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## **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.

Orders Received and Sales exceeded the revised full fiscal year forecast and delivered a new record performance. Operating Income and Net Income ended up almost as planned.

| Orders Received                                | Sales  | Operating Income                               | Net Income Attributable to Owners of the Parent |
|--|--|--|---|
| JPY <b>94,400</b> million                      | JPY <b>97,678</b> million                      | JPY <b>9,396</b> million                       | JPY <b>6,746</b> million                        |
| YoY JPY 92,473 million<br>Rate of change +2.1% | YoY JPY 93,057 million<br>Rate of change +5.0% | YoY JPY 10,011 million<br>Rate of change -6.1% | YoY JPY 7,534 million<br>Rate of change -10.5 % |

|                         |   |
|-------------------------|---|
| <b>Orders Received</b>  | Considering the workload of engineers as initial policy, exceeded the revised full fiscal year forecast and YoY.          |
| <b>Sales</b>            | Based on the progress up to 3Q, Sales Continued to be strong and achieved YoY growth.                                     |
| <b>Operating Income</b> | Achieved results in line with the initial profit reduction plan, aimed at preventing errors and strengthening investment. |

Nishimura :

This slide shows the consolidated highlights for fiscal year 2024.

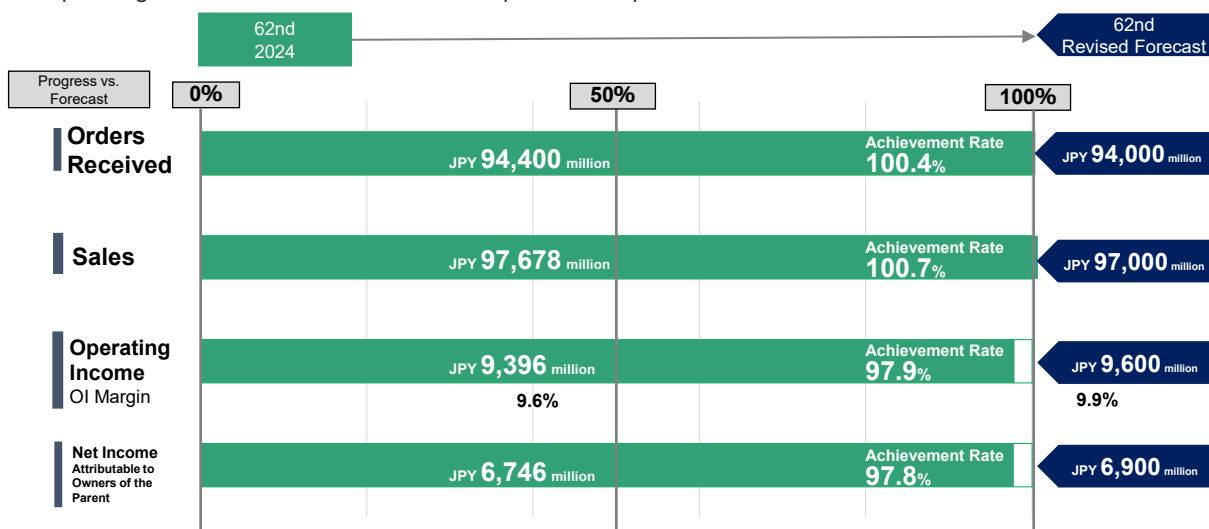
We registered 94.4 billion yen in orders received and 97.7 billion yen in sales – corresponding to a year-on-year increase.

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.

## 62nd Term-Financial Highlight (Achievement vs. Forecast)



Orders Received and Sales exceeded the revised full fiscal year forecast and delivered a new record performance. Operating Income and Net Income ended up almost as planned.



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5

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

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6

Nishimura :

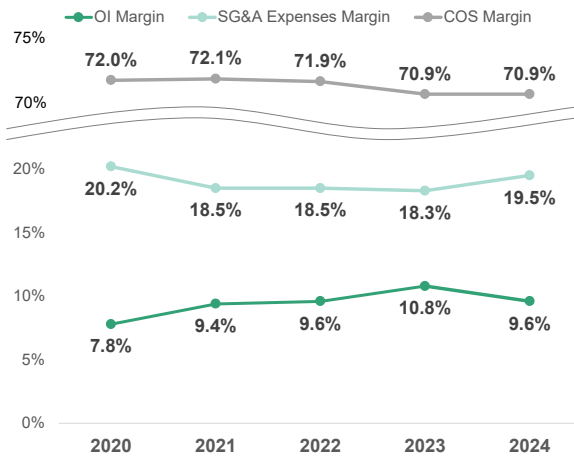
This table contains the results for the various line items of orders received, sales, operating income, operating income margin, ordinary profit, and net income attributable to owners of the parent.

## Income Statement (Consolidated) - 5 year Trend -



### Operating Income Margin, etc. - 5 year Trend -

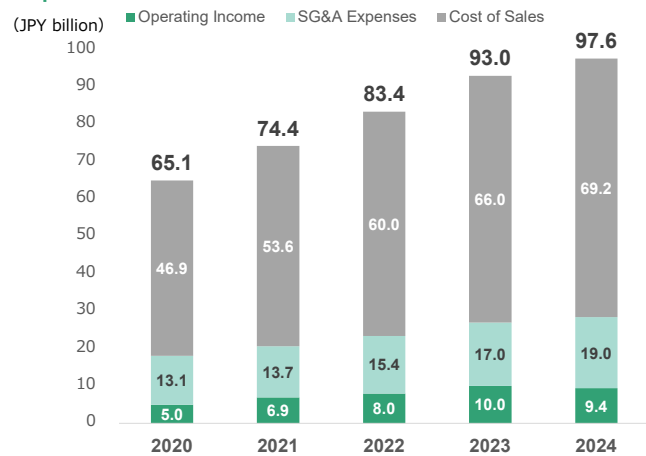
- COS Margin declining in 5 years.
- SG&A Margin: 19.5% (YoY +1.2pt)
- OI Margin : 9.6% (YoY -1.2pt)



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### Sales Composition - 5 year Trend -

- Sales exceeded the revised full fiscal year forecast and delivered a new record performance.
- SG&A Expenses increased due to increase in personnel in the administration division and increase in R&D investment etc.
- Operating Income ended up almost as revised forecast.



7

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.

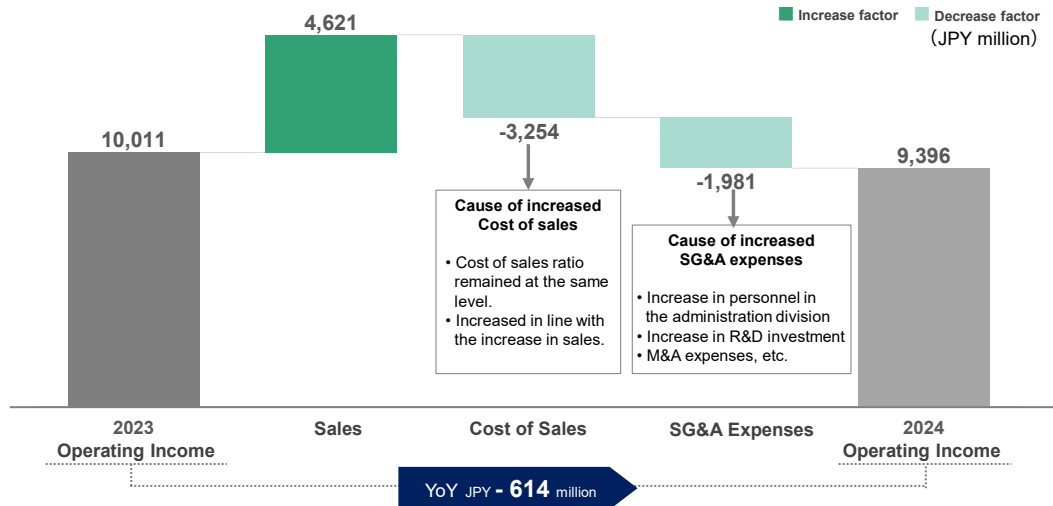
Consequently, the operating income margin decreased slightly to 9.6%, on account of higher SG&A expenses.

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.

## Analysis of Changes in Operating Income

- Cost of sales ratio remained at the same level and increased in line with the increase in sales.
- SG & A expenses increased due to an increase in personnel in the administration division, an increase in R&D investment, M&A expenses, etc.
- Due to the impact of higher SG & A expenses, operating income was JPY 9,396 million decreased by JPY 614 million YoY.



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8

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.

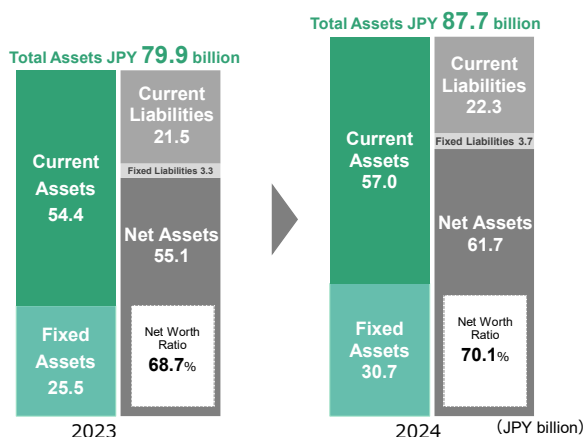
From this baseline, sales increased by 4.6 billion yen and this increase was followed by a higher cost of sales, which weighed down on operating income by 3.25 billion yen.

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.

### Balance Sheet

- Assets increased JPY 7.8 billion due to an increase in accounts receivable( + JPY 6.2 billion), goodwill( + JPY 2.6 billion), etc.
- Liabilities increased JPY 1.2 billion due to an increase in contract liabilities( + JPY 0.3 billion), etc.
- Net worth ratio 70.1% ( + 1.4pt)

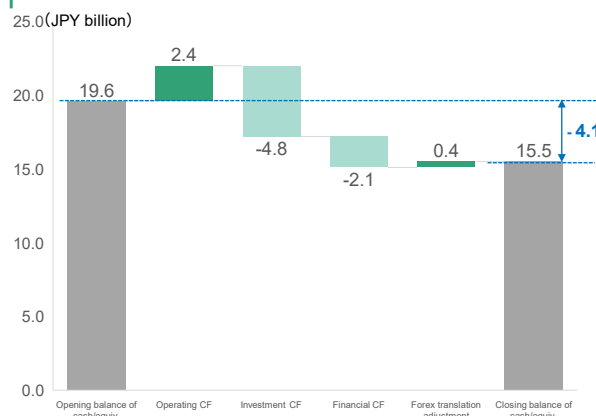


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### Cash Flow

- Cash & cash equivalents closing balance decreased JPY 4.1 billion.

|               | FY2023 | FY2024 | Major factor in FY2024                    |
|---------------|--------|--------|---|
| Operating CF  | 0.8    | 2.4    | Net income +9.4, Accounts receivable -4.8 |
| Investment CF | -0.9   | -4.8   | M&A investment -3.3                       |
| Financial CF  | -3.2   | -2.1   | Dividend payments -2.0                    |



9

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.

**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)

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

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10

Nishimura :

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

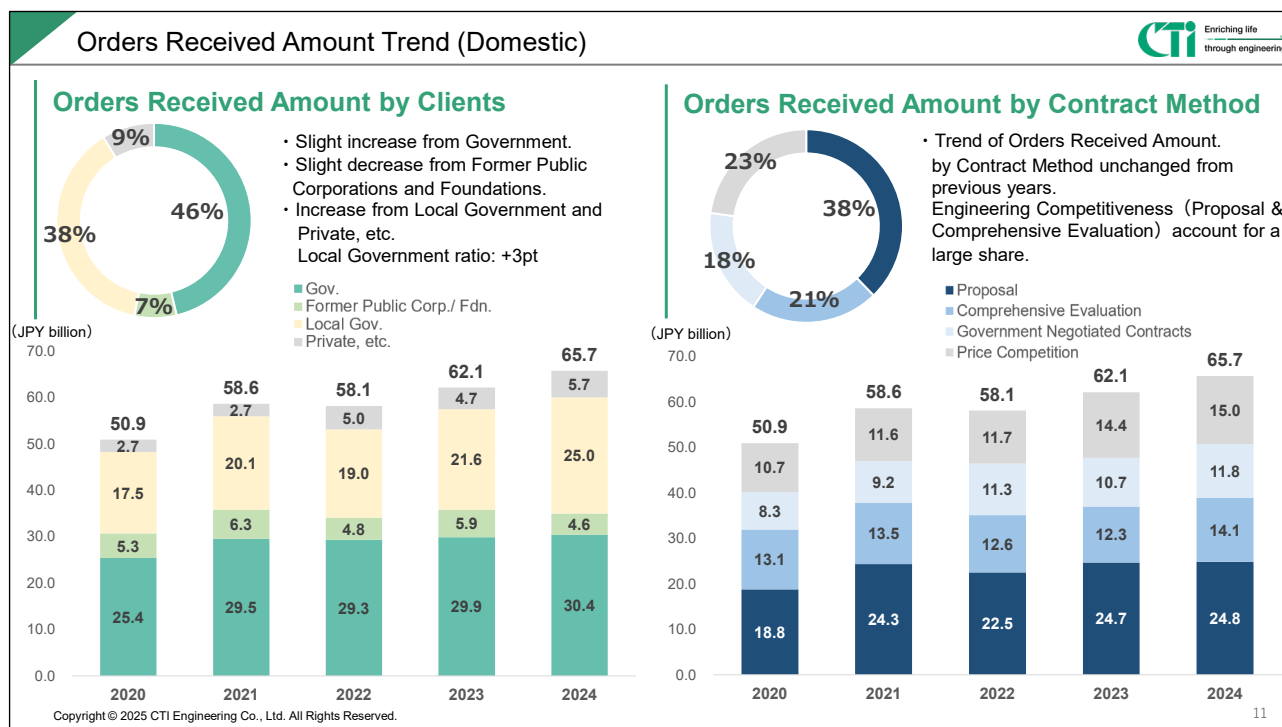
Orders received stood at 65.7 billion yen and sales at 66.9 billion yen – both growing on a year-on-year basis and exceeding the revised forecast numbers.

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.

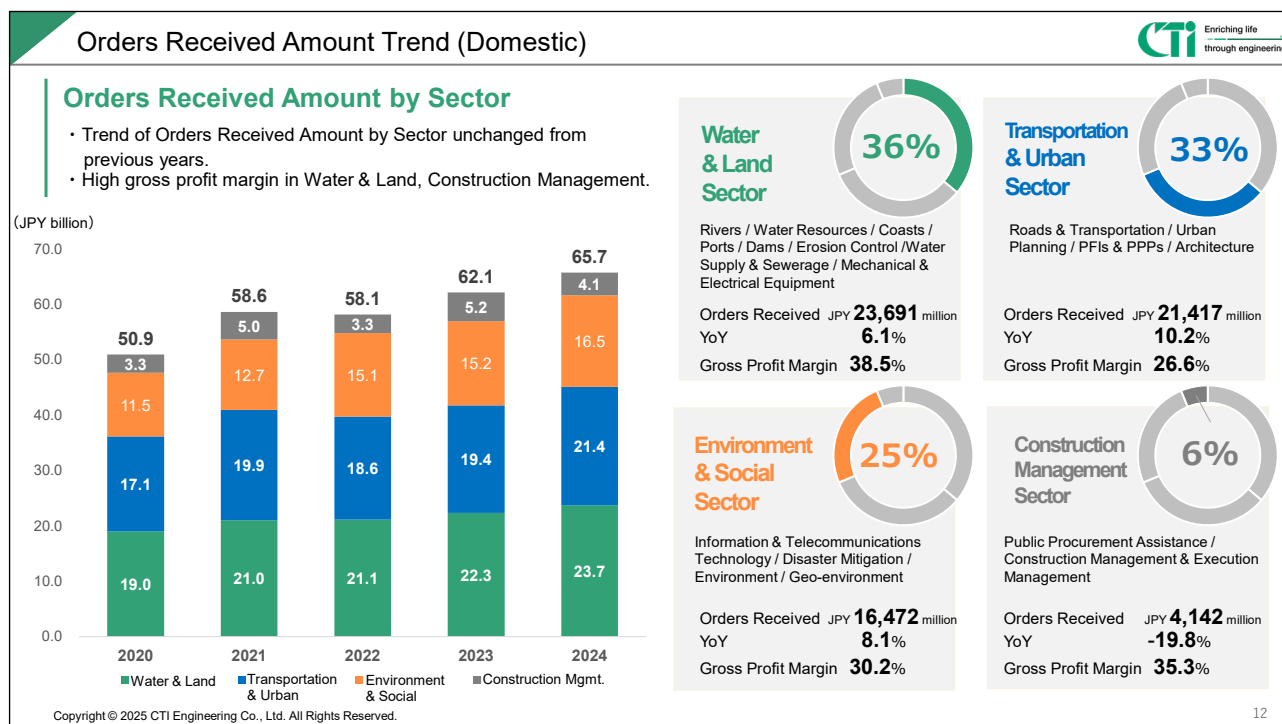
Orders from private entities also increased by around 1 billion yen – a significant year-on-year increase.

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.

**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)

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

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13/3

Nishimura :

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

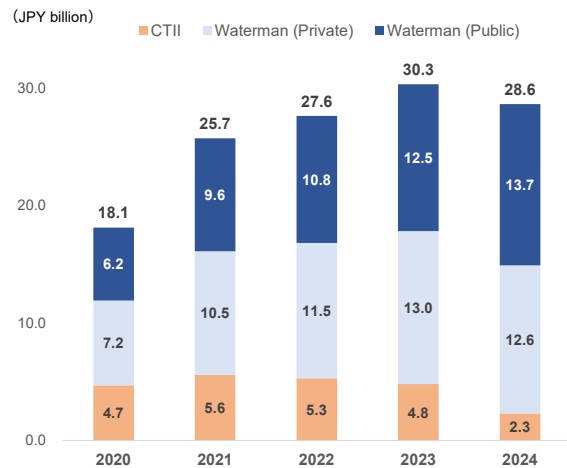
Orders received stood at 28.7 billion yen – a slight year-on-year decrease. Conversely, sales came in at 30.7 billion yen, up on a year-on-year basis.

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

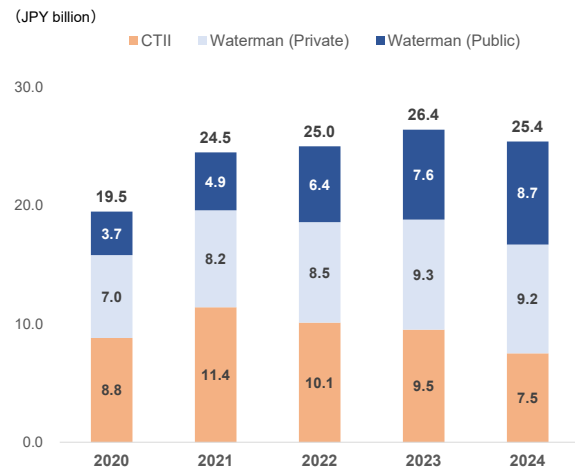
## Orders Received Amount Trend (Overseas)

- Waterman performed well in the public sector but struggled in the private sector.
- CTI Engineering International, based in Southeast Asia, took delay in receiving orders for large-scale projects.

### Order Received Amount



### Trend in Order Balance



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14

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.

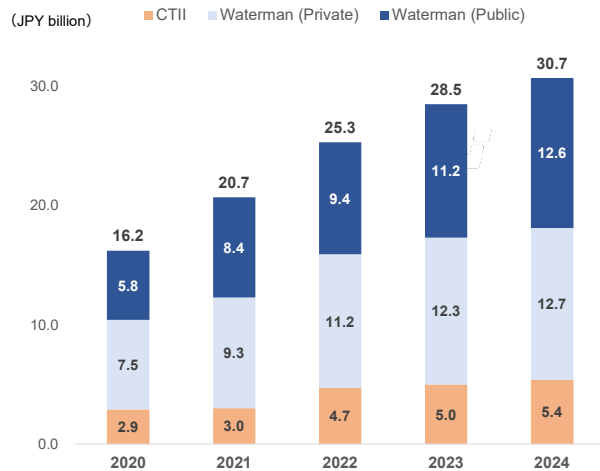
The aforementioned decrease in the orders received amount for CTI Engineering International also translated into a slight decrease in the order balance for this Group company.

## Sales and Profit Trend (Overseas)

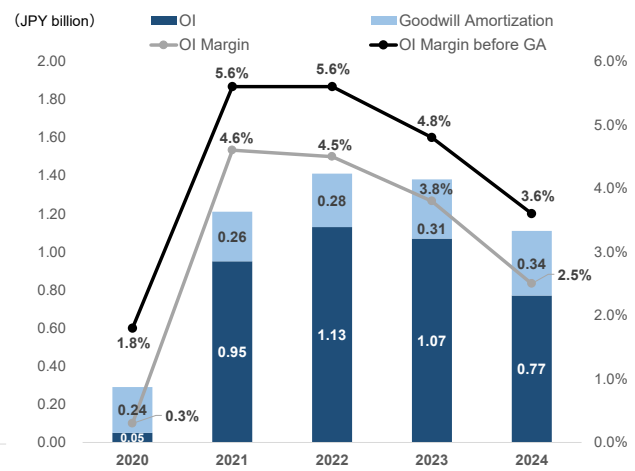


- Sales increased partly due to the impact of foreign exchange rates.
- Operating income decreased due to inflation and higher personnel costs etc.

### Trend in Sales



### Trend in Operating Income and OI Margin



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15

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.

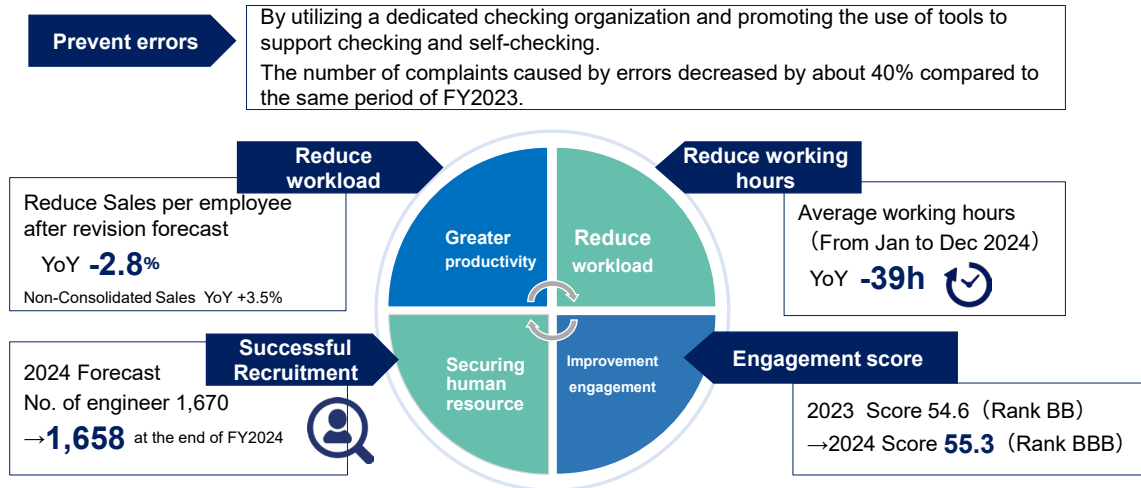
After the amortization of goodwill, the operating income margin has decreased to 2.5% – on account of inflationary pressures, and soaring personnel expenses.

## Aim of 62nd FY Forecast and Achievement (Non-Consolidated)

We made a management plan to reduce both Sales and Profits from the previous FY, focusing on the following two points:

(1) Advance structural transformation and prevent errors (2) Enhance Investment

We revised to financial results forecast based on the good performance in the first half. → **Sales ↑ Working hours ↓**



Nishimura :

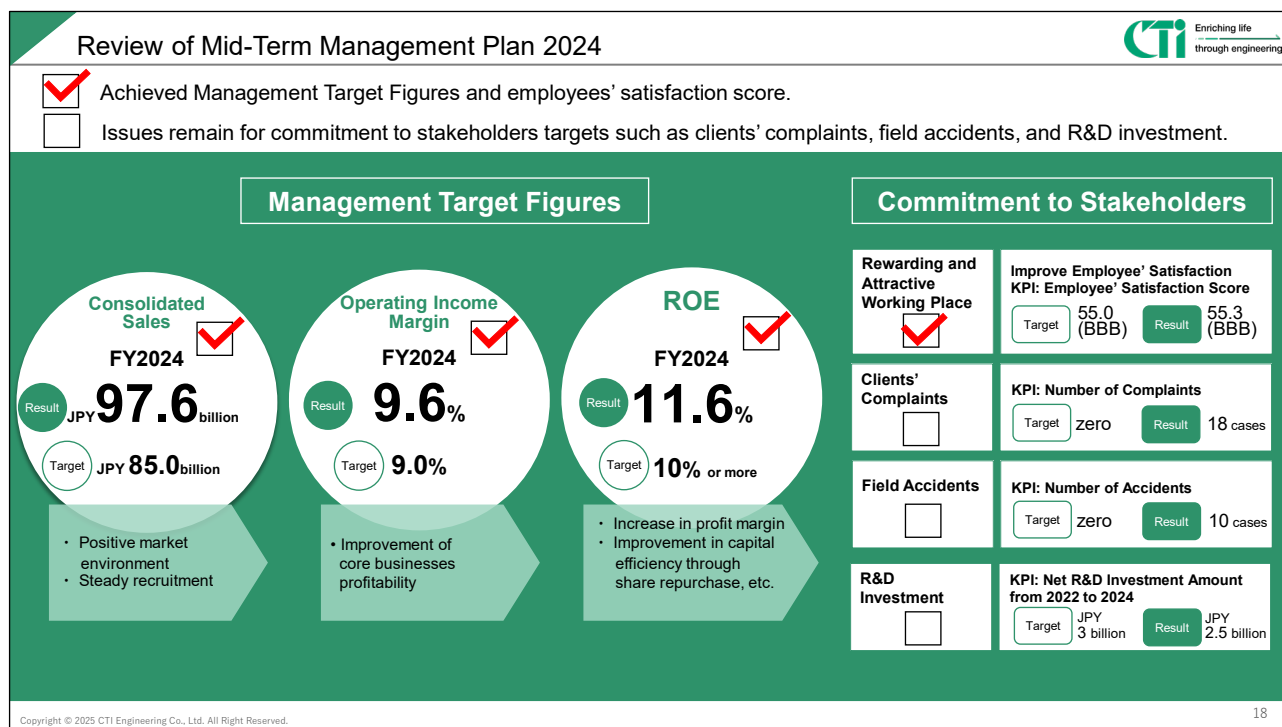
We initially forecast a year-on-year decrease in profits. Within this scope, we sought to prevent errors by reducing workloads, so I would now like to use this opportunity to go over the results of these measures.

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.



- Based on results up to 2024, aim for sustainable growth by responding to environment changes.

### Internal environment

#### Our Strengths



#### Risks

- Pressure for profit due to inflation and rising wages
- Long working hours caused by excessive orders and errors
- Employment mobility due to diversification of work styles
- Loss of confidence due to mistakes and errors
- Delay in business development

### External environment

#### Domestic environment

- Reliance on the budget of National Resilience
- Increased risk of disasters due to climate change
- Shortage of workers for public works projects due to population decline and overtime restrictions.

#### International environment

- Deterioration in the market environment due to economic stagnation
- Lack of financial resources for public works due to tight national finances
- Increasing country risks due to worsening of international conditions

### Key Growth Drivers to 2024



Revision of  
CTI Engineering Group's Mid - to Long -Term Vision " SPRONG 2030 "   
→ Developing Mid-Term Management Plan 2027

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 ”

- 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 <b>130</b> billion<br>Domestic sales: <b>No.1</b> in Japan (JPY 94 billion)<br>Overseas sales: about 30% of whole sales (JPY 36 billion) |
| Operating Income    | JPY <b>15</b> billion (OI Margin <b>11%</b> or more)   |
| ROE                 | <b>12%</b> or more   |
| Number of employees | 5,000  |

#### Direction of markets' expansion

Revised



##### Domestic market

- Disaster prevention and mitigation, national resilience, etc.
- Expand to local governments and the Ministry of Defense, the Ministry of the Environment, etc.



##### Overseas market

- Expand to semi-developed and developing countries
- Expand of the construction and infrastructure market in developed countries by Waterman



##### Private market

- Utilize the vitality of the private sector like PPP/PFI
- Urban development and other redevelopment in construction fields
- Energy business, Information services

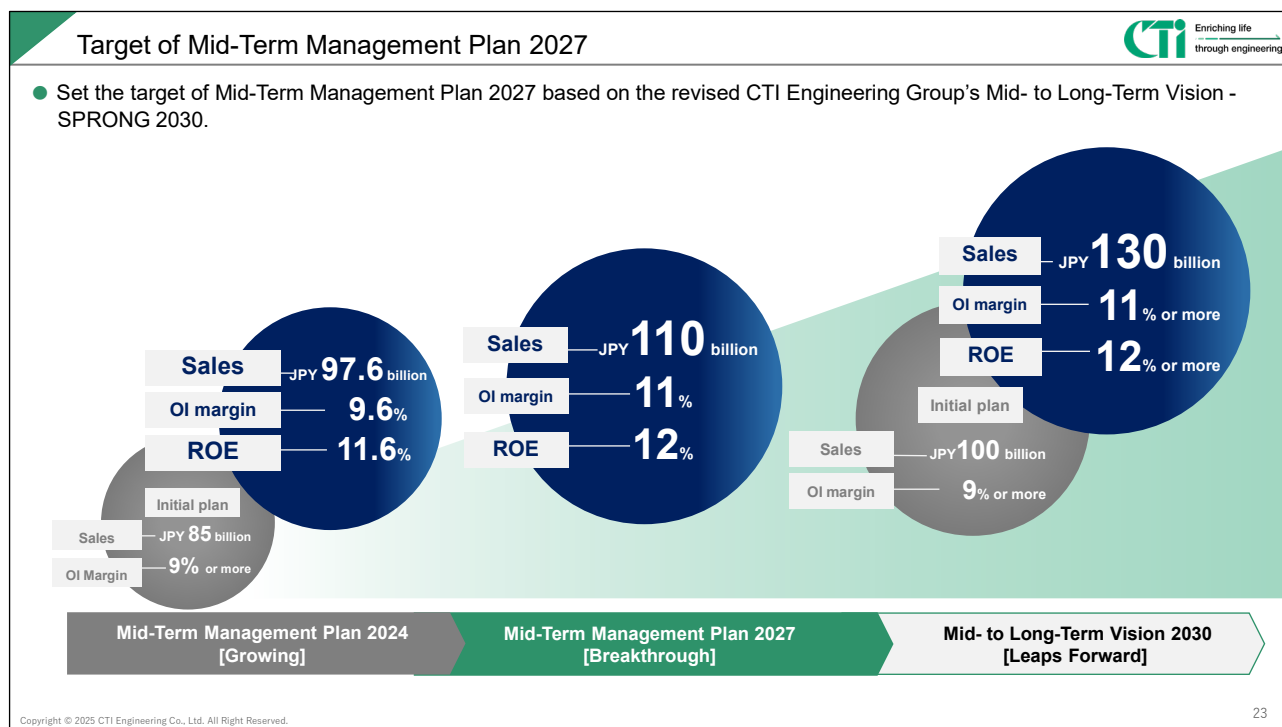
Nishimura :

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 :

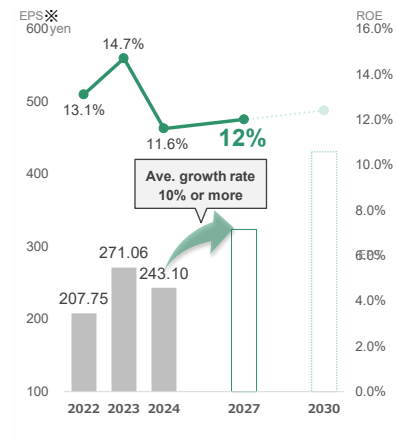
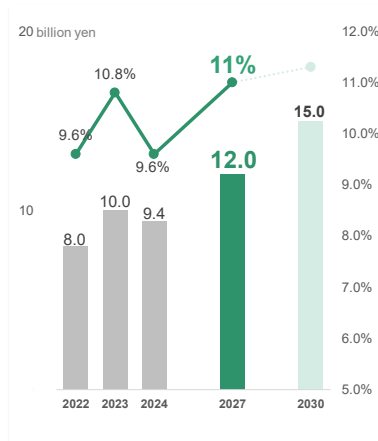
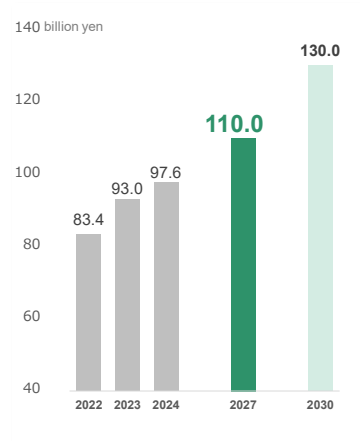
We raised the sales target within the CTI Engineering Group's Mid-to Long-Term Vision to 130 billion yen and registered 97.6 billion yen in 2024.

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%.

## Target of Mid-Term Management Plan 2027

- Set the target of Mid-Term Management Plan 2027 based on the revised CTI Engineering Group's Mid- to Long-Term Vision - SPRONG 2030.

| 2027 Targets | Sales                  | Operating Income      | OI margin  | ROE        | CAGR 2024-2027 Ave. EPS growth rate |
|--------------|------------------------|-----------------------|------------|------------|-------------------------------------|
|              | JPY <b>110</b> billion | JPY <b>12</b> billion | <b>11%</b> | <b>12%</b> | <b>10% or more</b>                  |



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.

## Two Pillars of Mid-Term Management Plan 2027

# 01

### Business Portfolio Transformation

- 01-1** Deepening of Core Business
- 01-2** Acceleration of Growth Areas
- 01-3** Exploration for New Businesses
- 01-4** Overseas Business Development

# 02

### Rebuild of Foundation for Growth

- 02-1** Strengthening Investment in Human Capital
- 02-2** DX / Production System Reform
- 02-3** Challenge for Sustainability
- 02-4** Strengthening Group Governance
- 02-5** Management that is Conscious of Cost of Capital and Stock Price

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.

# 01

## Business Portfolio Transformation

01-1

### Deepening Core Business

Aiming for sustainable growth by enhancing quality and profitability in core business areas

01-2

### Acceleration of Growth Areas

Accelerating promising growth areas through focused investment

01-3

### Exploration of New Businesses

Exploring a wide range of potential areas

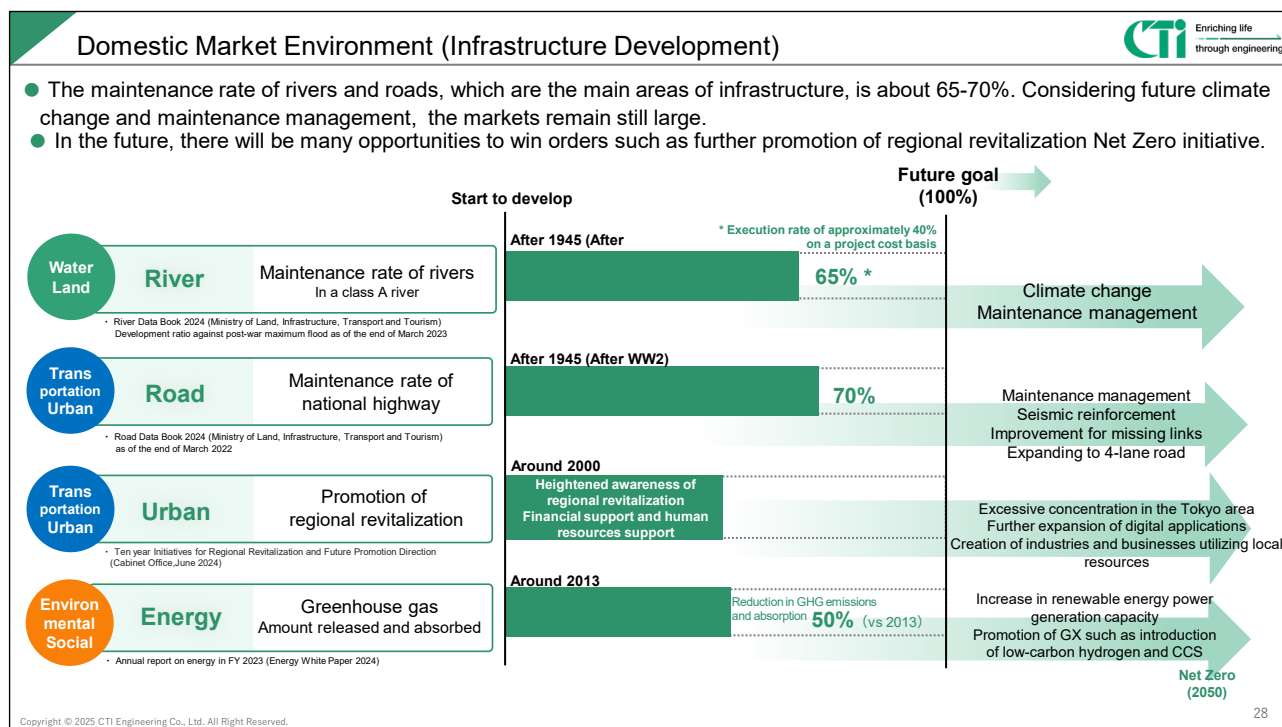
01-4

### Overseas Business Development

Improving profitability of base countries and expanding the number of new base countries

Nishimura :

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



Nishimura :

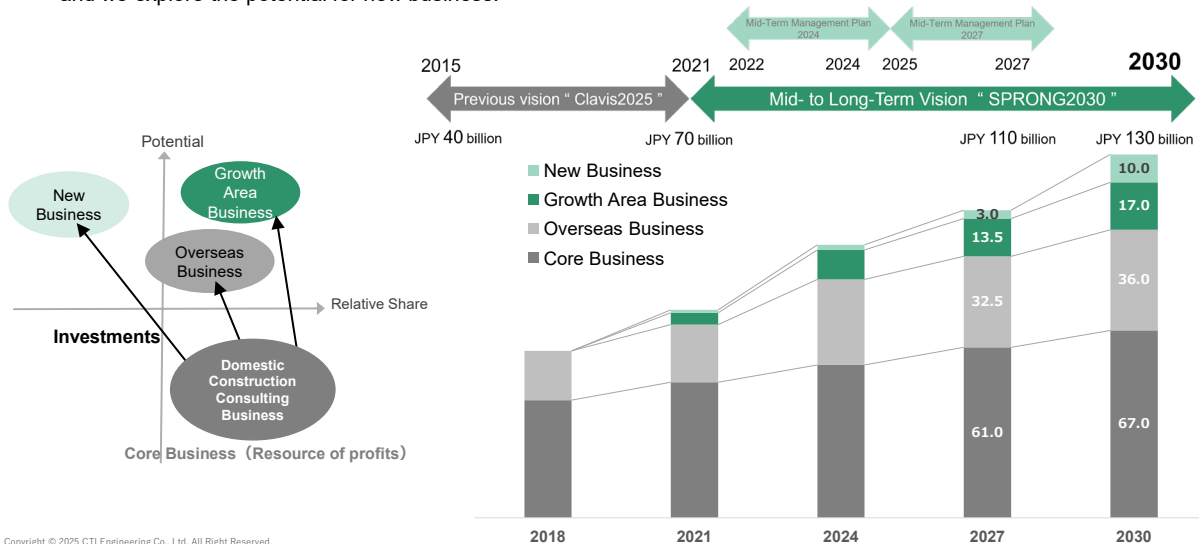
Before we discuss these measures within the scope of business portfolio transformation, first allow me to share our understanding of trends in the domestic market environment.

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.

- Establish a strong profit structure for core businesses such as planning, research and construction management in the social and economic infrastructure development and **build a well-balanced business portfolio by investments in growth areas.**
- Along with solid growth in core businesses, growth areas such as energy, information systems and CM/PM drive the business, and we explore the potential for new business.



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.

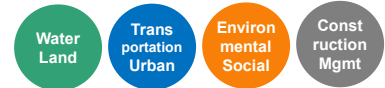
We seek to deepen our consulting businesses – which are the CTI Engineering Group's core businesses – select several growth areas and accelerate our efforts here, explore new promising businesses, and expand the overseas business.

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

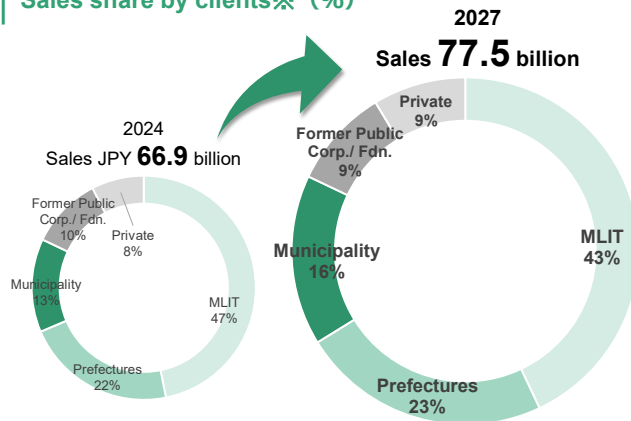
The quantitative targets are shown in the vertical bar graph on the right.



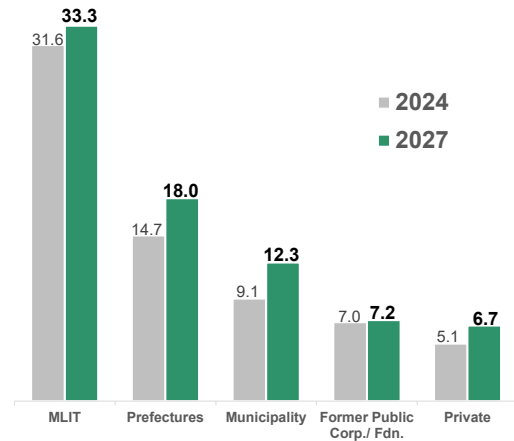
- Overview of business portfolio transformation by source
- ※ Sales figures are for the whole of domestic segment



Sales share by clients※ (%)



Sales by clients※ (JPY billion)



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.

- Aim to deepen the domestic consulting engineering business, our core business, by expanding profitable markets and improving profitability.
- Planning expansion measures by following categories;  
 4 **Business sectors** (Water & Land, Transportation & Urban, Environmental & Social, Construction Management)  
 ×  
**Clients** (National government, Prefectures, Municipality, Former Public Corp./ Fdn, Private Sector, etc.)

Water  
Land

Trans  
portation  
Urban

Environ  
mental  
Social

Const  
ruction  
Mgmt

### 3 Triggers for Deepening Core Business



#### Expansion of profitable markets

Increase in sales by prefectures, municipalities, former public corporations and private corporations while keeping MLIT sales

▶▶▶ Expansion of the top line  
Transformation to a well-balanced clients structure



#### Take advantage of each subsidiaries' strengths

Focus on the fields to be developed in accordance with characteristics of each subsidiaries

▶▶▶ Efficient orders by leveraging each subsidiaries' strengths



#### Train advanced engineers

Development of engineers to win technological competitions

▶▶▶ Building an advantage in high profitability markets

Nishimura :

There are 3 triggers for deepening our core business.

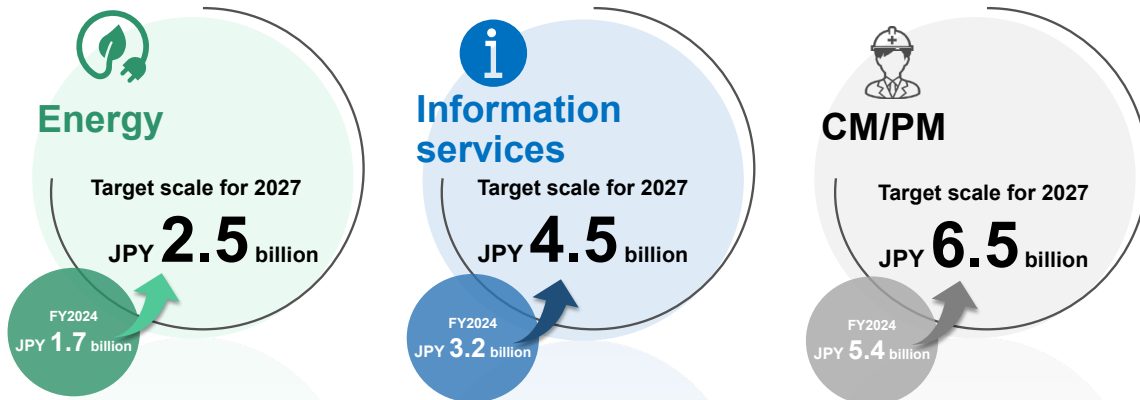
First is the expansion of profitable markets, as we seek to increase sales by prefectures, municipalities, and private sector companies.

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.

- Invest to accelerate the highly profitable businesses such as energy, information services, and CM/PM businesses. These three businesses were prioritized in the Mid-Term Management Plan 2024, and are expected to grow in the future.



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.



## Energy business

Aiming to win orders 3 billion yen by 2030, we will clarify the markets in which we will enter and improve our technological capabilities and production system. Driving the CTI Engineering Group's Business Structural Reforms.

### Business Description

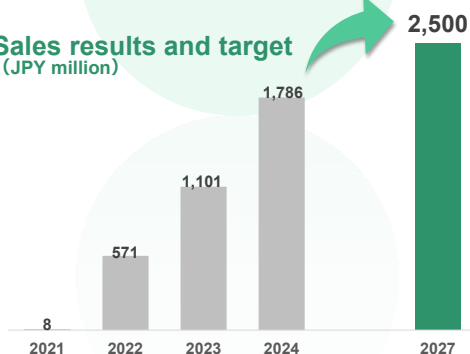
- Assessment and project support in the implementation of offshore and onshore wind projects
- Introduction of local renewable energy
- Zero carbon public facilities
- Development and utilization of energy storage technology
- Power generation and substation design, etc.

Strength  
01

Achievements in public sector  
Ability to make proposals as a comprehensive consultant

Extensive experience in consulting for environmental, land readjustment, ZEB and energy conservation

### Sales results and target (JPY million)



Wind power business



Solar power business

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.



## Information services

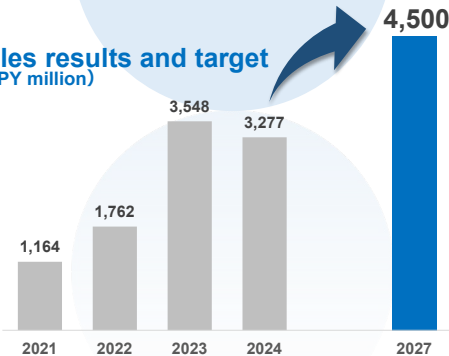
We will actively engage in infrastructure DX, which is making remarkable progress.  
Build a competitive edge in the expanding information services and systems development market.



### Business Description

- Flood forecasting system
- Disaster response support system and next generation mobility
- Flood risk prediction
- Inspection and management support services using AI

### Sales results and target (JPY million)



Strength 01

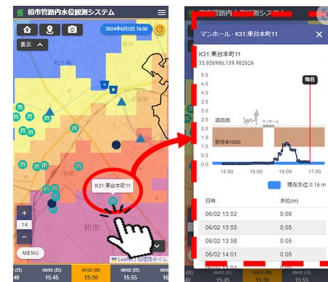
Engineering knowledge in infrastructure fields such as rivers, roads, and the environment

Strength 02

Results of system development by national and local governments

Strength 03

AI and system development by specialised organizations



Water level observation system in Kashiwa City

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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.



**CM/PM**

Building a position as a top commercial runner in CM/PM and business supervision by leveraging the strengths of comprehensive consulting.

Const  
ruction  
Mgmt

**Business Description**

- CM/PM for disaster response, promotion of urban development
- Project supervision for road construction projects, disaster dissemination projects, etc.
- Support for construction management, construction supervision
- Construction management of expressway renewal

Strength  
01

Various technical human resources in all 21 technical disciplines

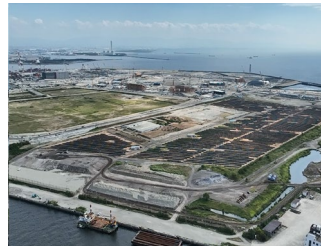
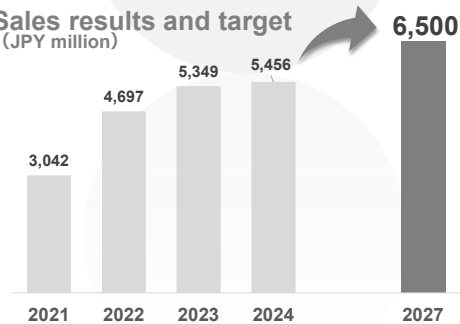
Strength  
02

Abundant experience gained through reconstruction after the Great East Japan Earthquake

Strength  
03

Provided design guidance as a general consultant Ability to respond through consultations with relevant organizations

**Sales results and target**  
(JPY million)



CM for Japan World Expo site



CM associated with embankment integrated road construction

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35

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.

- Explore the possibility of commercialization by R&D investment and venture capital in technology fields that are currently not sufficiently profitable but have potential.
- Make investment with 5-10 years perspective in order to show leadership in the technology field necessary for the future society.

## New businesses

### Growth areas

Energy

Information Services

CM PM

Core business

Environmental Social

Environmental DNA  
DNA analysis  
technology

Environmental Social

CCS and  
geological disposal

CO<sub>2</sub>

Utilisation of advanced  
AI and IoT



PPP



Mobility



Urban development

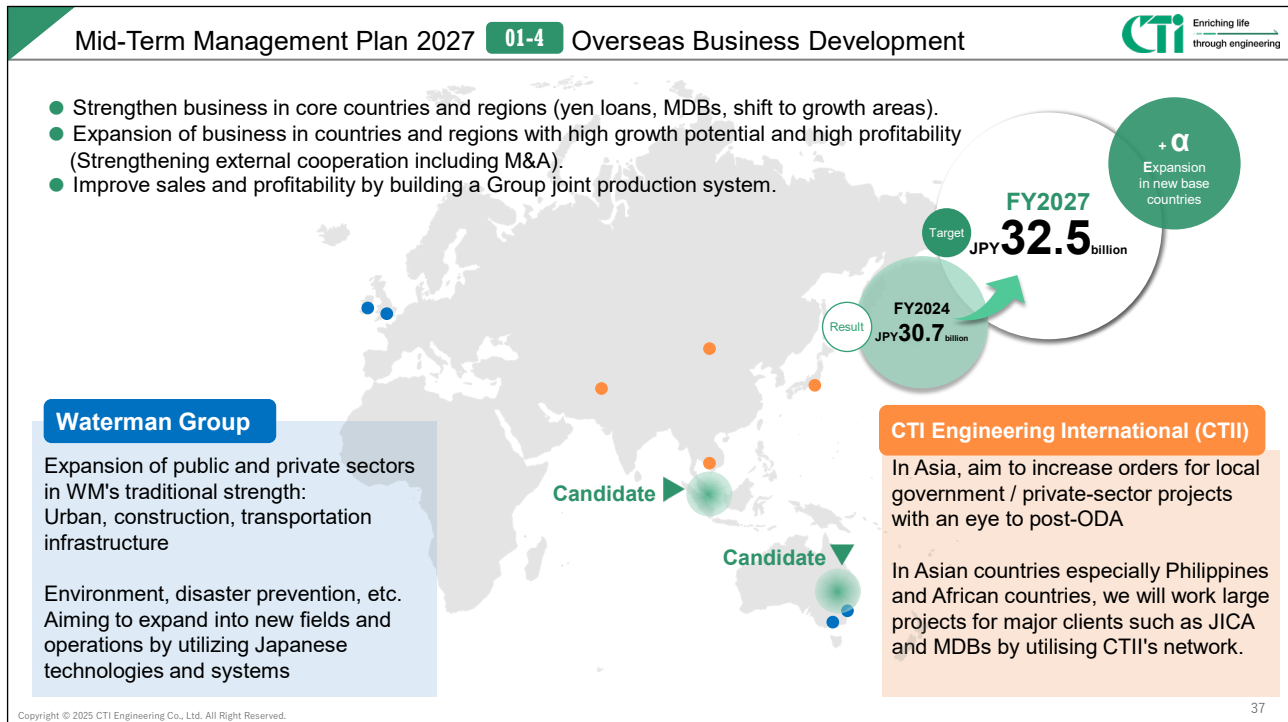


FY2027  
Target JPY 30 billion

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.



**02-1 Strengthening Investment in Human Capital**

Aiming for securing human resources, self-sustaining growth and revitalization

**02-2 DX/Production System Reform**

Improving productivity and ensuring quality and safety through AI and digital

**02-3 Challenges for Sustainability**

Contributing to a deoxidizing and recycling society and ecological conservation

**02-4 Strengthening Group Governance**

Awareness of compliance and establishment of internal control processes

**02-5 Management that is Conscious of Cost of Capital and Stock Price**

Increase corporate value by improving capital efficiency

# 02

## Rebuild of Foundation for Growth

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.

### Basic Policy

Diverse human resources fulfill their responsibilities and show their strength in teamwork.  
In addition, self-improvement with intellectual curiosity will allow us to realize growth, and we will take on the challenge of developing new businesses based on advanced professional skills.  
Promote the development, strengthening, and activation of human resources who can lead the industry.  
We will aim for a workplace environment where people can work with peace of mind and improve engagement.

### Direction of the measures

#### Sustainable Development of Human Resources Growth

- Clarify diverse career paths and desired skills, and build an environment in which employees can grow toward their goals
- Establish a system to train engineers who can systematically represent the industry
- Develop human resources capable of making technical proposals and judgments in the midst of advancing automation and AI utilization

#### Securing Diverse Human Resources

- Strengthen the cohesiveness of CTI Engineering Group by enhancing the attractiveness of the entire group and widely publicizing it both inside and outside the company
- Establish a system to accept human resources with diverse backgrounds and secure a wide range of human resources by utilizing various recruitment methods

#### Activation Diverse Human Resources

- Promote DE&I to enable flexible work styles that meet each employee needs and life stages and evaluate them fairly.
- Active exchange of human resources within and outside the organization, diversification of knowledge and skills, introduction of new perspectives, and expansion of human networks

#### Improve Employee Engagement

- Achieve employee well-being and aim for one rank higher engagement score.

### KGI (target for 2027)

**4,300** engineers  
CTI Engineering: 1940  
Group companies: 2360

Percentage of employee using diverse employee system ※ : **20%**  
Percentage of female managers : **6%**

Engagement Score Rank **A** (Overall)  
Turnover rate of less than **3%**

Nishimura :

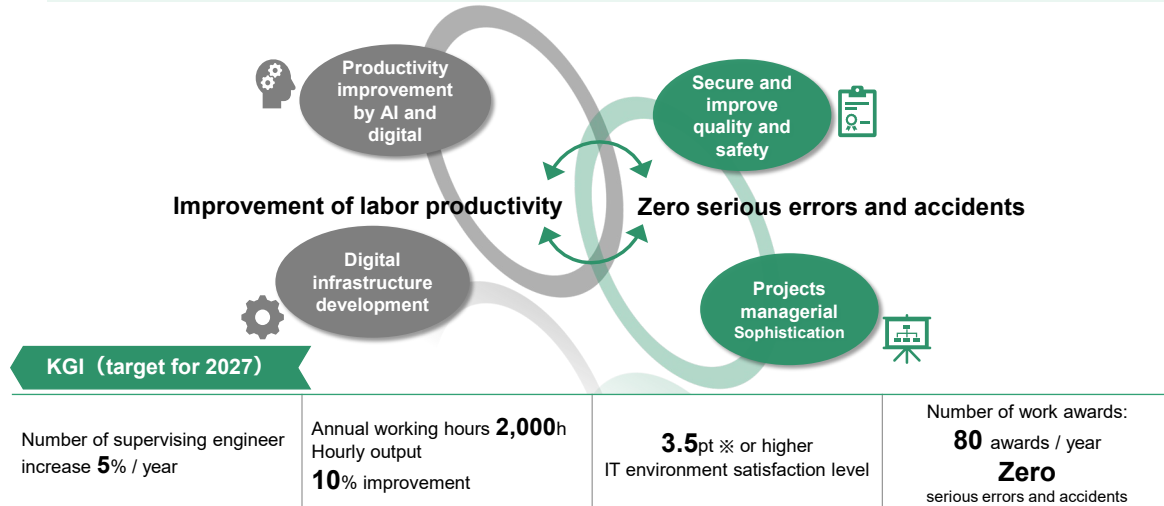
The first initiative is strengthening investment in human capital.

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%.

## Basic Policy

After establishing a digital infrastructure, we will engage in productivity reforms such as digitizing technological assets, reducing the workload by standardizing business processes, ensuring and improving quality by thoroughly reviewing/self-checking utilising quality support tools, thereby providing high-quality services to our clients.



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※"IT environment satisfaction" in Employee' Satisfaction Score

41

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.

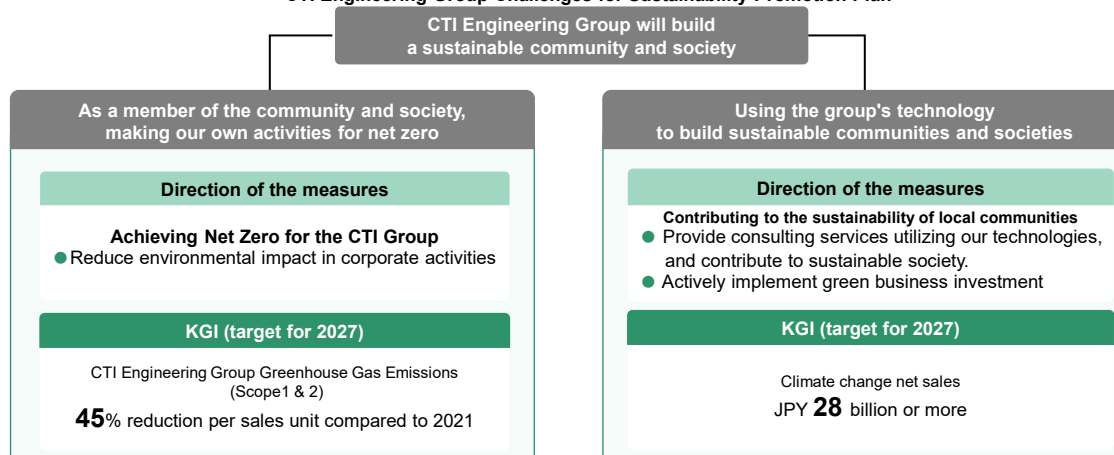
By executing these measures, we seek to grow the number of supervising engineers at a rate of 5% per year, achieve 2,000 working hours, and a productivity improvement of 10% over a three-year period.

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

### Basic Policy

Based on the CTI Engineering Group Challenges for Sustainability Promotion Plan, we will implement measures to reduce CO<sub>2</sub> emissions to achieve net zero by 2030, promote consulting services that contribute to sustainability, and contribute to the creation of a sustainable society and reduction of environmental impact through business and corporate activities.

#### CTI Engineering Group Challenges for Sustainability Promotion Plan



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42

Nishimura :

The third initiative is challenges for sustainability.

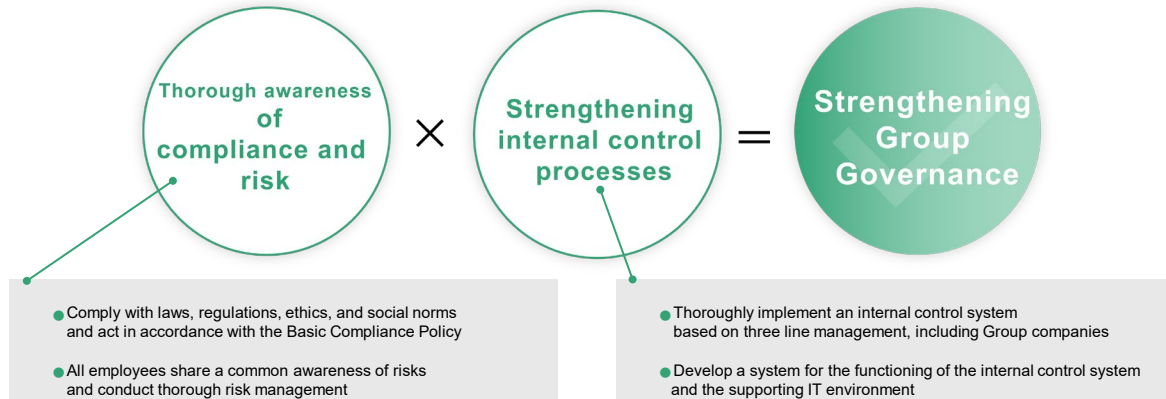
We formulated and disclosed the CTI Engineering Group's Challenges for Sustainability Promotion Plan.

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.

## Basic Policy

To realize a workplace where harassment and misconduct do not occur or are not allowed to occur, and a workplace that is responsive to risk management, we aim to build a strong corporate governance of offensive and defensive aspects by ensuring thorough risk compliance and strengthening internal control processes, and to aim for management that is trusted by the market.



## KGI (target for 2027)

**Zero** Serious incidents

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.

## Analysis of the current situation

## ● Cost of equity

We consider the Cost of equity to be around **8%**.

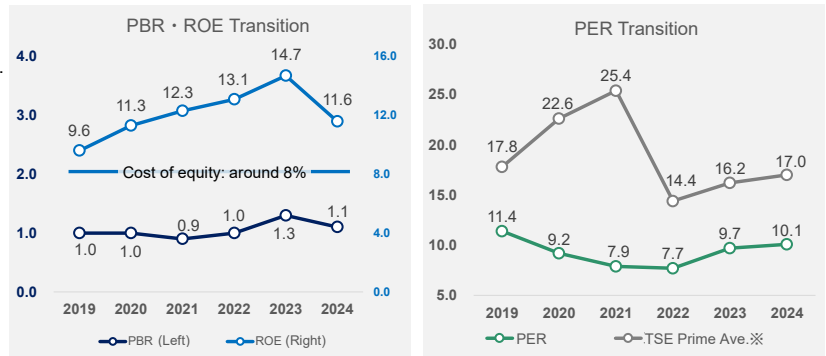
## ● ROE

Exceeded the Cost of equity, **11.6%** in 2024.

## ● PBR

PBR in 2024 is around **1.1**.

The reason why PBR is low relative to ROE is :  
**Mainly due to low PER**



## Subject

- Lack of growth expectations
- Capital Efficiency:  
Unclear allocation to investment and returns
- Concerns over corporate governance
- Lack of corporate awareness

## Future policy

- ① **Realisation of steady profit growth** through business portfolio transformation and growth investment
- ② **Promotion of growth investment** based on capital efficiency and financial soundness
- ③ **Balance between growth and returns** based on capital allocation
- ④ Promotion of strong governance and sustainability management
- ⑤ **Improvement of non-financial capital** and active engagement with investors

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44

Nishimura :

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

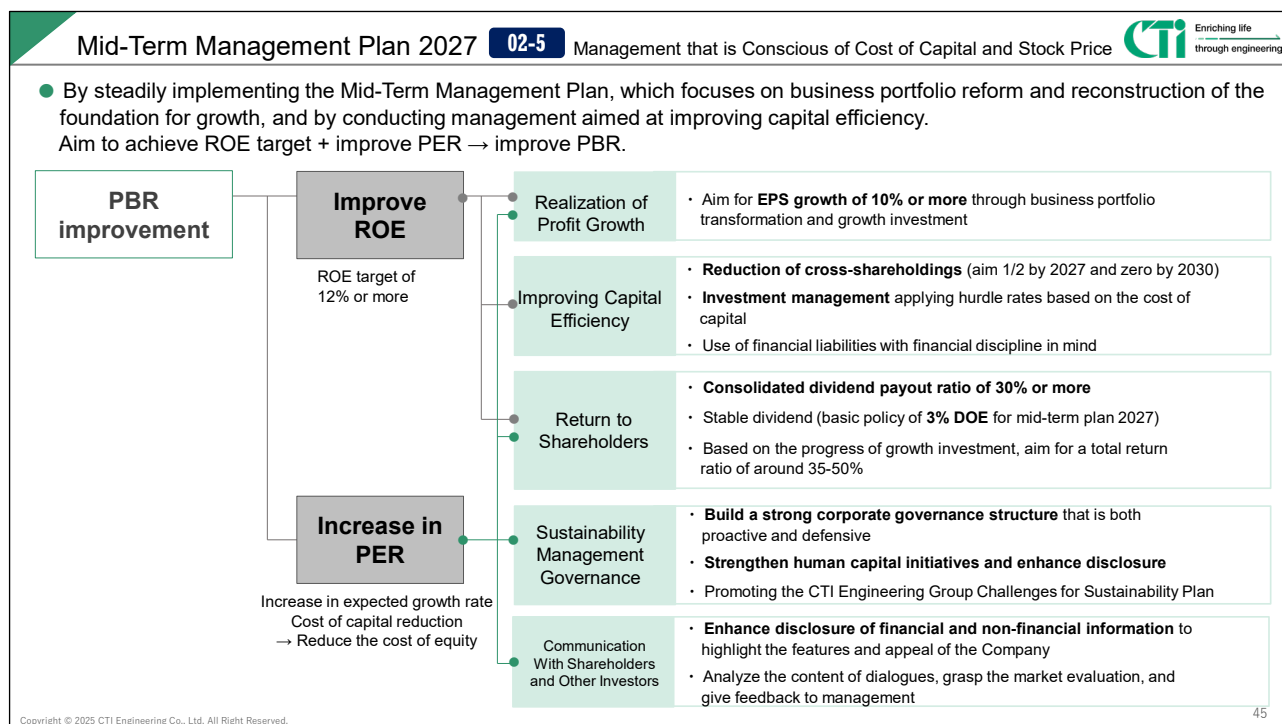
As of December 31st, 2024, the CTI Engineering Group had an ROE of 11.6% and a PBR multiple of 1.1.

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.

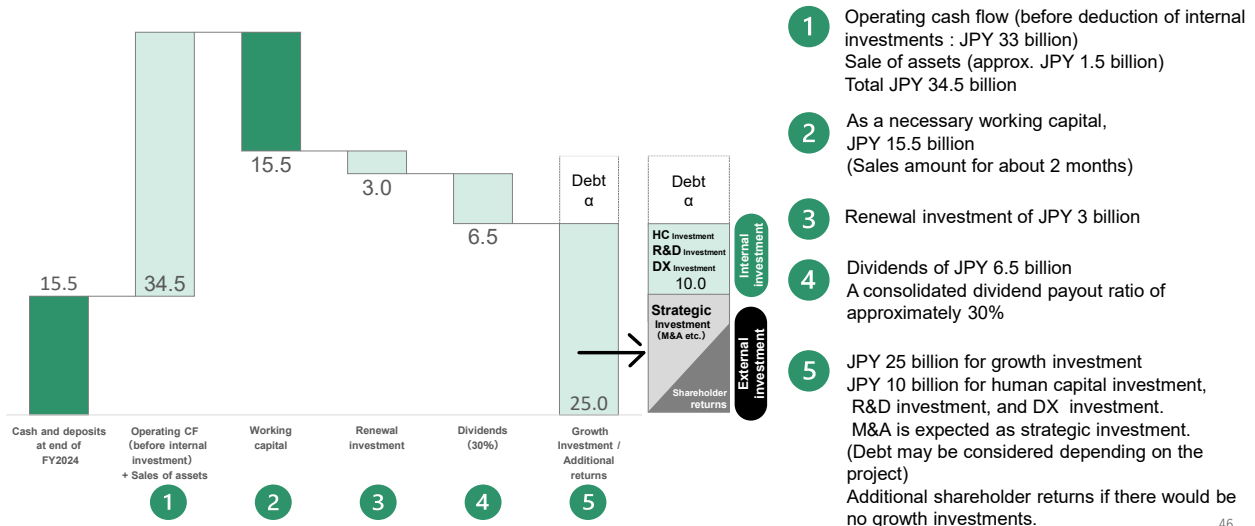
In terms of returns to shareholders, we have set the consolidated dividend payout ratio at 30% or more, the DOE target at 3%, and will aim for a total return ratio of around between 35% and 50% – based on the progress of growth investment.

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.

- Create an optimal balance sheet by enhancing sustainable cash flow generation, appropriately investing in growth and returning profits to shareholders.

### Basic Policy for Capital Allocation in the Mid-Term Management Plan 2027



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46

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.

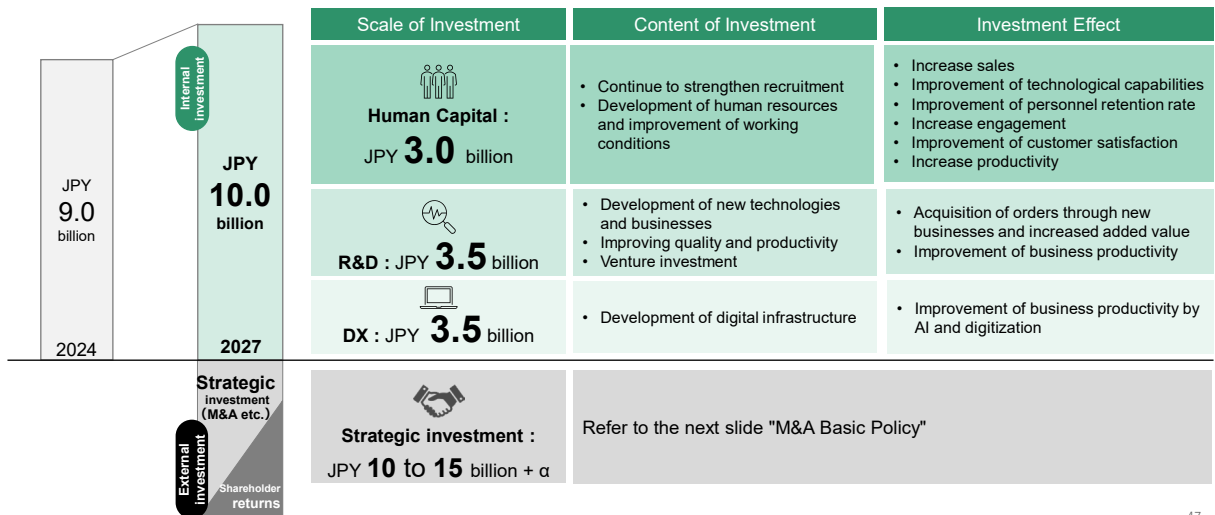
Lastly, we will be investing the remaining 25 billion yen for various uses – specifically, we will be carrying out 10 billion yen in internal investment and 15 billion yen externally.

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



- Top priority to human capital investment, which is directly linked to the growth of the CTI Engineering Group.
- We will intensively promote R&D investment and DX investment that will lead to improved business productivity and increased orders in the future.

### Investment Policy



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

Nishimura :

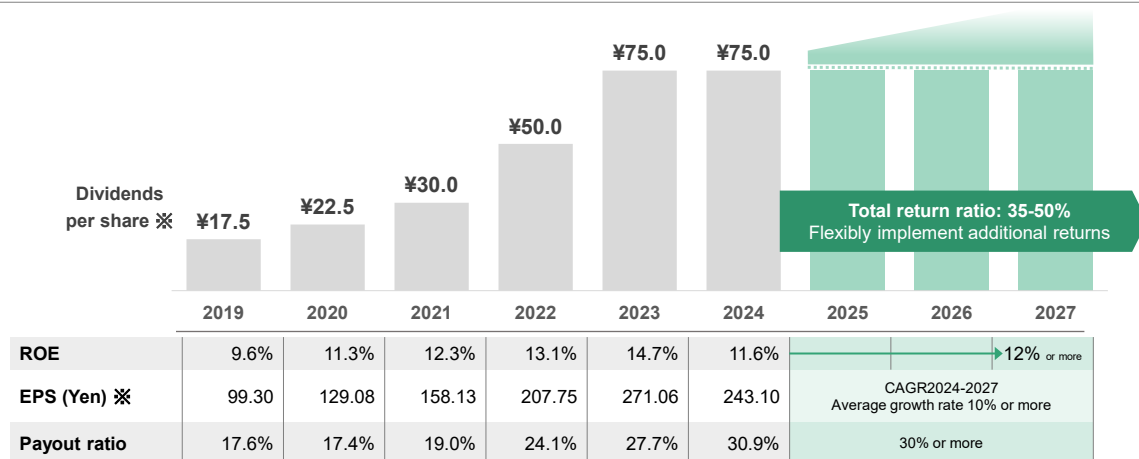
Specifically, we will be targeting M&A companies in core areas, such as, for example, companies in the areas of water and wastewater, urban development, electricity, machinery, building services, etc.

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)



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※ 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.

49

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.

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

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※ 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.

51

Nishimura :

Last is the 2025 management plan.

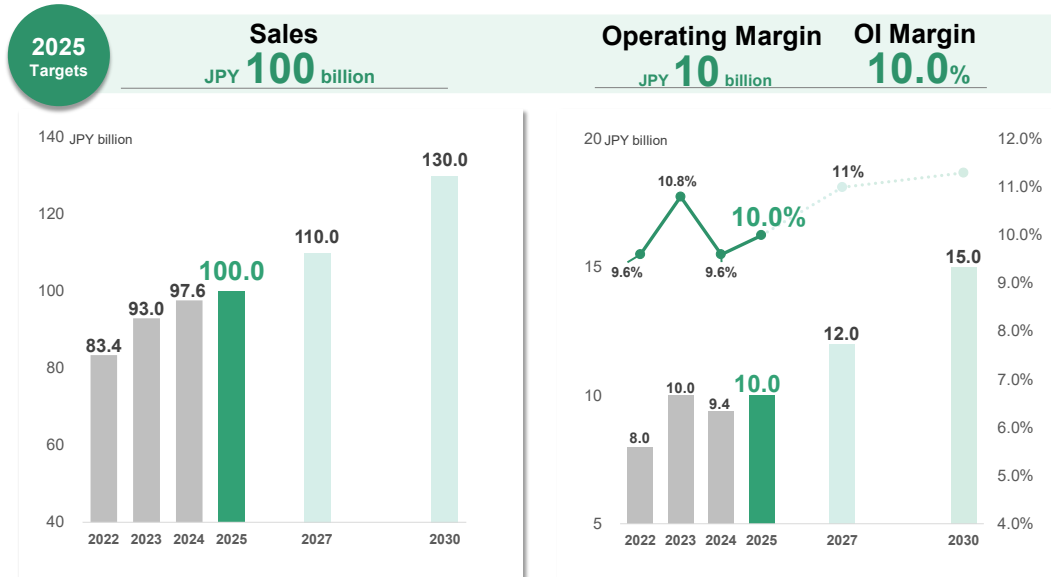
For fiscal year 2025, we are aiming for a consolidated orders received and sales performance of 100 billion yen, 10 billion yen in operating income, an operating income margin of 10%, and 6.9 billion yen in net income attributable to owners of the parent.

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.

## 63<sup>rd</sup> Term (2025) Management Target Figures (Consolidated)

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



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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 63<sup>rd</sup> 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)

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

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53

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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.

## 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 63<sup>rd</sup> 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)

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

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54

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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%.

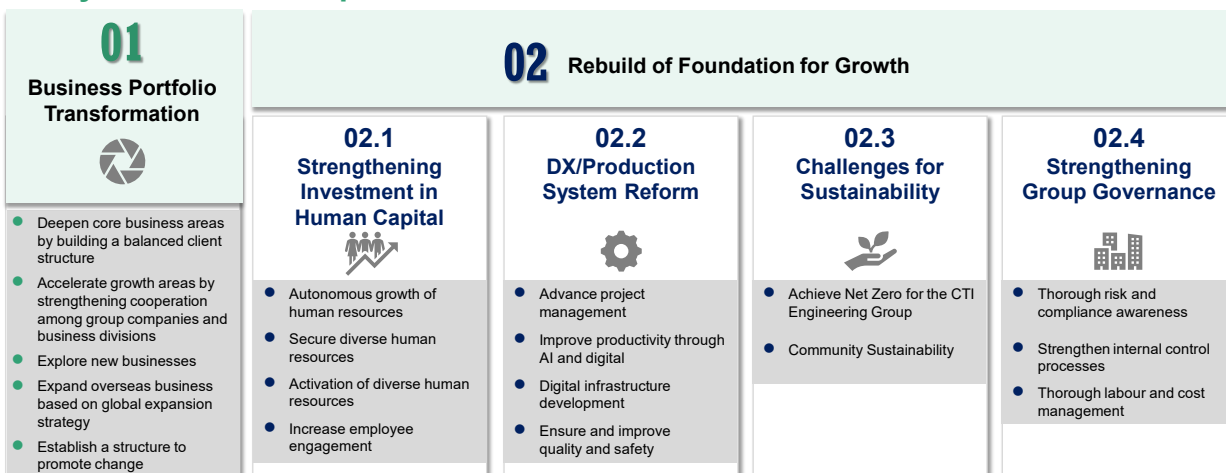
We are guiding for a slightly lower operating income margin on account of uncertainty associated with tax policy and other policies to be enacted by the new government in the UK, and inflationary pressures.

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

## 63<sup>rd</sup> (2025) Term Management Plan -Slogan-

Promote business portfolio transformation and production system reform by co-creation of all employees.

### 5 Key Themes and Implementation Measures



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55

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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.