints caused by errors.

We reduced employee workloads, reducing sales per employee by approximately 2.8% on a year-on-year basis. This, in turn, allowed us to reduce average working hours by 39 hours.

Regarding our efforts to secure human resources, while we were initially guiding for 1,670 engineers, after welcoming 99 new hires last year, the engineer count stood at 1,658 – slightly below the guidance target.

Lastly, we are targeting an engagement score above 55. Within this scope, we recorded a score of 55.3 for 2024, allowing us to increase our rank to BBB.



Nishimura：
I would now like to discuss the revision of the Mid-to Long-Term Vision2030 and Mid-Term Management Plan 2027.

First is a review of the Mid-Term Management Plan 2024.
The second challenge is enhancing investment.

The CTI Engineering Group was able to meet the targets we set for ourselves within the scope of Mid-Term Management Plan 2024, for the metrics of consolidated sales, operating income, and ROE.

Additionally, circling back to what I said earlier, we also made good on our commitment to stakeholders of offering a rewarding and attractive working place, as we met our engagement score target of 55.

Conversely, we came short of our targets for the number of client complaints, field accidents, and R&D investment.

Review of the Mid-Term Management Plan 2024 (Group Overview)

- Although group cooperation is progressing, challenges remain in accelerating business development, improving management of group companies, and achieving stable management.
- Necessary to strengthen internal controls and improve the efficiency of administrative work.

Business Expansion through Promoting Group Collaboration	Acceleration of Business Development	△	Domestic Business	Group collaboration for production has increased. Challenges remain in accelerating business development.
		△	Overseas Business	Collaboration with Waterman has deepened, however, business development is a challenge.
	Efforts of Group Companies	△		Waterman and ER&S are almost on track to achieve their targets. Other companies need to increase orders and improve profitability to stabilize their business.
	Strengthening of regional subsidiaries	○		Orders received through the joint venture with CTI Engineering, as well as direct orders from the national and local governments, have increased.
Stable management and improved profitability of Group companies		△		Complaints due to errors have decreased, while improvement in profitability has not been achieved.
Strengthening Group Governance		△		Internal controls over labor, cost management, as well as quality and safety management, are insufficient.
Promotion of sustainability management on a Group-wide basis		△		R&D through group collaboration is progressing Promotion of diverse working styles and improvement of the workplace environment are still in developing stages.

Nishimura：
Allow me to go over some of our initiatives.

One such initiative was business expansion through the promotion of Group collaboration.

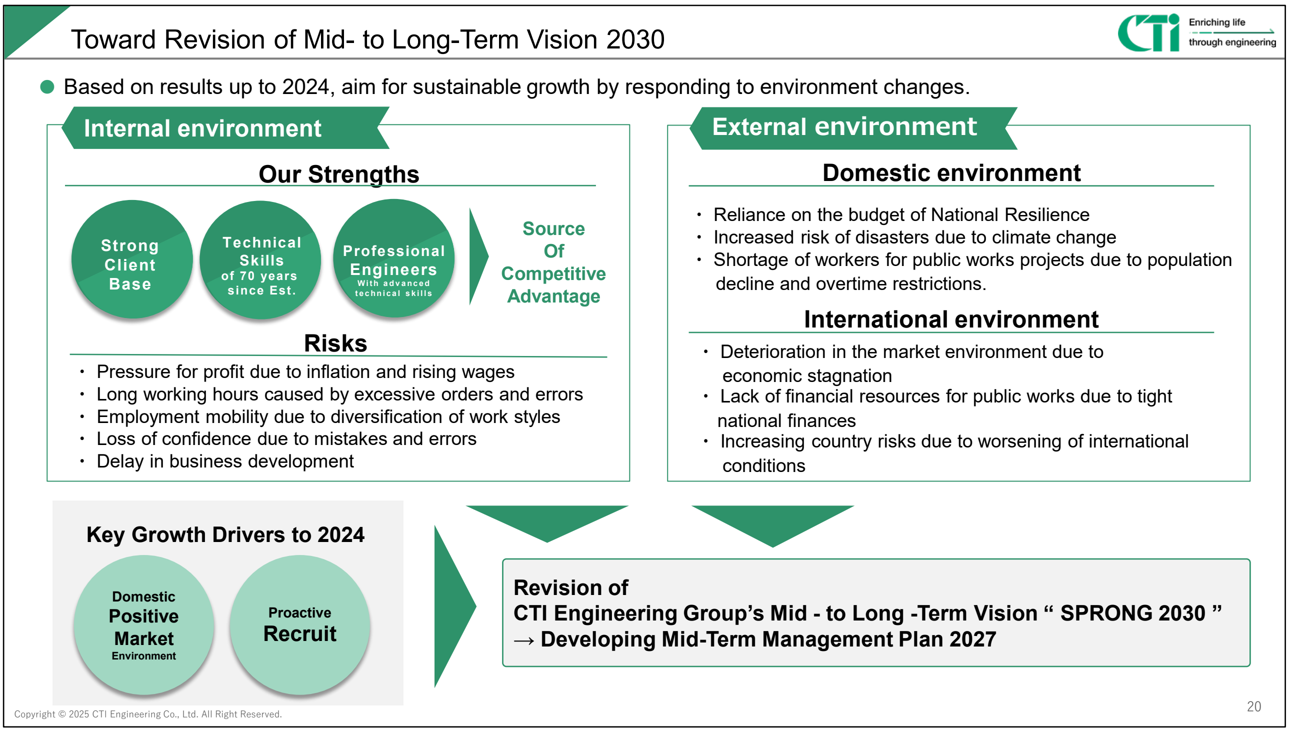
Within this, while we made progress in intra-Group coordination, we believe more needs to be done in terms of the acceleration of business development.

In terms of improvement management at Group consolidated companies, while we are making good progress toward meeting the targets for Waterman and Environmental Research & Solutions, we believe results are still insufficient at other companies.

Another initiative is the strengthening of regional subsidiaries.
Here, orders received through the joint venture with CTI Engineering, as well as direct orders from the national and local governments, have increased, so we have made very good progress.

We are also working toward the stable management and improved profitability of Group companies, the strengthening of Group governance, and the promotion of sustainability management on a Group-wide basis.

Regarding these, we believe there are some issues that need to be addressed, so we believe that more work needs to be done here.



Nishimura：

Based on the results up to 2024 and taking into account the CTI Engineering Group's strengths and the external business environment, we revised the Mid-to Long-term Vision and developed the Mid-Term Management Plan.

Revision of CTI Engineering Group's Mid - to Long -Term Vision " SPRONG 2030 "

Enriching life through engineering

- Sales reached JPY 97.6 billion in FY2024, almost achieving the target of mid- to long-term vision target of JPY 100 billion.
- Considering recent growth, partially revised CTI Engineering Group's Mid- to Long-Term Vision - SPRONG 2030 to raise sales target for 2030 from JPY 100 billion to JPY **130** billion.

CTI Engineering Group's Mid- to Long-Term Vision " SPRONG2030 "

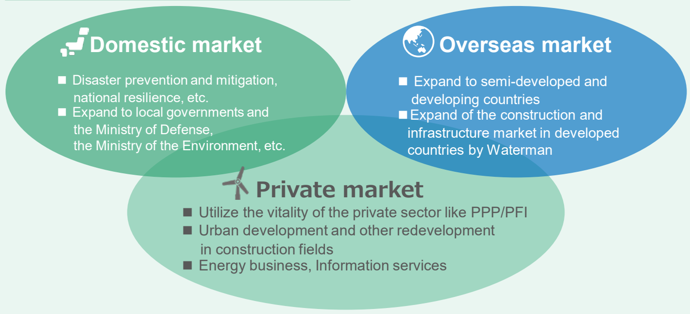
Vision: Global Infrastructure Solutions Group

We aim to make great strides as a "Global Infrastructure Solutions Group" that contributes to the sustainable development of society by facilitating solutions to myriad infrastructure-related challenges in Japan and around the world.

Management Targets Revised

Target year	2030
Sales	JPY **130** billion Domestic sales: **No.1** in Japan (JPY 94 billion) Overseas sales: about 30% of whole sales (JPY 36 billion)
Operating Income	JPY **15** billion (OI Margin **11**% or more)
ROE	**12**% or more
Number of employees	5,000

Direction of markets' expansion Revised



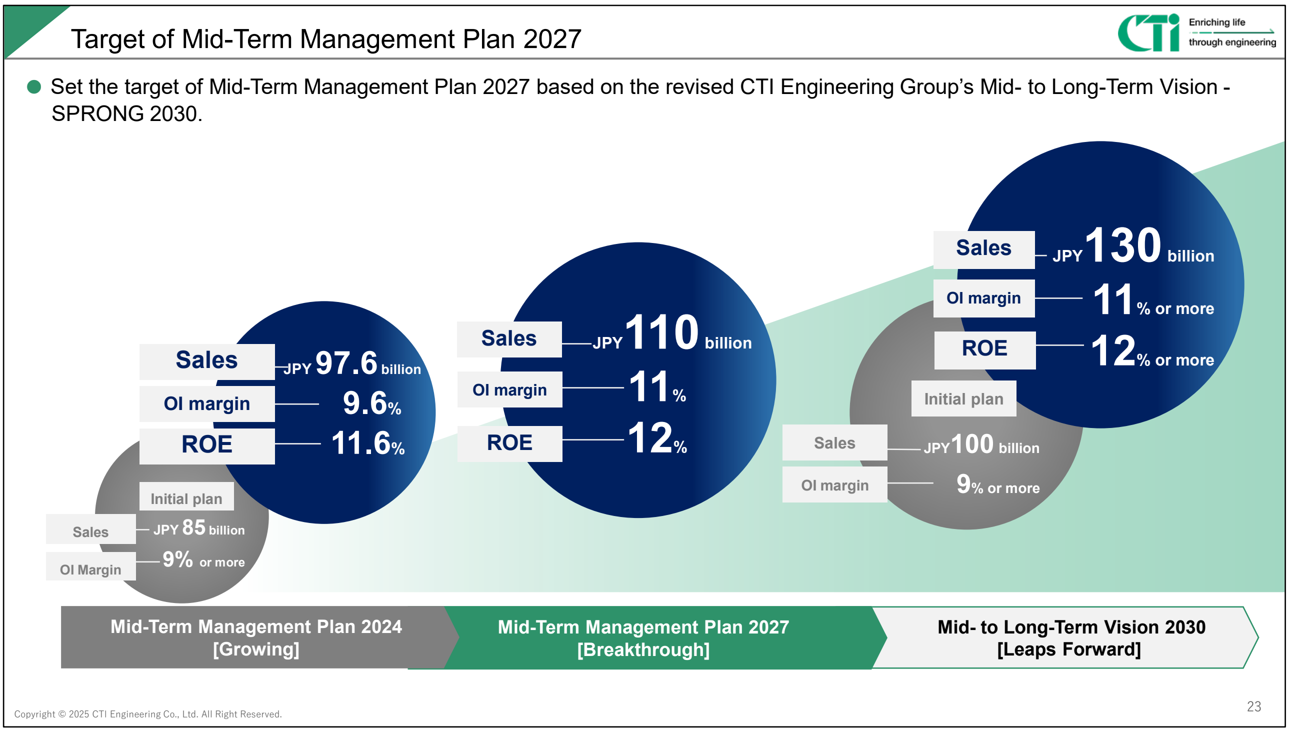
Nishimura：

I would now like to discuss our revision to the CTI Engineering Group's Mid-to Long-Term Vision "SPRONG 2030."

Sales reached 97.6 billion yen in fiscal year 2024, almost achieving our long-term vision target of 100 billion yen.

In light of this, we have raised the sales target for 2030 from 100 billion yen to 130 billion yen.

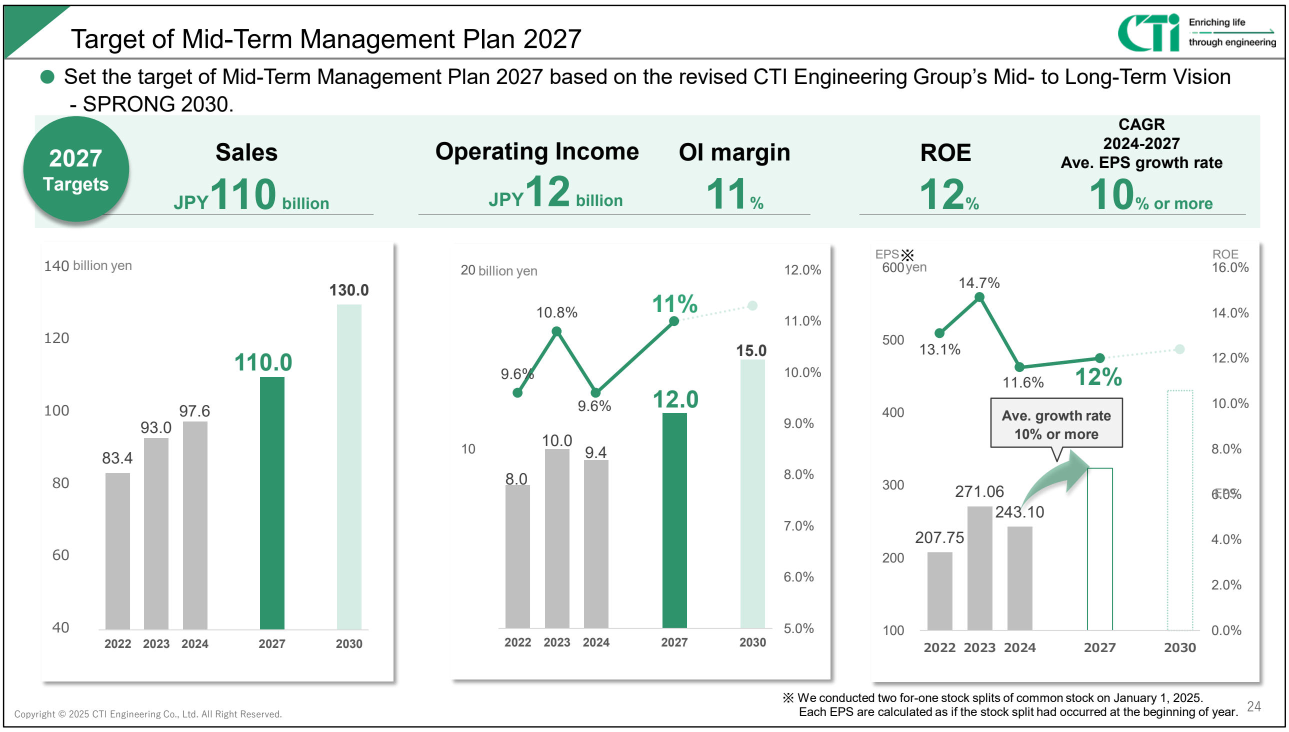
We have also revised the operating income target to 15 billion yen on an operating income margin of 11% or more. We have also added another goal in the form of an ROE target of 12% or more.



Nishimura：

We raised the sales target within the CTI Engineering Group's Mid-to Long-Term Vision to 130 billion yen and registered 97.6 billion yen in 2024.

In light of these results, we have set the targets for the Mid-Term Management 2027 as follows: 110 billion yen in sales, an operating income margin of 11%, and an ROE of 12%.



Nishimura：

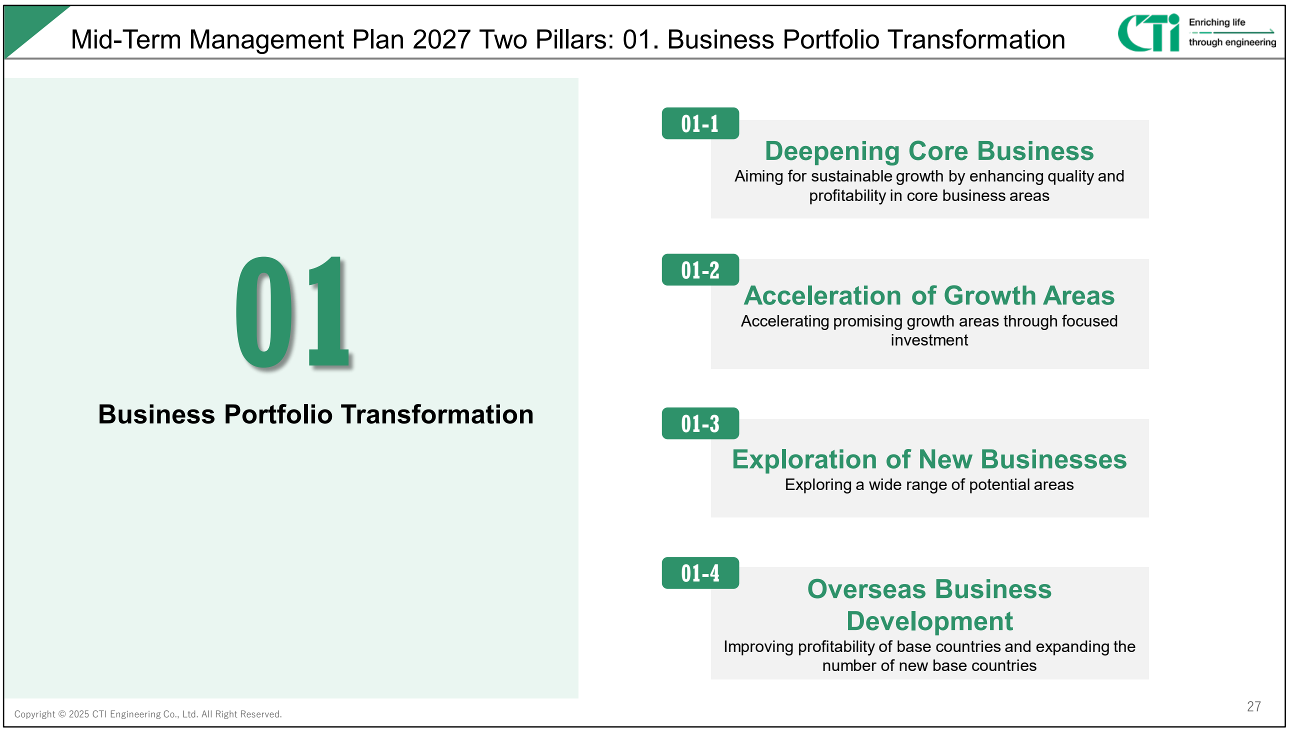
The graphs show the trend over time for the line items of sales, operating income, and operating income margin.

Starting with the Mid-Term Management Plan 2027, we now formulate EPS targets – specifically, we are targeting a CAGR of 10% or more over a three-year period.

Nishimura：

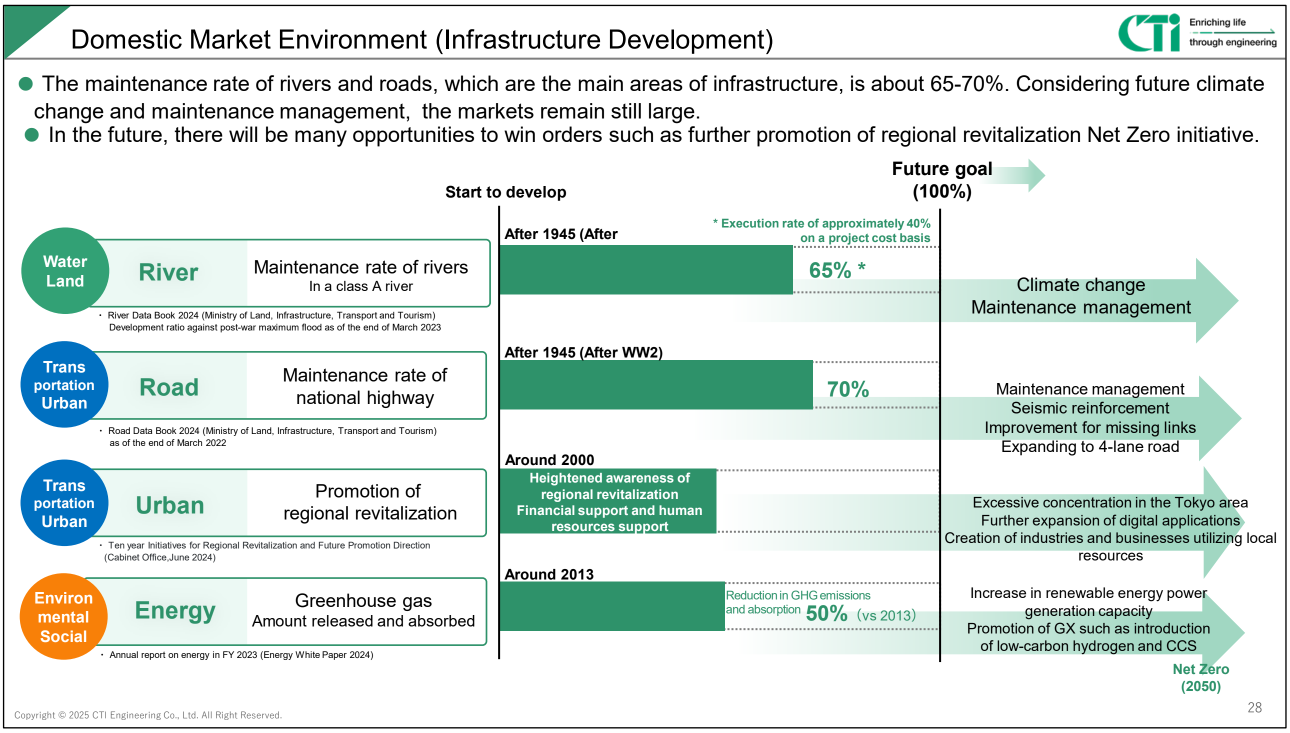
The Mid-Term Management Plan 2027 consists of two pillars through which we expect to meet the management targets we have set for ourselves.

The first pillar is business portfolio transformation, and the second pillar is rebuilding a foundation for growth.



Nishimura：

Within business portfolio transformation, we will be executing the four measures shown here.



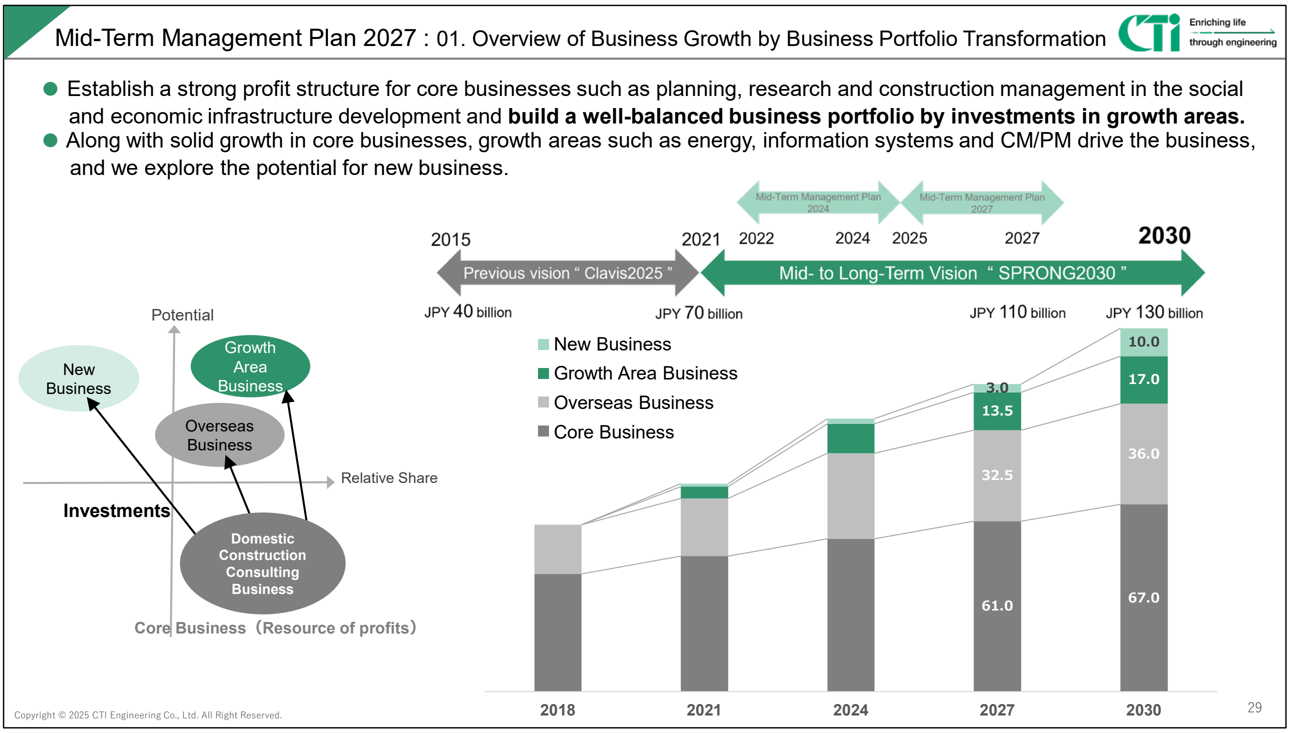
Nishimura：

Before we discuss these measures within the scope of business portfolio transformation, first allow me to share our understanding of trends in the domestic market environment.

The maintenance rate of rivers and roads stands at 65% and 70%, respectively, meaning there is still further demand for maintenance.

In urban areas, we are seeing efforts toward the promotion of regional revitalization, and, in the energy sector, and the absorption and reduction of greenhouse gas emissions in the energy sector.

There are also efforts to mitigate the effects of climate change and the Japanese government’s disaster prevention, mitigation, and national resilience plan, so, in light of this, we believe there will continue to be a growing number of opportunities for engineering consulting companies like ours to offer our services.



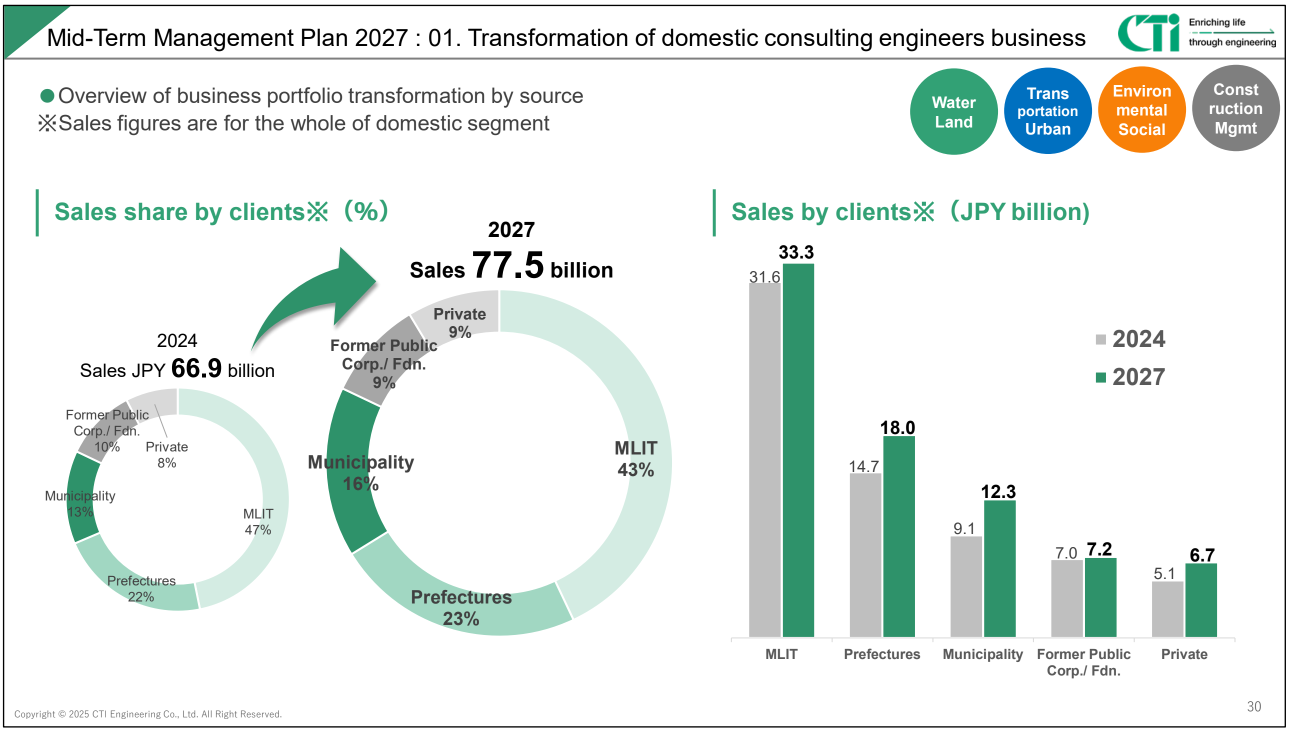
Nishimura：

Within the scope of Mid-Term Management Plan 2027, we seek to build a well-balanced business portfolio adaptive to changes in the business climate.

We seek to deepen our consulting businesses – which are the CTI Engineering Group's core businesses – select several growth areas and accelerate our efforts here, explore new promising businesses, and expand the overseas business.

The CTI Engineering Group will be following a line of attack based on these four initiatives.

The quantitative targets are shown in the vertical bar graph on the right.

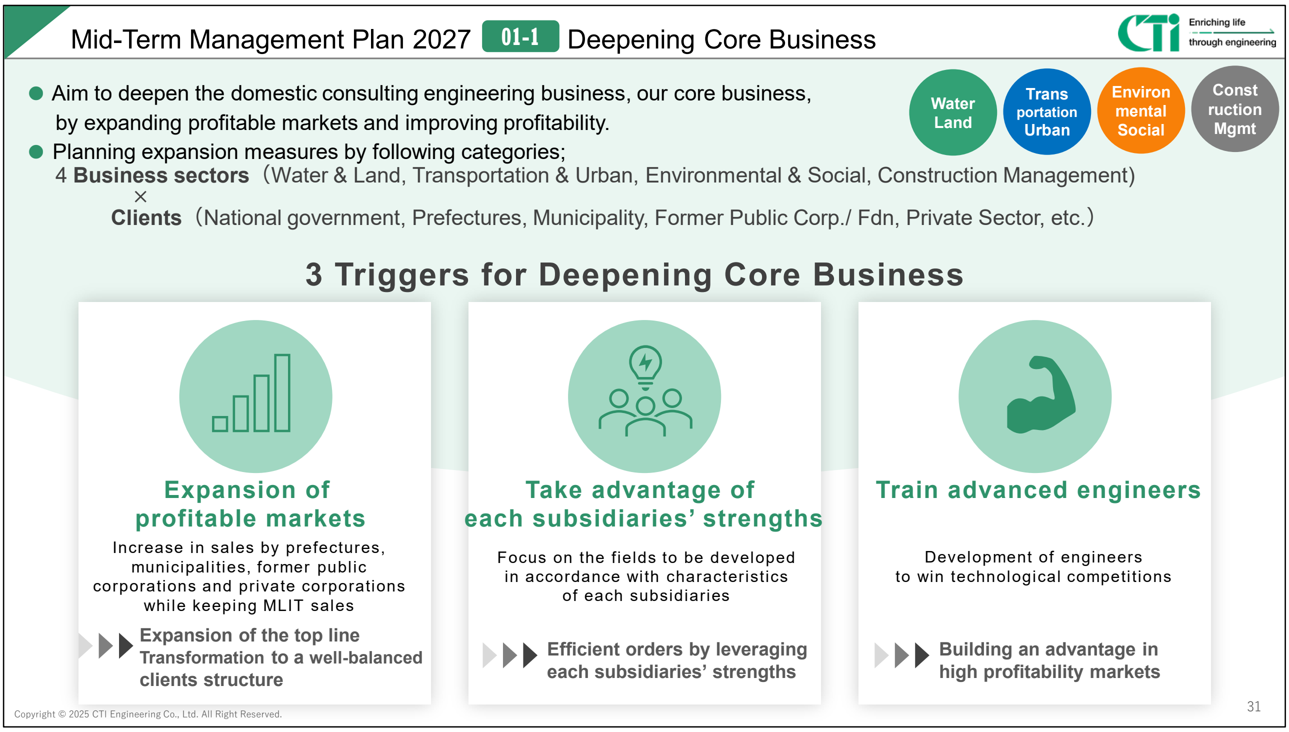


Nishimura：

Next is the projected change in sales by client following the portfolio transformation of the Domestic Consulting Engineering business.

As you can see in the vertical bar graph on the right, we expect to slightly grow sales to the Ministry of Land, Infrastructure, Transport and Tourism.

We also expect to grow sales to prefectures and municipalities, as well as to clients in the private sector.



Nishimura：

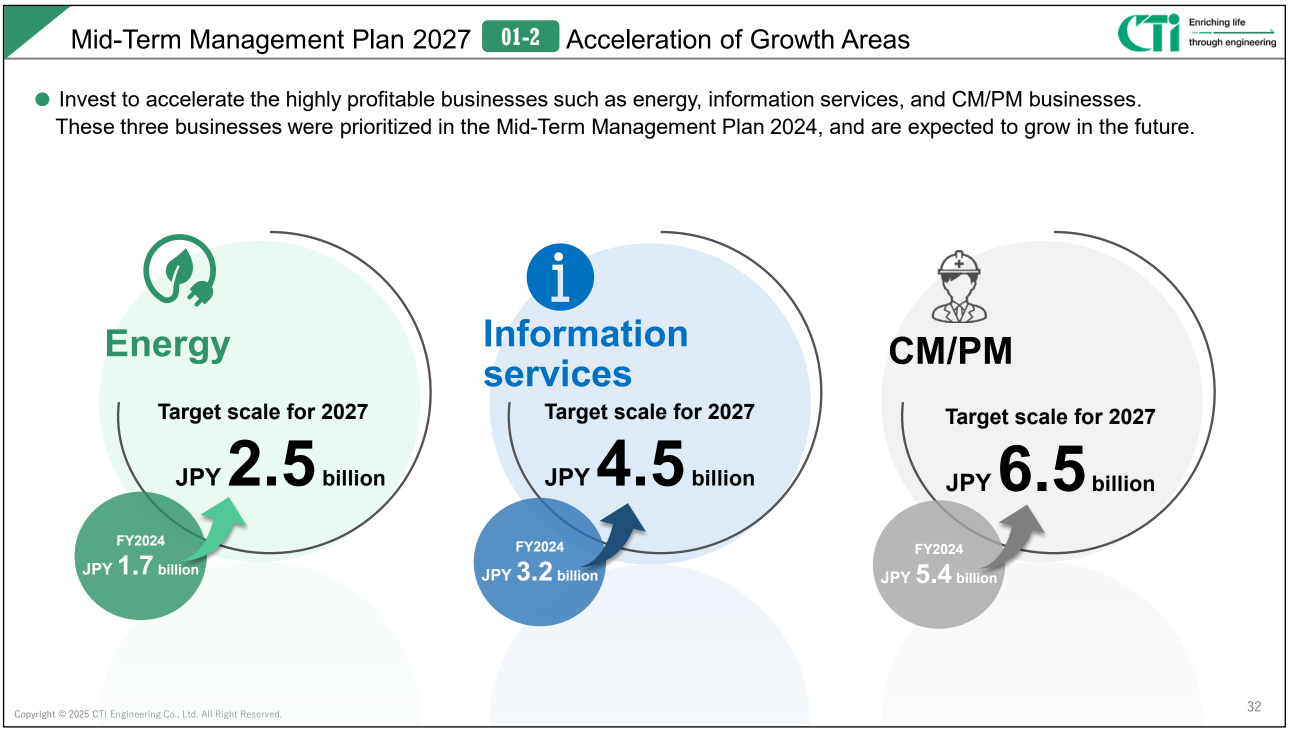
There are 3 triggers for deepening our core business.

First is the expansion of profitable markets, as we seek to increase sales by prefectures, municipalities, and private sector companies.

Second, we want the CTI Engineering Group to take advantage of each subsidiary's individual strengths to secure orders.

Third, we will work to train advanced engineers to do quality work.

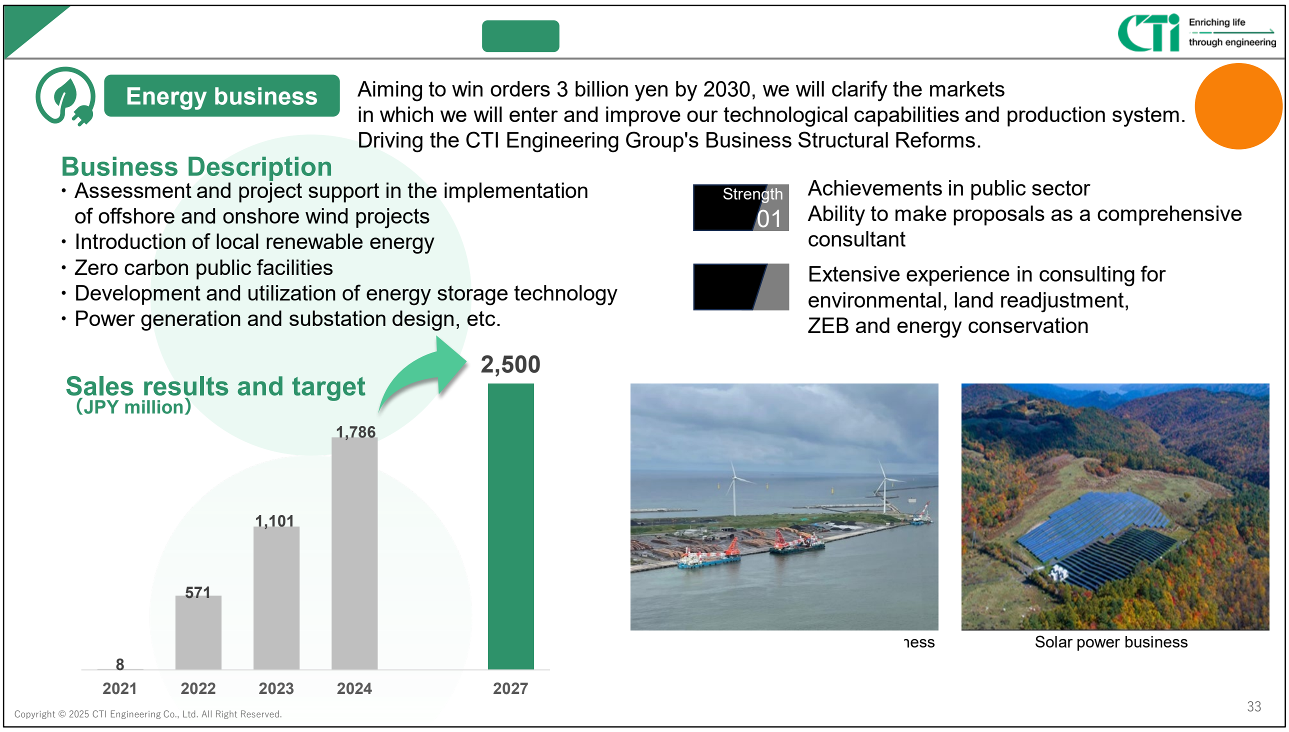
Through these 3 triggers, we will work to deepen our core business.



Nishimura：

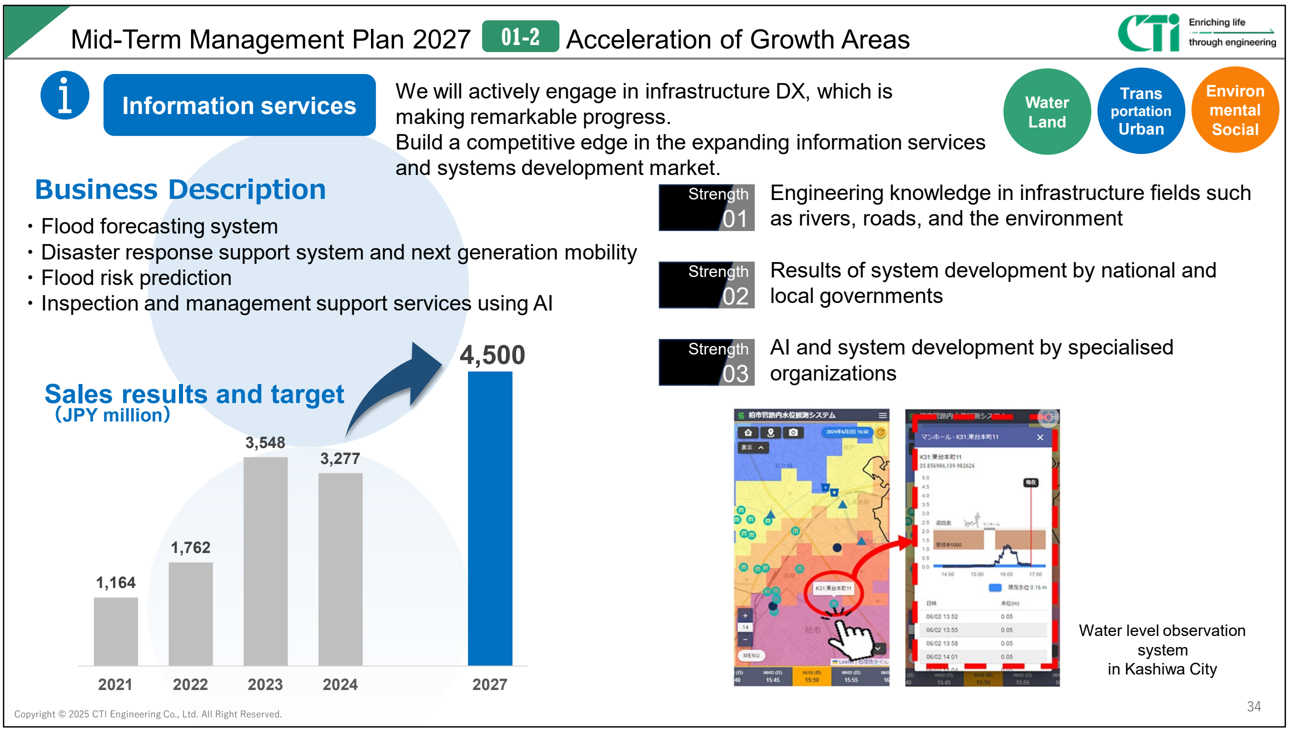
Our second measure is the acceleration of growth areas.

Examples of these growth areas are energy, information services, and CM/PM – which we view as highly profitable businesses that can be expected to continue growing going forward.



Nishimura：
First is the energy business.

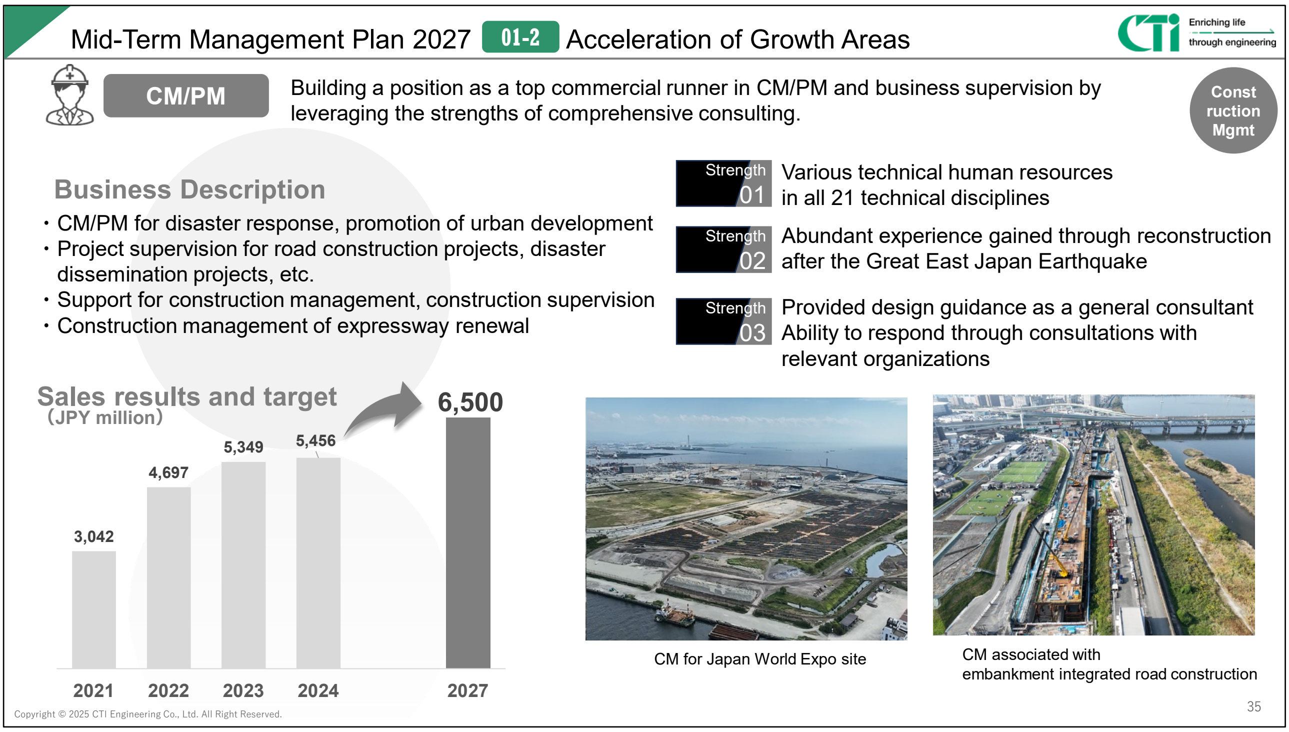
We will continue pursuing this business, offering services related to environmental assessment consulting for wind power generation projects, the adoption of the use of local renewable energy, the development and utilization of energy storage technology, etc. and, through these efforts, we seek to grow sales from just under 1.8 billion yen in 2024 to 2.5 billion yen by 2027.



Nishimura：

In terms of information services, CTI Engineering will offer and deploy its flood forecasting system – which constitutes one of our competitive advantages – disaster response support system, next-generation mobility services, flood risk prevention system, etc.

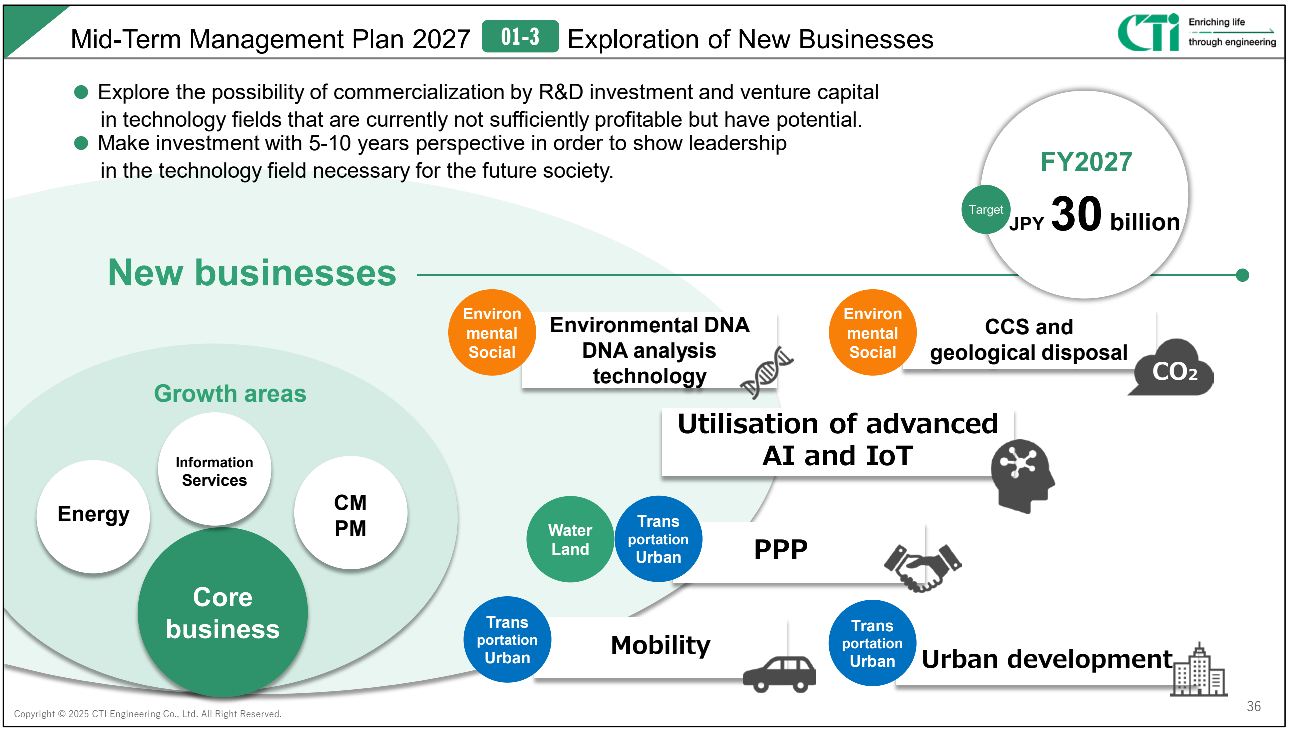
Through these efforts, we seek to grow sales from around 3.3 billion yen in 2024 to 4.5 billion yen in 2027.



Nishimura：

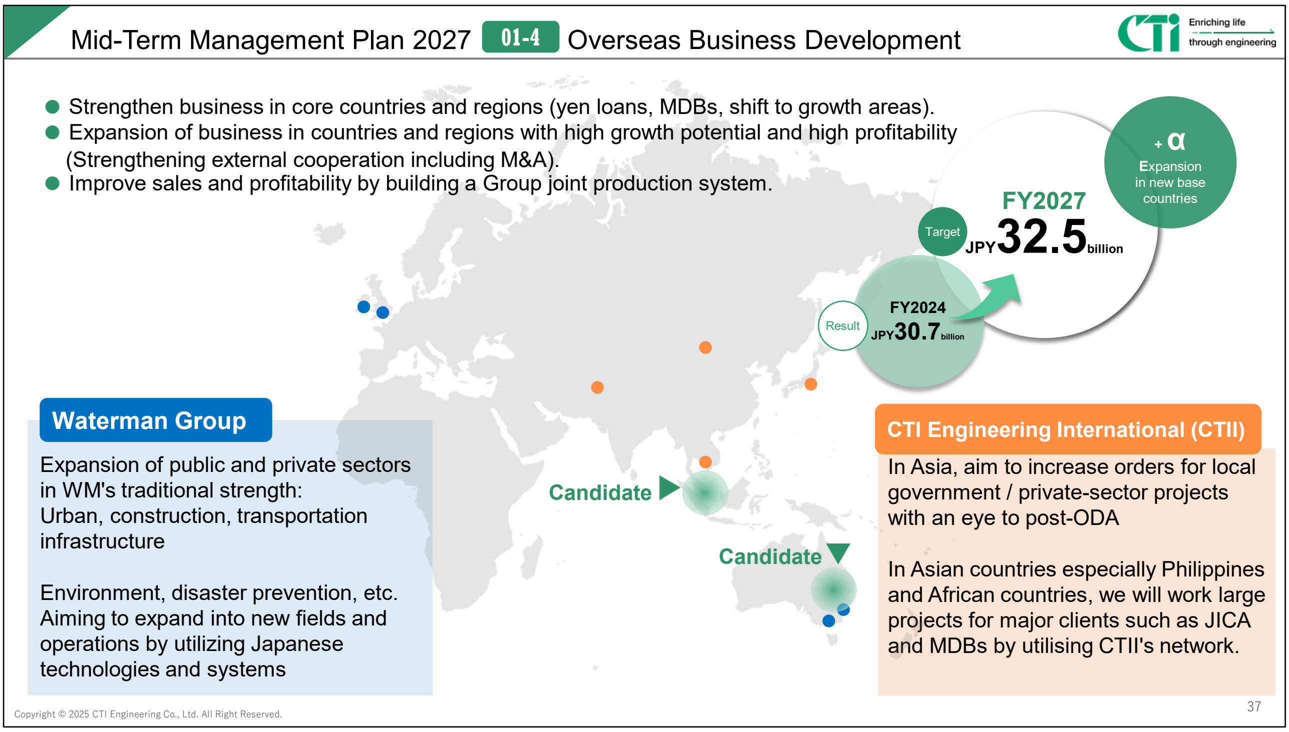
In terms of CM/PM, up until now, we have been involved in CM/PM projects for disaster response and the promotion of urban development, project supervision, and client support.

Here, we will work to secure talent in adequate numbers and grow sales from around 5.5 billion yen in 2024 to 6.5 billion yen in 2027.



Nishimura：
Third is the exploration of new businesses.

We view as promising the areas of environmental DNA and geological disposal, PPP, mobility, urban development, etc., so we will be leveraging venture capital investment and R&D investment to grow the scale of this business to 3 billion yen.



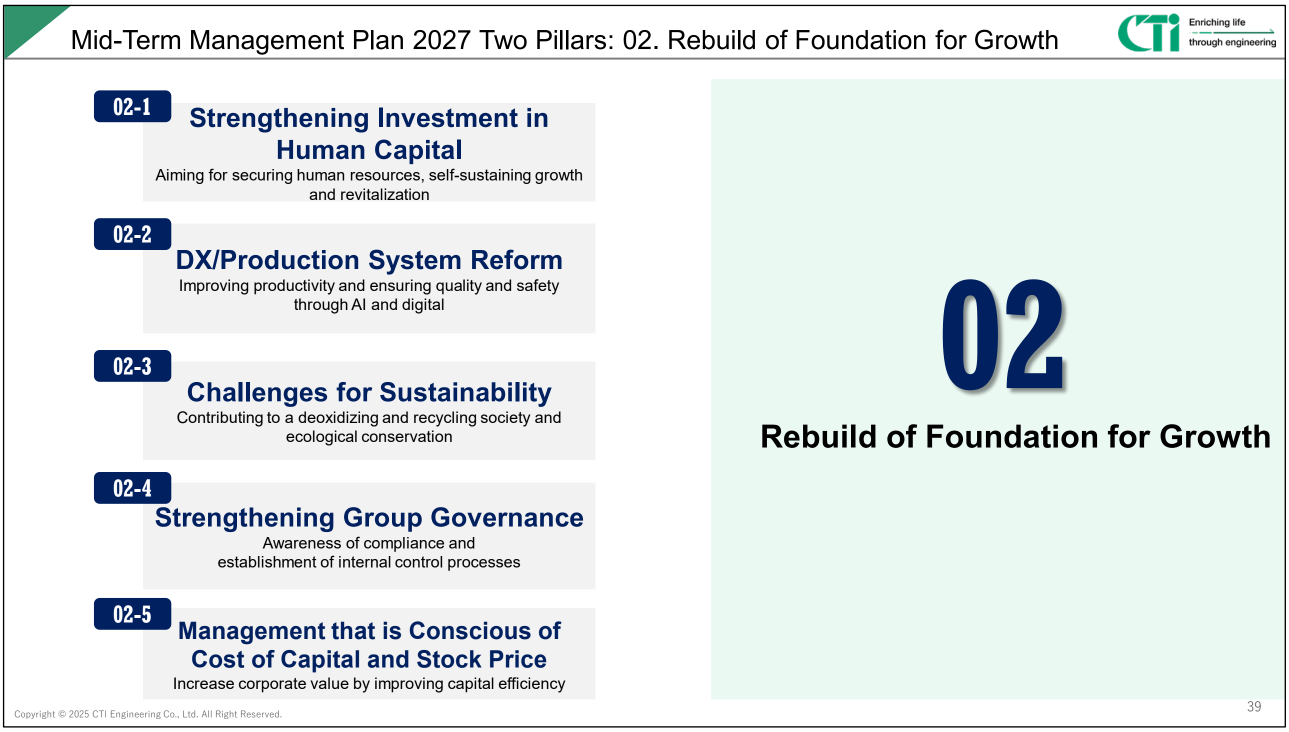
Nishimura：
The fourth and final element within business portfolio transformation is overseas business development.

We will be carrying out overseas business development efforts centered around our two Group companies of Waterman and CTI Engineering International.

Concurrently, we will be carrying out joint projects at the Group level with the participation of other Group companies.

Through this, we will work to grow sales from 30.7 billion yen in fiscal year 2024 to 32.5 billion yen in fiscal year 2027.

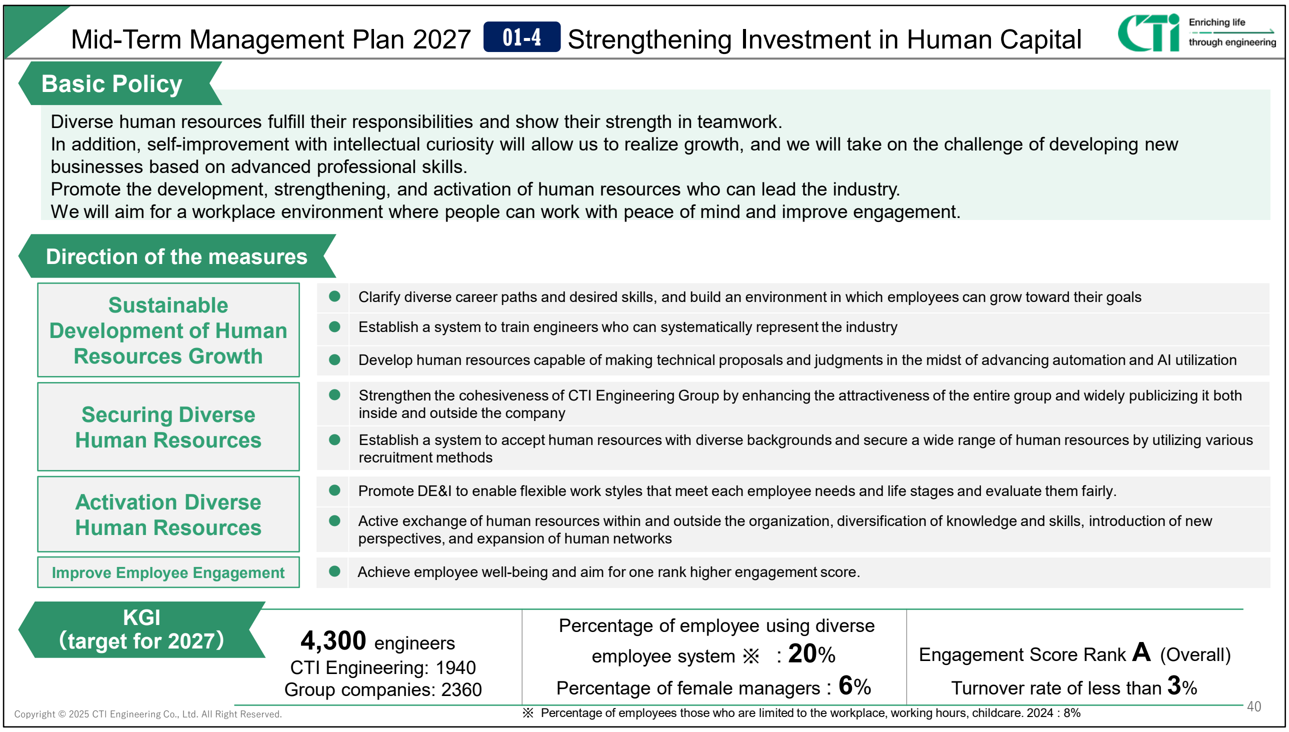
We also have plans to build new bases overseas, and will therefore explore M&A and other opportunities with third parties.



Nishimura：

I would now like to discuss our second business pillar of rebuilding a foundation for growth.

We will be executing the 5 measures and initiatives listed here.

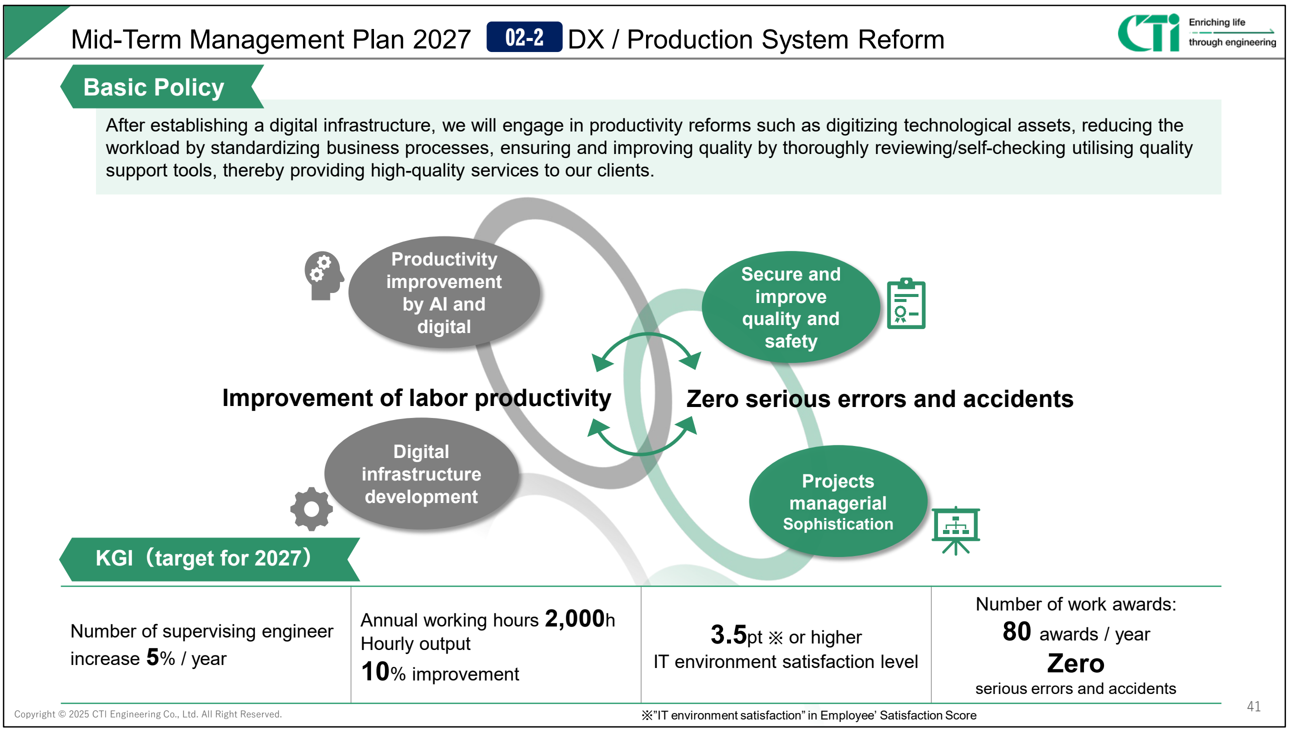


Nishimura：

The first initiative is strengthening investment in human capital.

Here, we will work toward the sustainable development of human resources growth, securing diverse human resources, the activation of diverse human resources, and improving employee engagement.

Our KGIs for 2027 are as follows: 4,300 engineers, a percentage of female managers of 6% or more, an engagement score rank of A, and an employee turnover rate of less than 3%.



Nishimura：

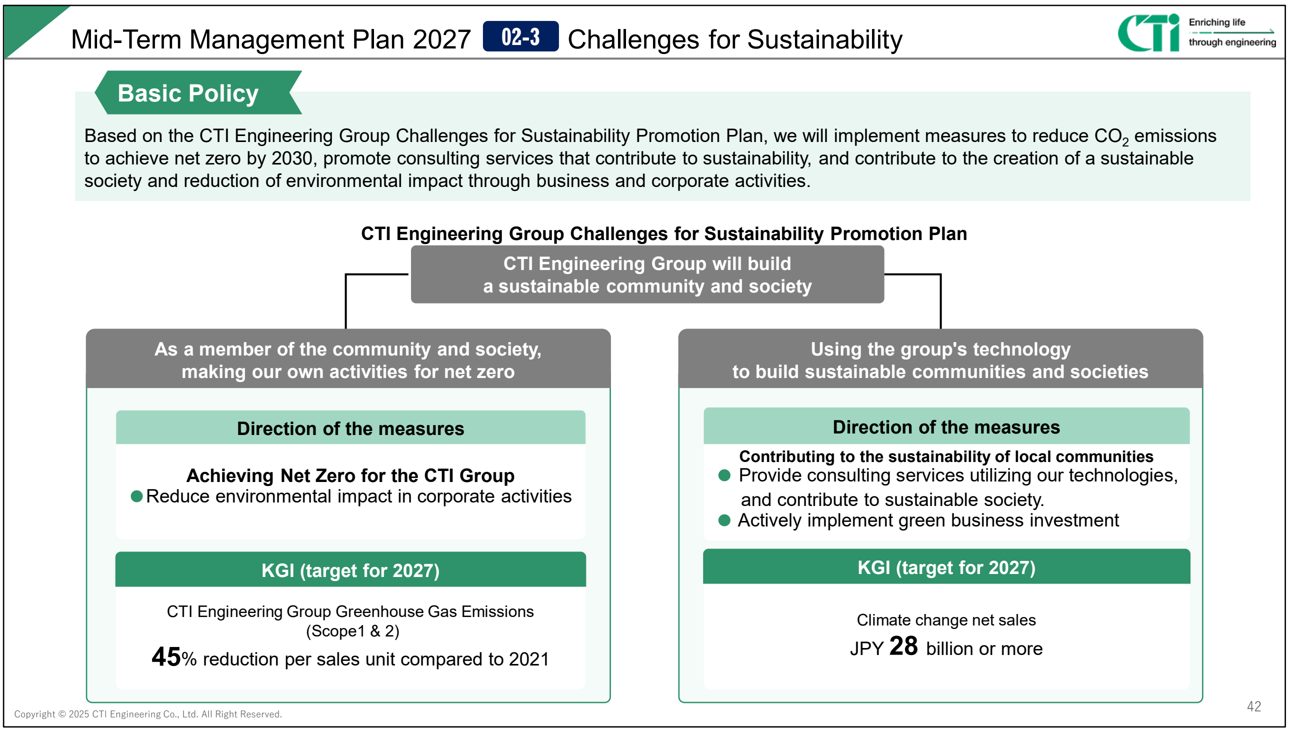
The second initiative is DX/production system reform.

Here, we seek to reduce workloads by digitizing technological assets and the standardization of work processes.

Additionally, we will also improve quality and productivity.

By executing these measures, we seek to grow the number of supervising engineers at a rate of 5% per year, achieve 2,000 working hours, and a productivity improvement of 10% over a three-year period.

Lastly, we will work to reduce the number of serious errors and accidents to zero.

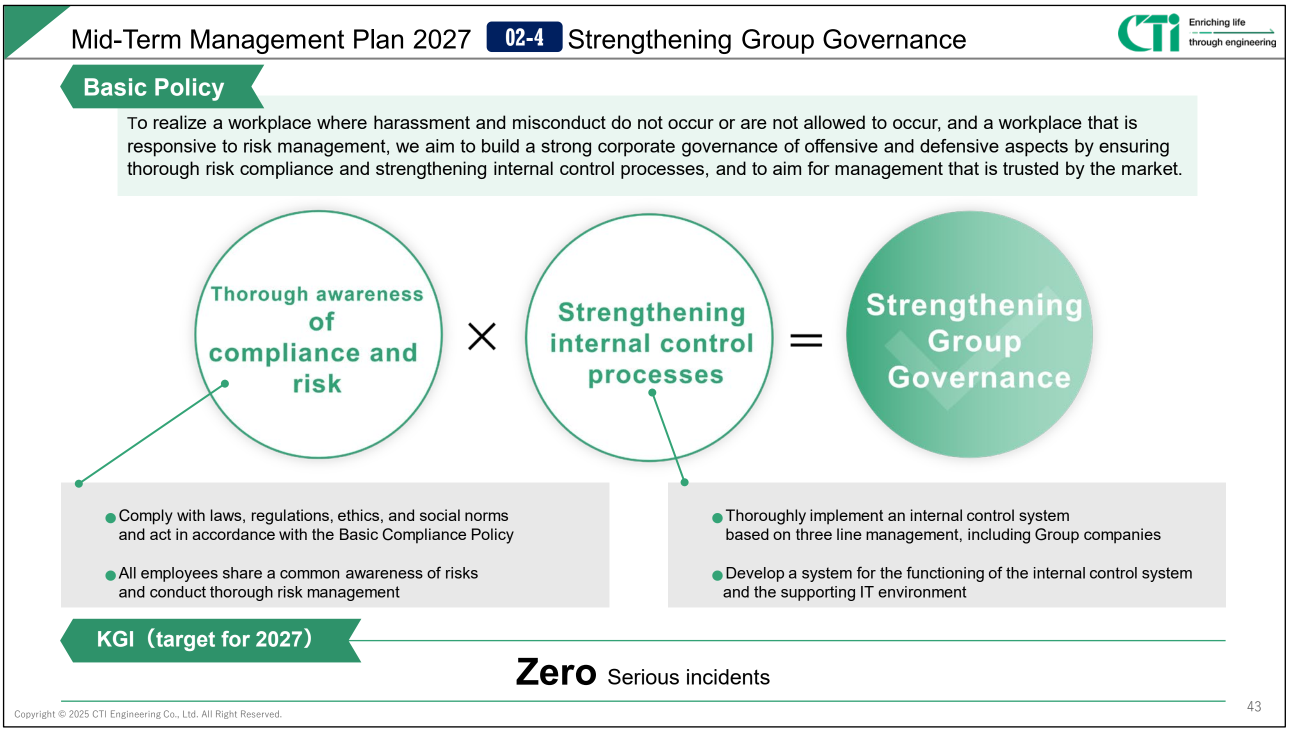


Nishimura：
The third initiative is challenges for sustainability.

We formulated and disclosed the CTI Engineering Group's Challenges for Sustainability Promotion Plan.

This plan contains net zero commitments for the CTI Engineering Group, as we aim for a 45% reduction in greenhouse gas emissions per sales unit compared to 2021.

The plan also calls for a contribution to the sustainability of local communities and, within this, we have a KGI of sales by 28 billion yen or more from projects related to climate change.

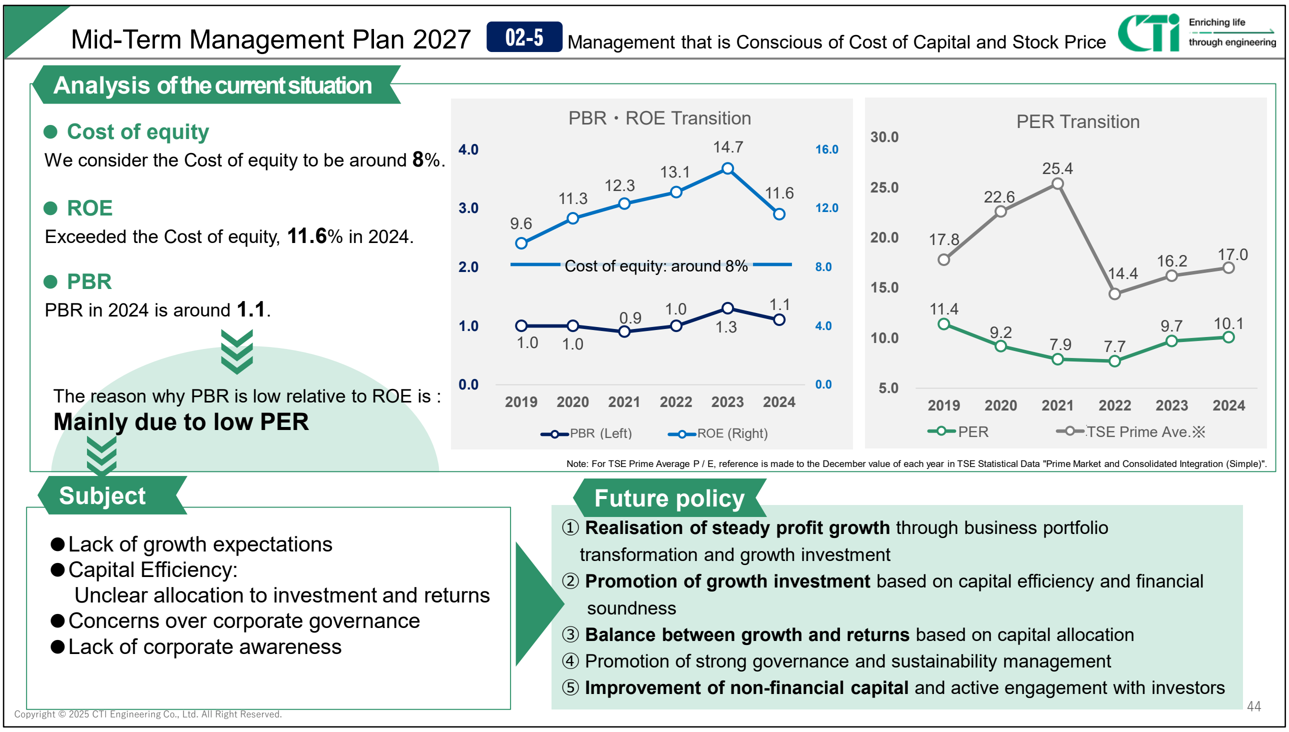


Nishimura：

The fourth initiative is strengthening Group governance.

The CTI Engineering Group has suffered several instances of misconduct.

In order to prevent further instances of misconduct and achieve zero serious incidents, we will have a thorough awareness of compliance and risk and strengthen internal control processes.



Nishimura：

The fifth initiative is delivering a management that is conscious of the cost of capital and the stock price.

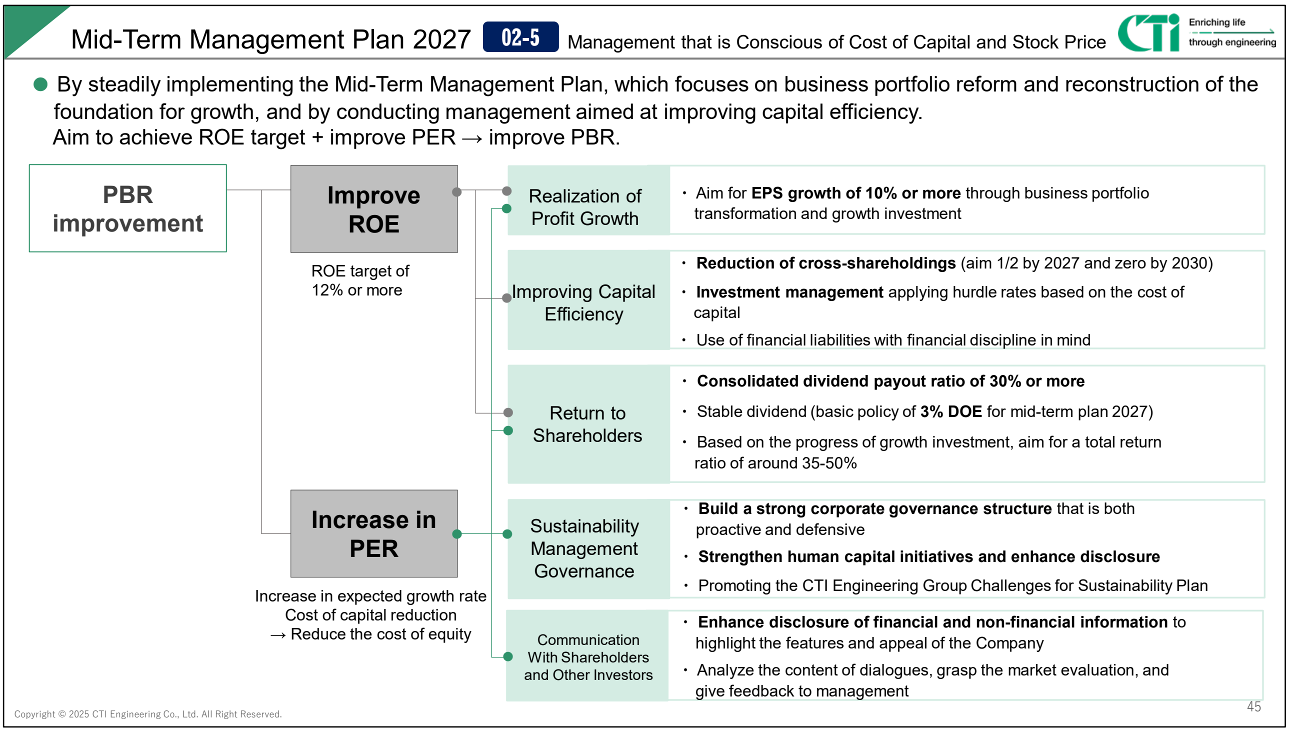
As of December 31st, 2024, the CTI Engineering Group had an ROE of 11.6% and a PBR multiple of 1.1.

Given our ROE number, one could reasonably expect a higher PBR multiple, but we believe this low PBR multiple is the result of a low PE ratio.

As you can see on the right, CTI Engineering's PER is low compared to the average for TSE Prime-listed companies.

This could be due to a number of issues, such as a lack of growth expectations, unclear allocation to investment and shareholder returns, lack of corporate awareness, etc.

As you can see here on the bottom right-hand side, our future policy to address these is therefore the realization of steady profit growth, the promotion of growth investment, a balance between growth and shareholder returns, and the improvement of non-financial capital.



Nishimura：
This is a detailed breakdown of our strategy.

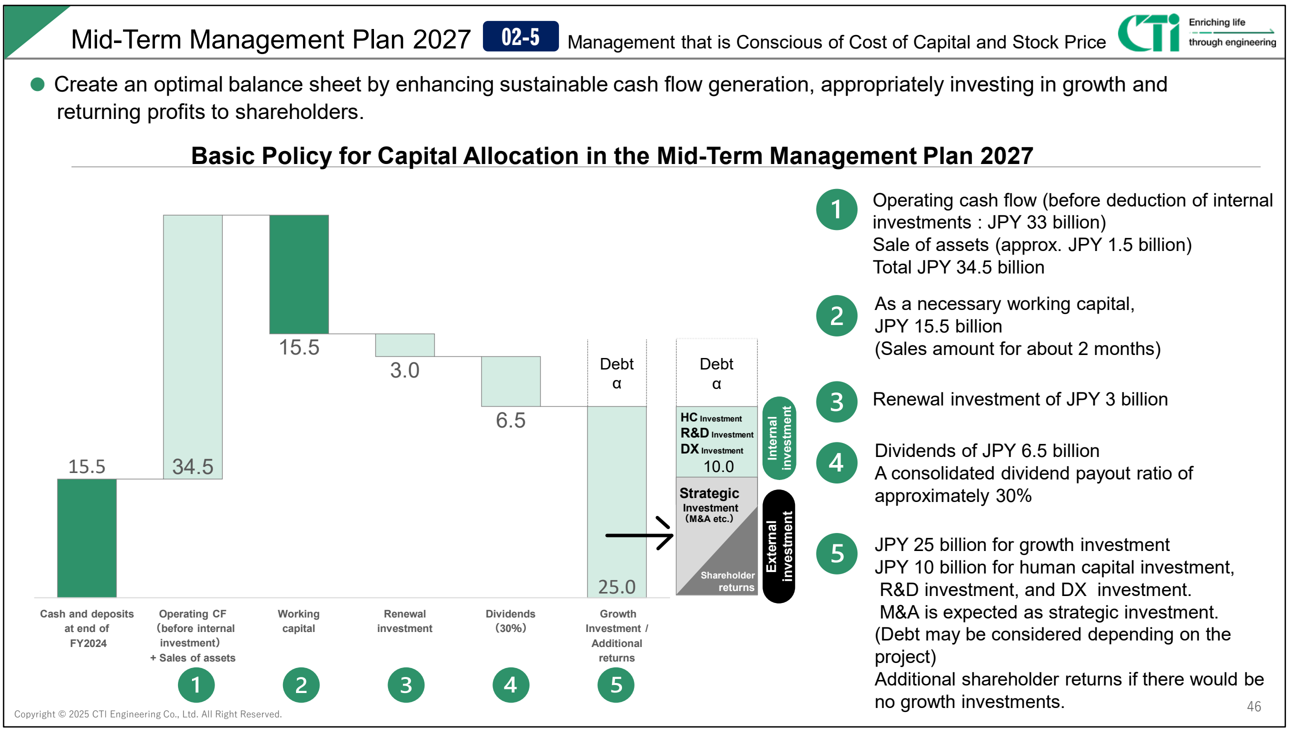
Within this, we will work to realize profit growth – specifically an EPS CAGR of 10% or more over a three-year period.

In terms of improvements to capital efficiency, we aim to reduce cross-shareholdings and execute investment management.

In terms of returns to shareholders, we have set the consolidated dividend payout ratio at 30% or more, the DOE target at 3%, and will aim for a total return ratio of around between 35% and 50% – based on the progress of growth investment.

Within sustainability management and governance, we will build a strong corporate governance structure and strengthen human capital initiatives and enhance disclosures.

Lastly, within communication with shareholders and investors, we will enhance disclosure of financial and non-financial information.



Nishimura：

This slide pertains to the basic policy for capital allocation in the Mid-Term Management Plan 2027.

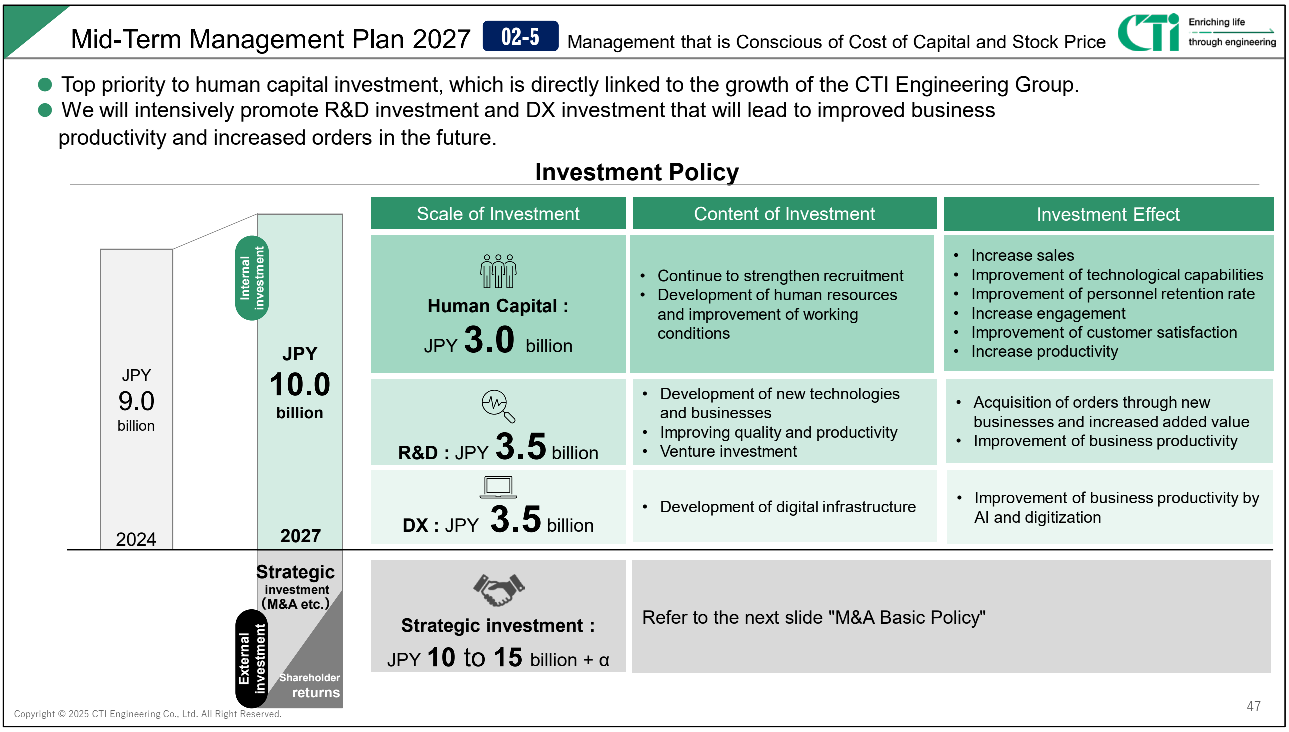
Starting with the leftmost part of the waterfall chart, cash and deposits as of the end of fiscal year 2024 stood at 15.5 billion yen.

To this, we add the cashflow generated over this three-year period and resulting from the sale of cross-shareholdings, bringing assets to 34.5 billion yen.

We then expect to carry out 15.5 billion yen in investment in necessary working capital, 3 billion yen in renewal capex, and 6.5 billion yen in dividends.

Lastly, we will be investing the remaining 25 billion yen for various uses – specifically, we will be carrying out 10 billion yen in internal investment and 15 billion yen externally.

Within external investment, we may consider the use of debt.



Nishimura：

Here is a breakdown of internal investment.

Out of a total of 10 billion yen, we will be allocating 3 billion yen to investment in human capital, 3.5 billion yen in R&D investment, and 3.5 billion yen in DX investment.

In terms of external investment totaling 15 billion yen and possibly a little more than, we would like to allocate these resources to M&A opportunities.

- Select M&A target companies in accordance with the following basic policy. Consider the use of borrowings if necessary.
- To make effective use of limited capital, clearly define criteria such as the scale of investment and expected returns, and carry out flexible investments.

M&A Basic Policy

M&A Target Areas	Target Company	Target Business Area
Core Areas	Specialised vendors to complement relatively low-share technologies to provide one-stop services	Water & Wastewater, Urban Development, Building Services
Growth Area	Specialised consultants to accelerate growth in priority areas	Information System, Energy, CM and Construction Management
Regional Consultant	Mid-sized consulting engineers operating in regional areas that do not compete with us, and facing business succession issues	Regional consultanting engineers
Overseas Business	Mid-sized consulting engineers located in Australia, Malaysia, etc. to expand new overseas markets	Consultant Architecture (structural design and equipment design)

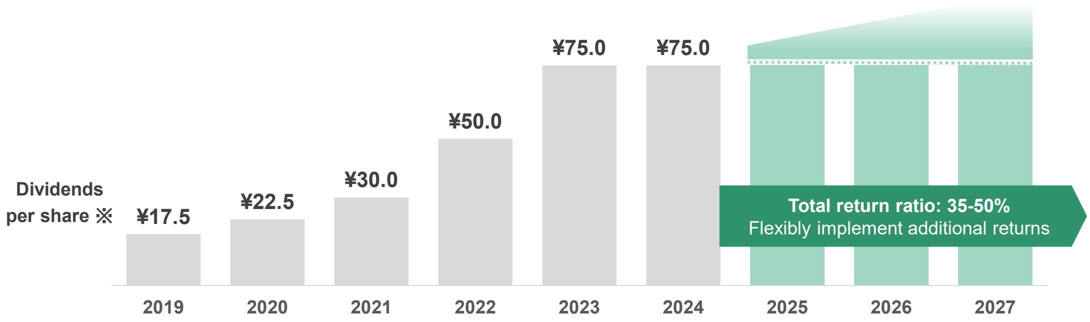
Nishimura：
Specifically, we will be targeting M&A companies in core areas, such as, for example, companies in the areas of water and wastewater, urban development, electricity, machinery, building services, etc.

We will also consider M&A opportunities involving companies in growth areas like information systems, energy, CM and construction management.

Other targets are regional consultant companies, as well as mid-sized consulting engineering companies located in Australia and Malaysia.

- Return profits to shareholders with a minimum consolidated dividend payout ratio of 30% or more.
- Basic policy of 3% DOE for mid-term plan 2027.
- Aim for a total return ratio of 35-50%, and flexibly implement additional returns while taking into account the progress of growth investment, business performance, and financial conditions.

Shareholder Returns (Dividends and Total Return Ratio)



	2019	2020	2021	2022	2023	2024	2025	2026	2027
ROE	9.6%	11.3%	12.3%	13.1%	14.7%	11.6%			12% or more
EPS (Yen) ※	99.30	129.08	158.13	207.75	271.06	243.10	CAGR2024-2027 Average growth rate 10% or more		
Payout ratio	17.6%	17.4%	19.0%	24.1%	27.7%	30.9%	30% or more		

※ 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.

Nishimura：

Lastly, allow me to discuss the CTI Engineering Group's dividend policy and forecast.

The dividend for fiscal year 2024 was 75 yen per share.

We will continue working to raise the ROE to 12% or more by the end of fiscal year 2027, achieve an EPS CAGR of 10% or more, and deliver a dividend payout ratio of 30% or more, allowing us to distribute a strong dividend to shareholders.

Additionally, circling back to what I said earlier, we will be taking into account the progress of growth investment, business performance, and financial conditions.

Should the conditions allow it, we will consider the flexible implementation of additional shareholder returns.

63rd Term Management Plan（Consolidated/ Non-Consolidated）

Forecast increases in Sales and Income on both consolidated and non-consolidated basis as first step of Mid-Term Management Plan 2027.

（JPY million）

	62nd（2024）Realized	63rd（2025）Forecast	Change(%)(YoY)	MTMP 2027
Consolidated				
Orders Received	94,400	**100,000**	＋5.9%	-
Sales	97,678	**100,000**	＋2.4%	110,000
Operating Income	9,396	**10,000**	＋6.4%	12,000
OI Margin	9.6%	**10.0%**	＋0.4pt	11%
Ordinary Profit	9,535	**10,000**	＋4.9%	-
Net Income Attributable to Owners of the Parent	6,746	**6,900**	+2.3%	-
Net Income per Share	JPY 243.10	**JPY 248.55**	-	-
Annual Dividends (Dividends Payout Ratio)	JPY 75※(30.9%)	**JPY 75(30.2%)**	-	- (30% or more)
Non-Consolidated				
Orders Received	57,949	**58,000**	+0.1%	-
Sales	59,405	**60,000**	+1.0%	
Ordinary Profit	8,932	**9,000**	+0.8%	-
Net Income	6,532	**6,600**	+1.0%	-

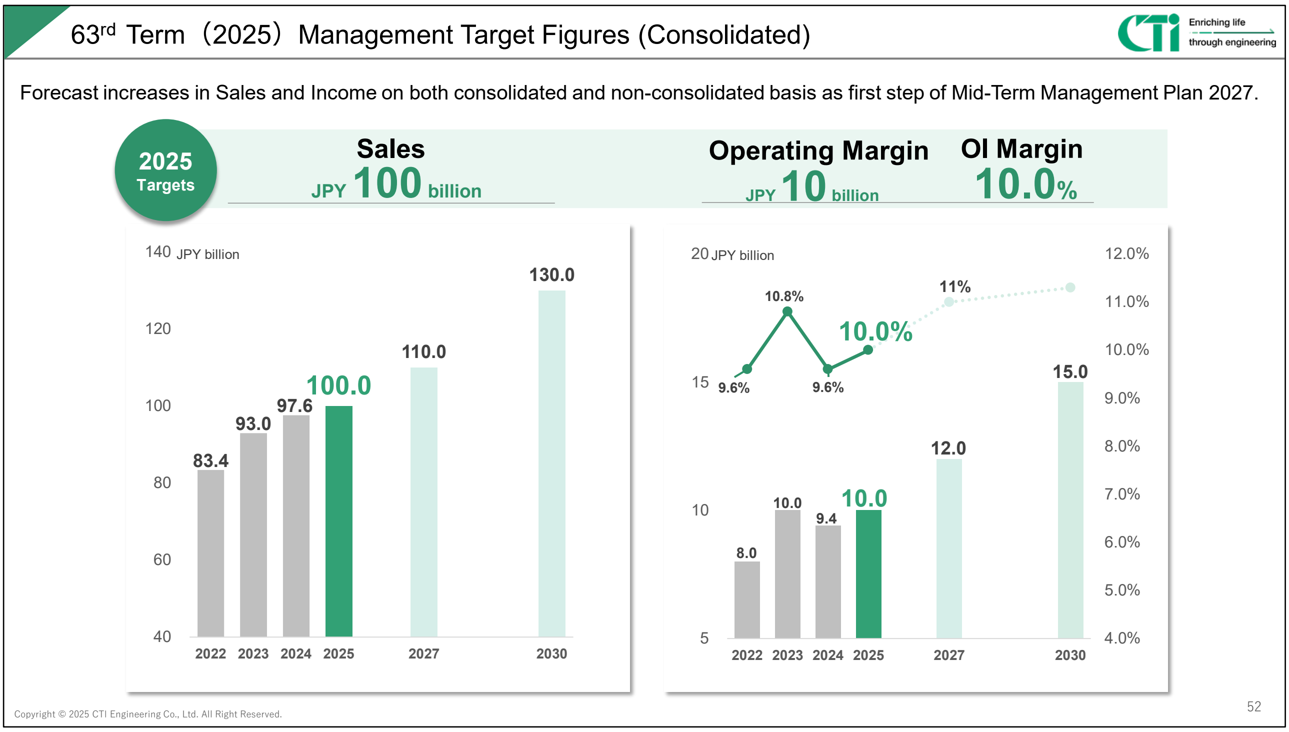
※ We conducted two for-one stock splits of common stock on January 1, 2025.Dividends are calculated as if the stock split had occurred at the beginning of year.

Nishimura：
Last is the 2025 management plan.

For fiscal year 2025, we are aiming for a consolidated orders received and sales performance of 100 billion yen, 10 billion yen in operating income, an operating income margin of 10%, and 6.9 billion yen in net income attributable to owners of the parent.

On a non-consolidated basis, we are guiding for 58 billion yen in orders received, 60 billion yen in sales, 9 billion yen in ordinary profit, and lastly, 6.6 billion yen in net income.

We therefore forecast an increase in sales and profits on a consolidated and non-consolidated basis.



Nishimura：

This slide shows the trends.

Status and challenges

・Build a business portfolio to respond to changing business environment.
Aim a well-balanced portfolio between respond to active public works and investment in promising growth areas.
・Promotion of DX / production system reform to improve productivity and prevent errors
・Sustainable growth and securing of human resources, promotion of revitalization, and improvement of employee engagement
・Strengthen group governance

Concept of 63rd Term (2025) Business plan

• Sales are expected to increase due to an increase in the number of employees and improvement in productivity.
• Operating income is expected to increase based on productivity improvement by DX promotion. We also planning to make active investments to respond to business expansion.

（JPY million）

	62nd（2024）Realized	63rd（2025）Forecast	Change(%)（YoY）
Orders Received	65,724	**67,000**	+1.9%
Sales	66,945	**69,000**	+3.1%
Operating Income	8,610	**9,300**	+8.0%
OI Margin	12.9%	**13.5%**	+0.6pt

Nishimura：
In the Domestic Consulting Engineering business, we are guiding for 67 billion yen in orders received, 69 billion yen in sales, 9.3 billion yen in operating income, and lastly, an operating income margin of 13.5%.

By unlocking productivity increases and enhancing project management, we expect to deliver a year-on-year profit increase.

63rd Term（2025）Management Plan by Segment：Overseas Business

Status and challenges

- In the global economy, growing uncertainty have emerged due to the situation in Ukraine and the Middle East, the advance of global inflation, and the acceleration of monetary tightening.
- In FY 2024, Waterman performed strong in the UK public sector but struggled in the private sector.
- CTII fell behind in receiving orders for large-scale projects.

Concept of 63rd Term (2025) Business plan

- Set targets for both sales and operating income considering uncertainties in economic trends such as political instability, inflation and exchange rates.
- Based on the" "Roadmap for Realization of Global Expansion" "formulated in November 2023, strengthen ties with group companies and other companies in both domestic and overseas.

（JPY million）

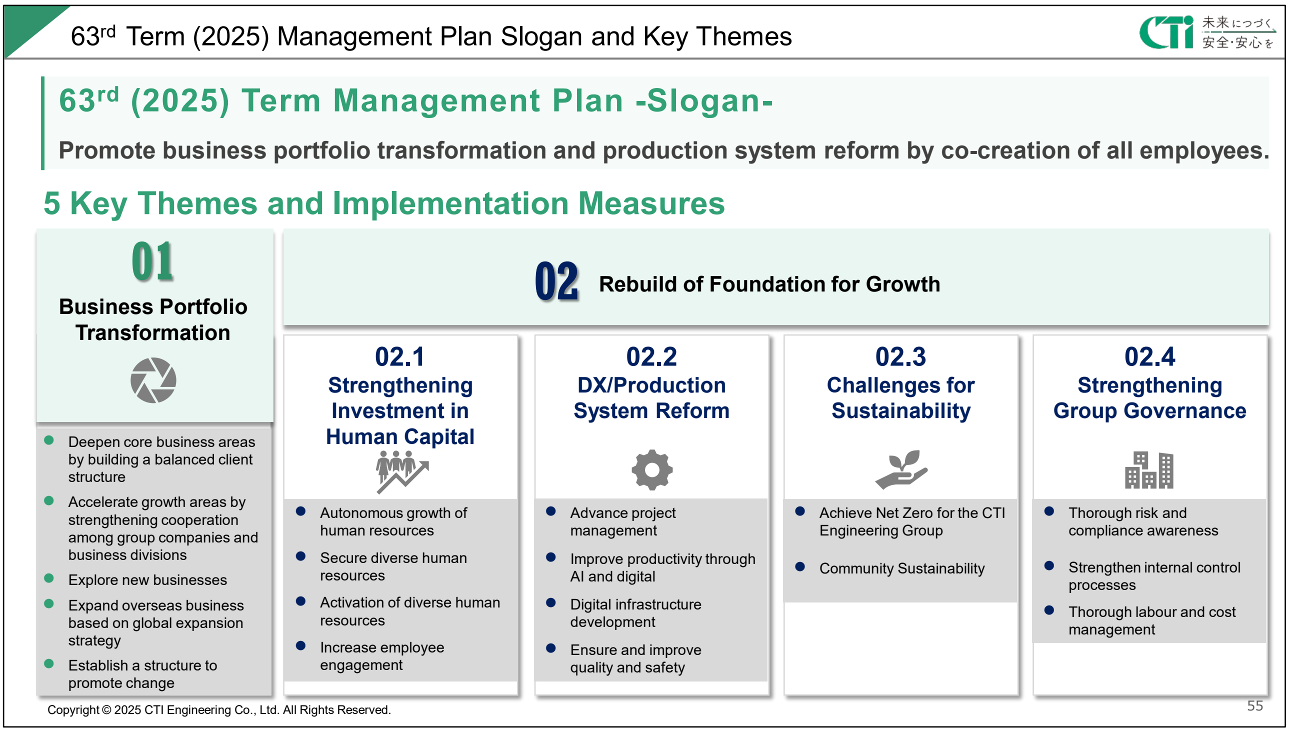
	62nd（2024）Realized	63rd（2025）Forecast	Change(%)（YoY）
Orders Received	28,676	**33,000**	+15.1%
Sales	30,733	**31,000**	+0.9%
Operating Income	773	**700**	-9.4%
OI Margin	2.5%	**2.3%**	-0.2pt

Nishimura：

In the Overseas Consulting Engineering business, we are guiding for 33 billion yen in orders received, 31 billion yen in sales, 700 million yen in operating income, and lastly, an operating income margin of 2.3%.

We are guiding for a slightly lower operating income margin on account of uncertainty associated with tax policy and other policies to be enacted by the new government in the UK, and inflationary pressures.

While orders were down slightly for CTI Engineering International last year, we expect to be able to once again grow this number in 2025.



Nishimura：

The slogan for the fiscal year 2025 Management Plan reads as follows: “Promote business portfolio transformation and production system reform by co-creation of all employees.”

In particular, we want to foster cooperation and co-creation efforts amongst all Group employees.

We have formulated 5 themes and measures to realize them.

We formulated an action plan covering the initiatives I went over earlier in my overview of the Mid-Term Management and will be executing initiatives in 2025 within the scope of this action plan.

This concludes today’s presentation.
Thank you for your time.