CTI Engineering Co., Ltd.

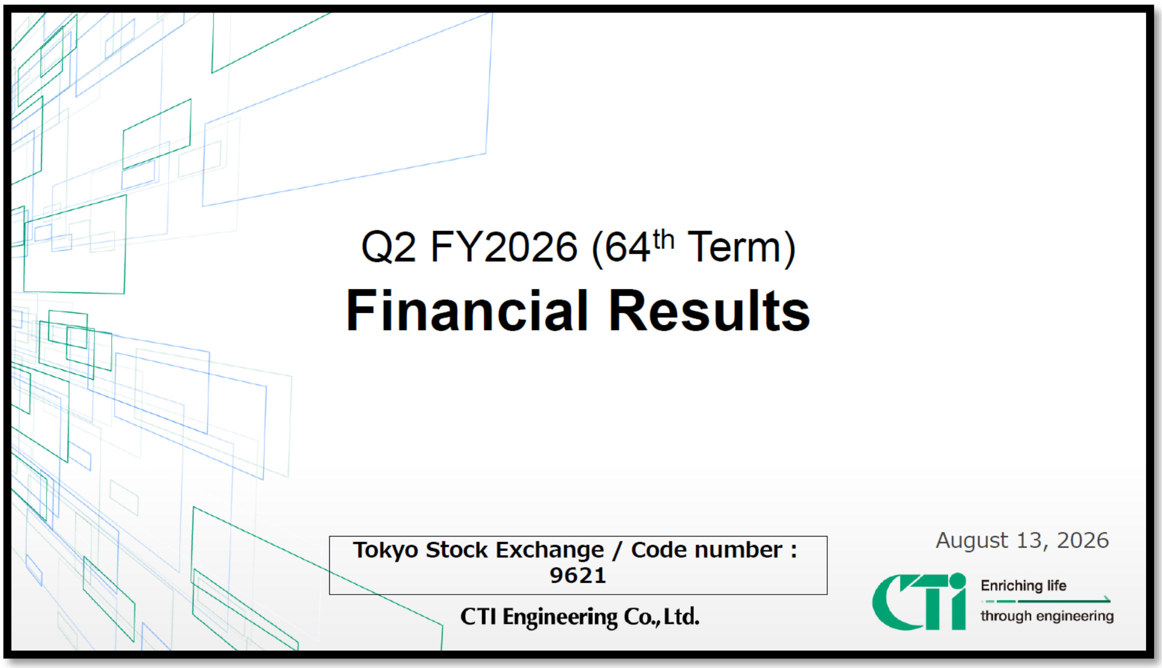
Transcription of 64th (2026) Q2 Financial Results Presentation

Date and time: 20 August 2026 (Thu) 14:00 - 14:40

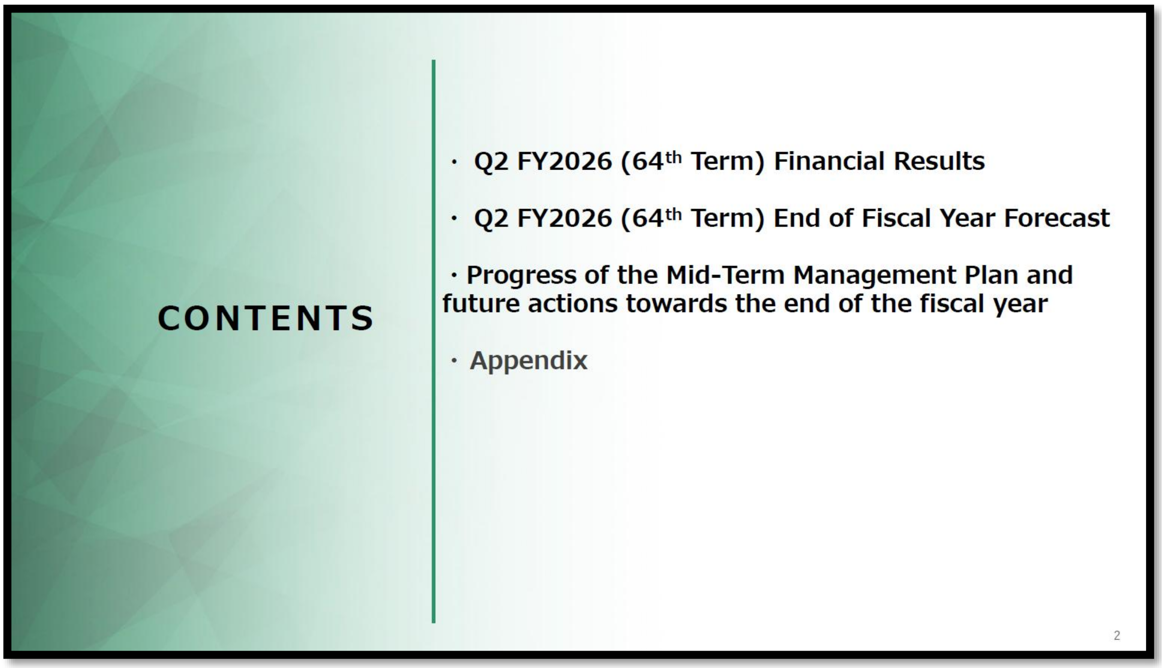
Tatsuya Nishimura, Representative Director and President, CEO（hereinafter "Nishimura"）

Nishimura：

My name is Tatsuya Nishimura, Representative Director, President, and CEO at CTI Engineering.

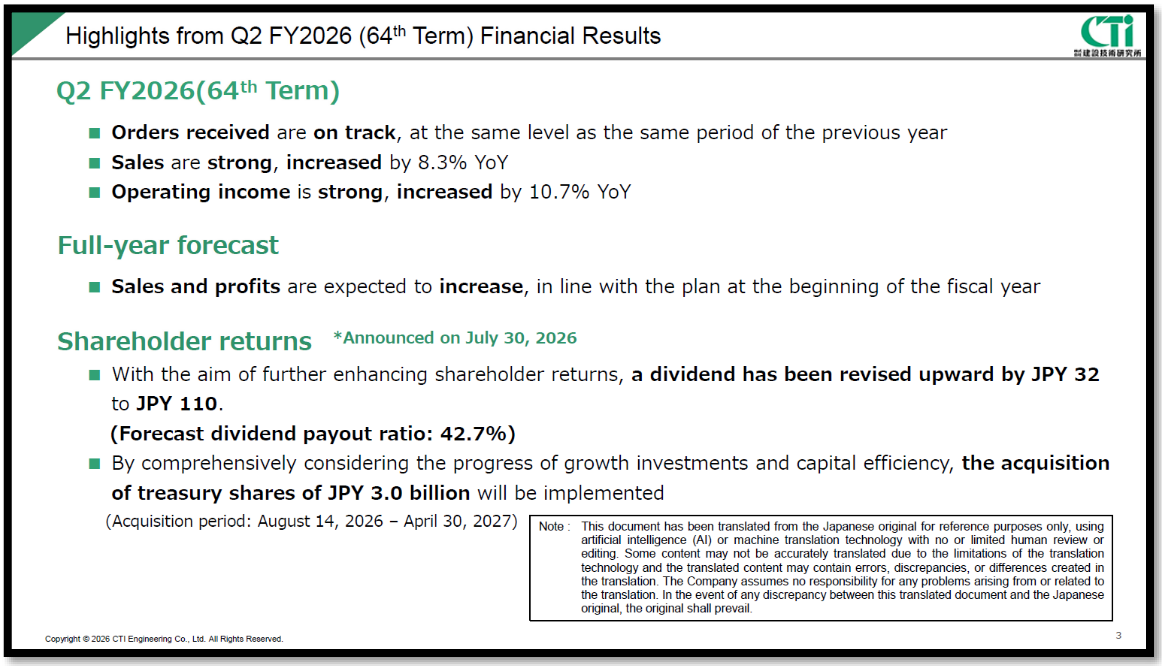


Nishimura：
Allow me to walk you through our financial results for the second quarter of fiscal year 2026.



Nishimura：

Today's presentation covers three main topics: our financial results for the second quarter, the end of fiscal year forecast, and finally, the progress of the Mid-Term Management Plan and future actions towards the end of the fiscal year.



Nishimura：
First are the highlights of our financial results for the second quarter of fiscal year 2026.

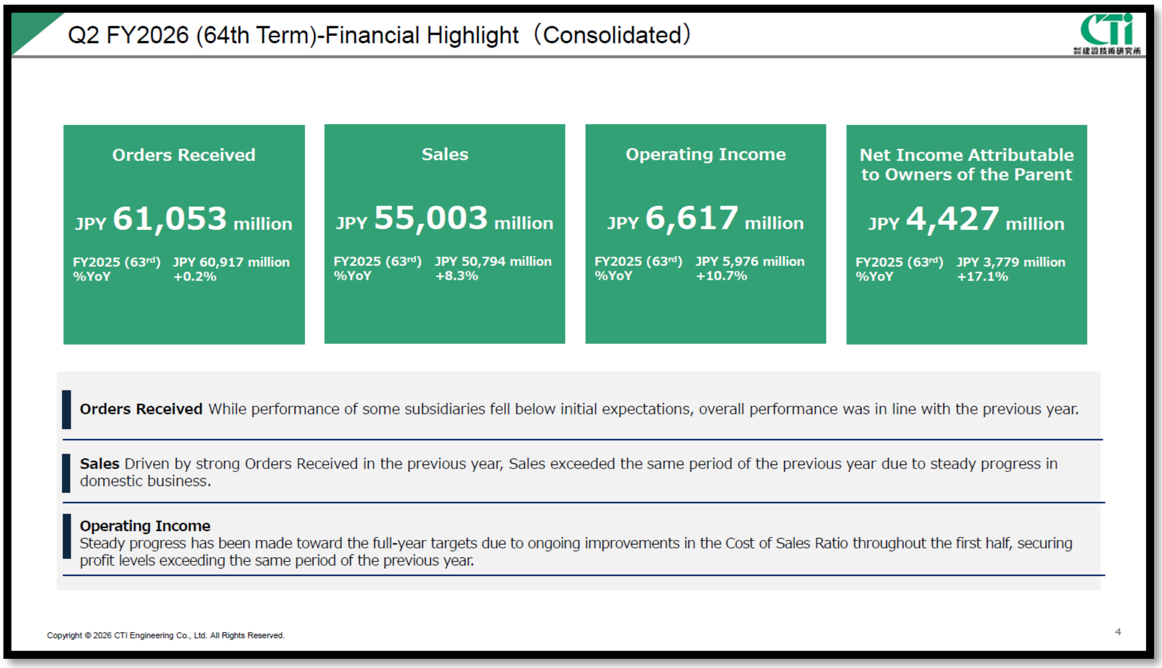
Looking at our second-quarter performance, orders received are on track and remain on par with the same period of the previous year.

Meanwhile, both sales and operating income delivered strong results, increasing by 8.3% and 10.7% year on year, respectively.

Looking at our full-year forecast, we expect both sales and profits to increase, keeping us in line with our initial plan for fiscal 2026.

On the topic of shareholder returns, as announced on July 30, we have revised our dividend upward by 32 yen to a total of 110 yen per share.

Additionally, based on a comprehensive assessment of our growth investments and capital efficiency, we will acquire 3 billion yen in treasury shares.



Nishimura：
Here are the financial highlights for the second quarter.

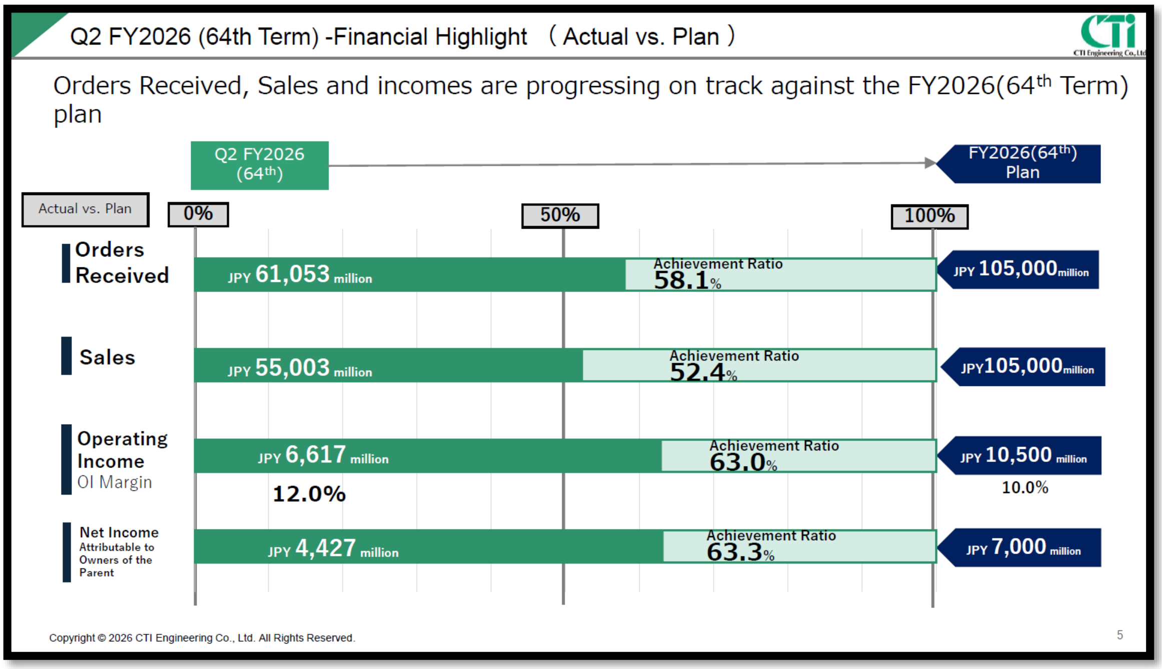
Orders received reached 61.053 billion yen, representing a 0.2% increase on a year-on-year basis.
While the performance of some subsidiaries fell below initial expectations, overall performance was in line with the previous year.

We recorded 55.003 billion yen in sales, an 8.3% increase.

Driven by strong orders received in the previous year, sales exceeded the same period last year due to steady progress of projects.

Operating income came in at 6.617 billion yen, which corresponds to a 10.7% increase.

Steady progress has been made toward our full-year targets due to ongoing improvements in the cost of sales ratio throughout the first half, securing profit levels that exceed the same period of the previous year.

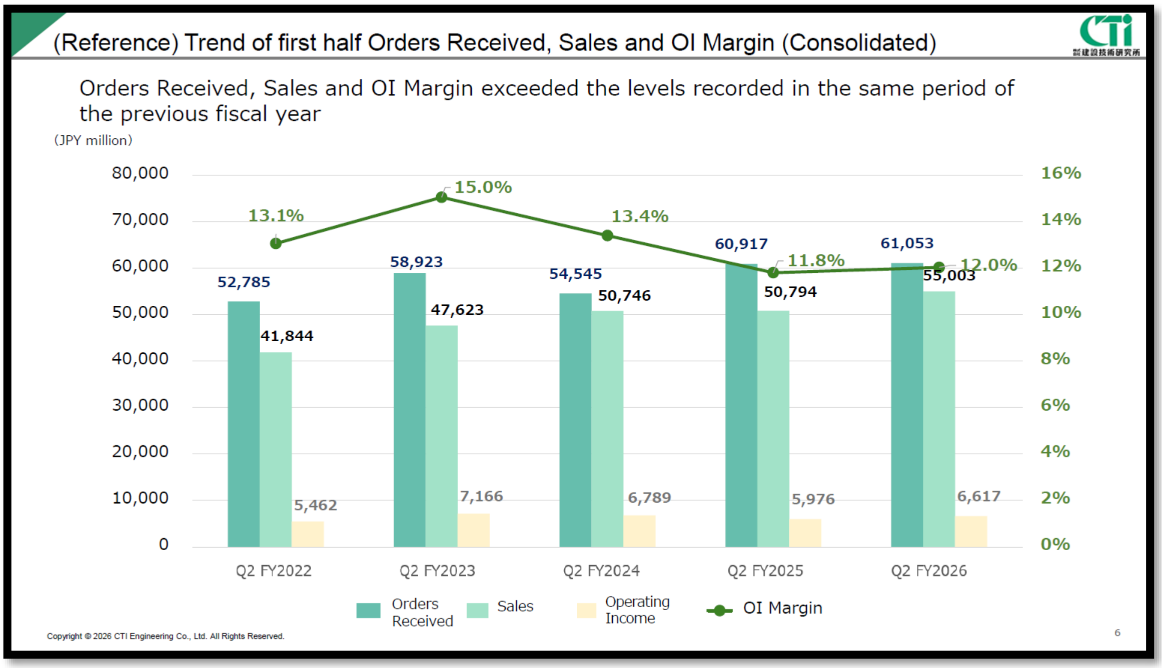


Nishimura：

Let's now look at our progress against the full-year plan.

Orders received and sales tracked at 58.1% and 52.4% of our full-year plan, respectively.

Operating income and net income attributable to owners of the parent both stood at approximately 63% of the full-year target.



Nishimura :

This chart illustrates the first-half trend for orders received, sales, operating income, and operating income margin.

Operating income margin dipped in the second quarter of fiscal year 2025.

That said, it edged up to 12% in the same period in fiscal 2026, marking a year-on-year improvement.

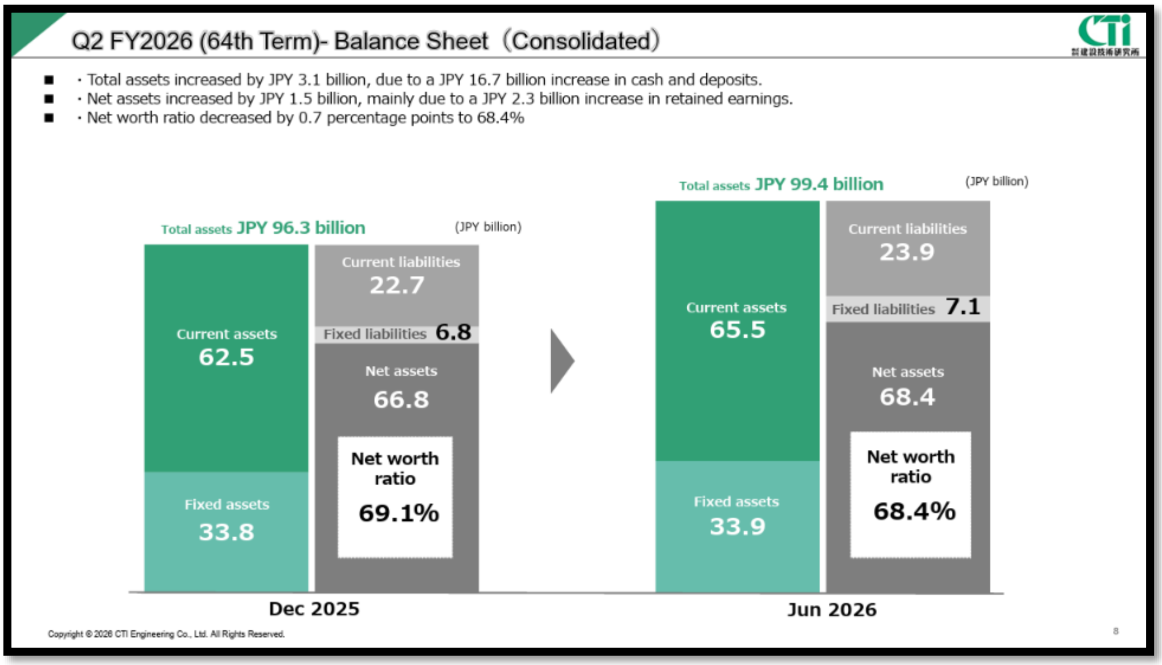
Q2 FY2026 (64th Term) - Profit and Loss Statement (Consolidated)

(JPY million)

Item	Q2 FY2025 (63rd Term)	Q2 FY2026 (64th Term)			FY2026 (64th Term) (Updated Plan)	
			Change(¥) (YoY)	Change(%) (YoY)		Achievement vs. Plan(%)
Orders Received	60,917	**61,053**	+135	+0.2%	105,000	58.1%
Sales	50,794	**55,003**	+4,208	+8.3%	105,000	52.4%
Operating Income	5,976	**6,617**	+640	+10.7%	10,500	63.0%
OI Margin	11.8%	**12.0%**	-	+0.3pt	10.0%	-
Ordinary Profit	6,034	**6,696**	+661	+11.0%	10,500	63.8%
Net Income Attributable to Owners of the Parent	3,779	**4,427**	+647	+17.1%	7,000	63.3%

Nishimura：
Next is an outline of our profit and loss statement for the second quarter.

As I touched on earlier, orders received, sales, operating income, ordinary profit, and net income attributable to owners of the parent all exceeded the prior year's results.



Nishimura：
Let’s now turn to the balance sheet.

Total assets stood at 99.4 billion yen, a 3.1 billion yen increase driven by higher cash and deposits.

Net assets came in at 68.4 billion yen, representing a 1.5 billion yen expansion primarily fueled by growth in retained earnings.

Lastly, our net worth ratio decreased by 0.7 percentage points to 68.4%.

Q2 FY2026 (64th Term) Results Outline by Segment：Domestic Business

- Orders Received have progressed steadily, exceeding the same period of the previous year due to strong orders from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- Sales and Operating Income have been performing steadily, backed by strong orders in the previous period.

(JPY million)

Item	Q2 FY2025 (63rd Term)	Q2 FY2026 (64th Term)			FY2026 (64th Term) (FY Plan)	
			Change (¥) (YoY)	Change (%) (YoY)		Achievement vs. Plan (%)
Orders Received	41,825	**43,868**	+2,042	+4.9%	72,000	60.9%
Sales	35,826	**37,726**	+1,899	+5.3%	72,000	52.4%
Operating Income	5,937	**6,299**	+362	+6.1%	9,800	64.3%
OI Margin	16.6%	**16.7%**	-	+0.1pt	13.6%	-

Nishimura：

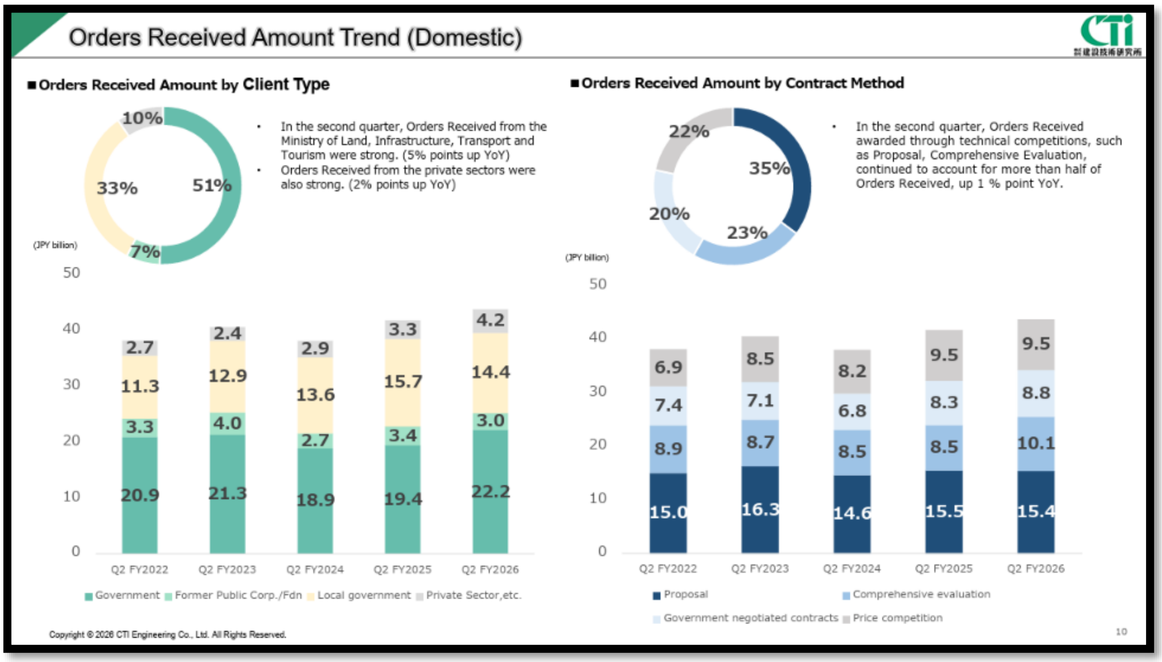
Next, I will report on our results by segment, starting with our Domestic Business.

Orders received reached 43.868 billion yen, up 4.9% year on year.

Driven by strong demand from the Ministry of Land, Infrastructure, Transport and Tourism, orders received exceeded our results for the second quarter of fiscal year 2025.

We recorded 37.726 billion yen in sales, a 5.3% year-on-year increase, while operating income came in at approximately 6.3 billion yen, up 6.1% year on year.

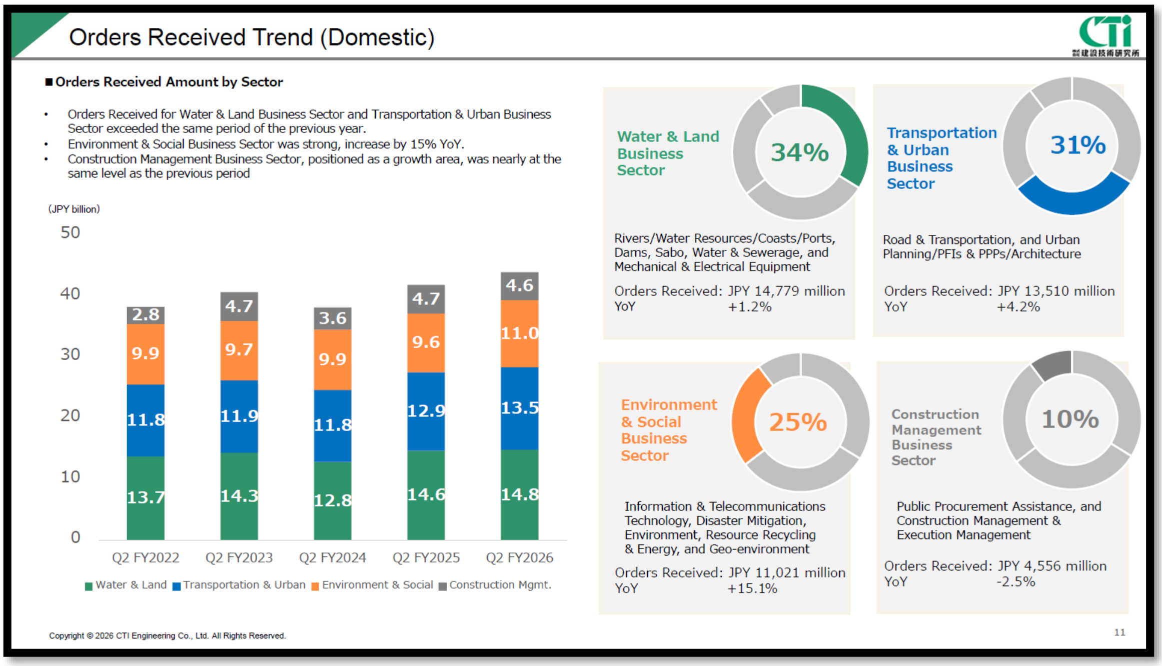
Our operating income margin stood at 16.7%, marking a 0.1 percentage point increase from the prior year.



Nishimura：
Now, let's examine the orders received amount by client type on the left side of the slide.

Looking at the breakdown by client type, orders received from the Ministry of Land, Infrastructure, Transport and Tourism reached 22.2 billion yen, marking a significant increase over the second quarter of fiscal year 2025.
Orders from local governments saw a slight dip against the large-project-driven spike in the second quarter of fiscal year 2025.

Despite this, they remain well above the levels recorded in the same period in fiscal year 2024.
Meanwhile, orders received from the private sector grew to 4.2 billion yen, also showing year-on-year growth.
Turning to the graph on the right, we outline orders received by contract method.
Orders awarded under the proposal method remained largely flat year on year.
Meanwhile, comprehensive evaluation orders reached 10.1 billion yen, marking a significant increase over the same period.
Combined, these technical competition methods accounted for 58% of our total orders, underscoring our competitive edge in technical bidding.



Nishimura：

Turning next to orders received by sector, the Water & Land Business Sector saw a slight increase over the second quarter of fiscal year 2025.

Compared to that same baseline, the Transportation & Urban Business Sector grew by 600 million yen, while the Environment & Social Business Sector recorded substantial growth.

Lastly, the Construction Management Business Sector remained consistent with the results from that quarter.

Overall, the proportional breakdown across our business sectors remained largely unchanged.

Q2 FY2026 (64th Term) Results Outline by Segment：Overseas Business

- Orders Received were lower than the same period of the previous year, when a large-scale project was secured, but remained steady compared to the initial forecast.
- Sales was on track, exceeded both the same period of the previous year and the initial forecast.
- Operating Income significantly exceeded the same period of the previous year, driven by Waterman Group Plc, and was on track compared to the initial forecast.

(million yen)

Item	Q2 FY2025 (2025)	Q2 FY2026 (64th Term)			FY2026 (64th Term) (FY Plan)	
			Change (¥) (YoY)	Change (%) (YoY)		Achievement vs. Plan (%)
Orders Received	19,092	**17,185**	(1,907)	(10.0%)	33,000	52.1%
Sales	14,967	**17,277**	+2,309	+15.4%	33,000	52.4%
Operating Income before goodwill amortization	209	**506**	+296	+141.3%	-	
OI Margin before goodwill amortization	1.4%	**2.9%**	-	+1.5pt	-	
Operating Income	41	**320**	+278	+672.9%	700	45.8%
OI Margin	0.3%	**1.9%**	-	+1.6pt	2.1%	-

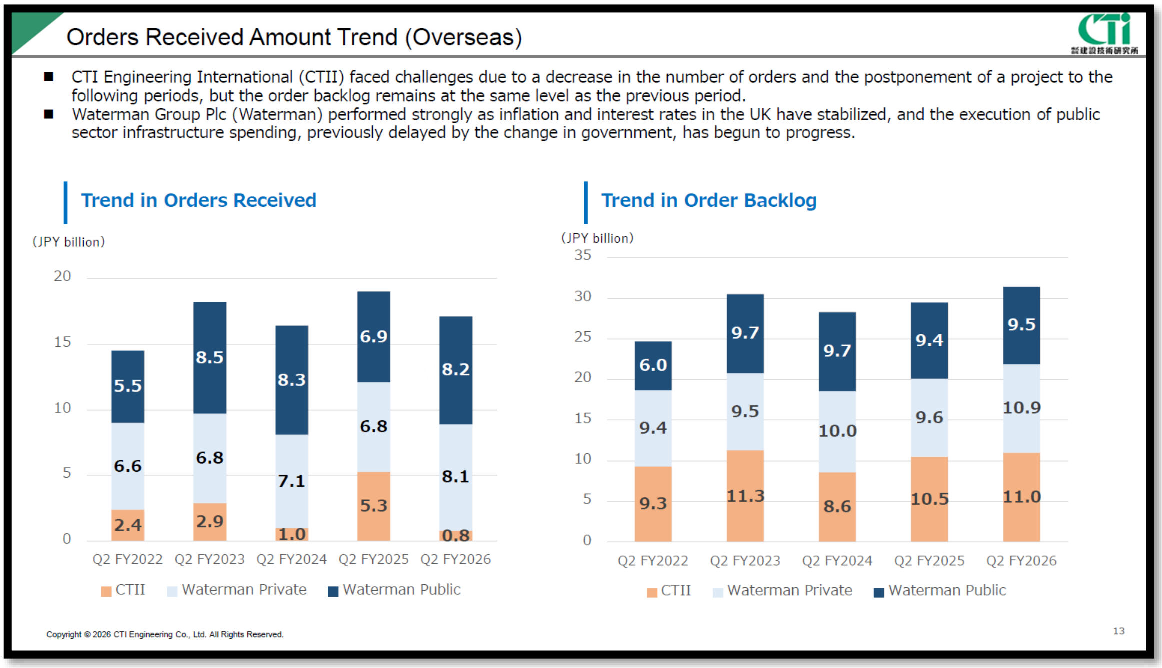
* Orders Received amount includes amount changes from currency fluctuations associated with the end-of-period order backlog at our overseas subsidiaries.

Nishimura：
I would now like to discuss our Overseas Consulting Engineering business.

Orders received experienced a slight decline against the large-project-driven baseline of the second quarter of fiscal year 2025.

Sales, however, remained firmly on track, reaching just under 17.3 billion yen, a 15.4% increase over that same baseline.

Additionally, operating income significantly exceeded results from the second quarter of fiscal 2025, driven primarily by Waterman Group Plc, with this strong performance yielding an operating income margin of 1.9 percent after goodwill amortization.



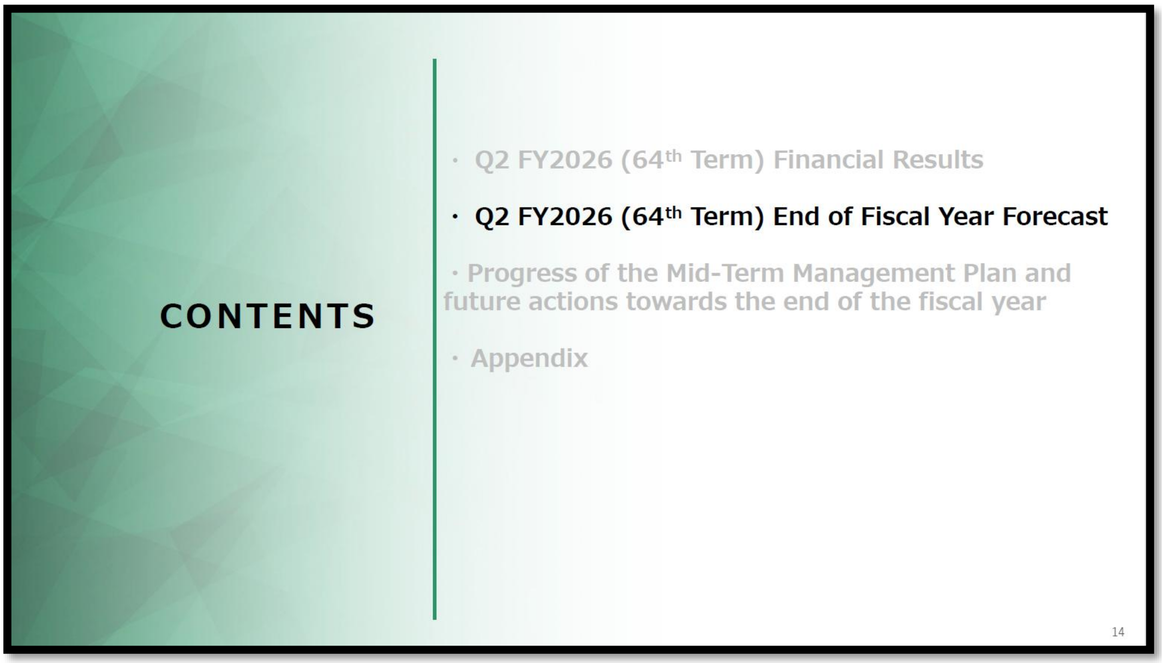
Nishimura：

Let's look at the sales trends in the Overseas Consulting Engineering business.

Orders at CTI Engineering International contracted against the large-project-driven spike we saw in the second quarter of fiscal 2025.

This significant decline, however, was somewhat counterbalanced by Waterman Group Plc, which delivered substantial growth across both the private and public sectors as UK infrastructure spending resumed following delays tied to the recent change in government.

Moving to our order backlog, we successfully maintained overall volume at levels consistent with the second quarter of fiscal 2025, effectively absorbing the absence of a large-scale project at CTI Engineering International.



Nishimura：

Turning to our end of fiscal year forecast, our overall outlook remains unchanged.

FY2026 (64th Term) Plan (Consolidated/Non-Consolidated)

- As a target for the mid-point of the Mid-Term Management Plan 2027, we plan to increase both Sales and Operating Income on both non-consolidated and consolidated basis.

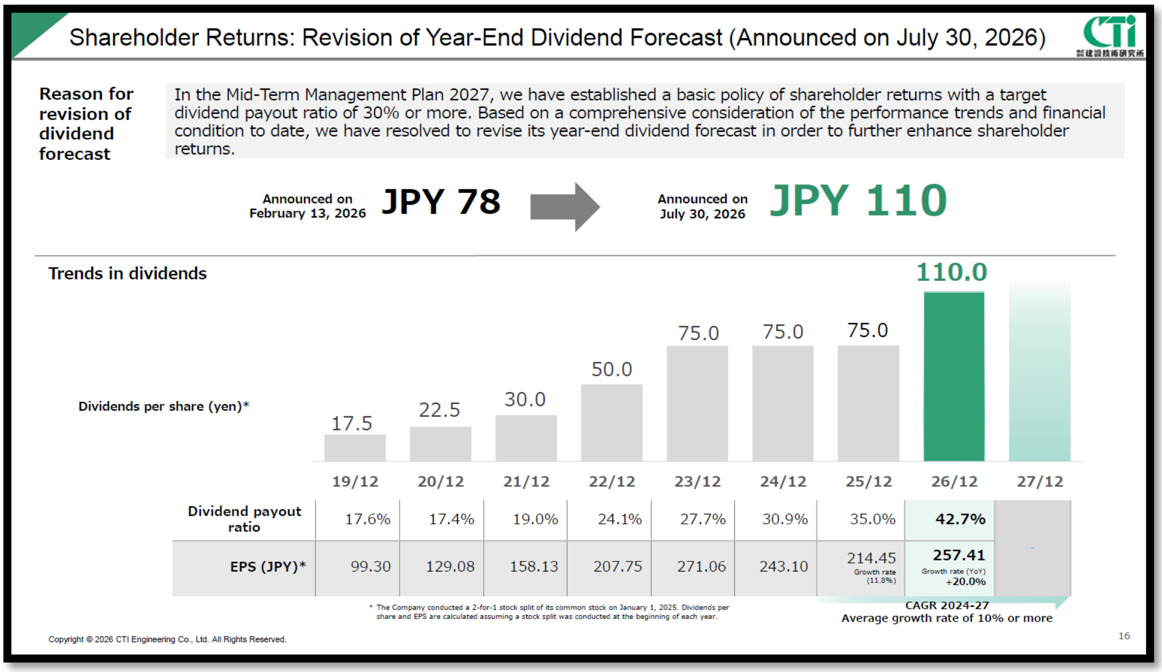
(JPY million)

		FY2025 (63rd Term) (Results)	**FY2026 (64th Term) (FY Plan)**	Change %YoY	Mid-Term Management Plan 2027
Consolidated	Orders Received	109,701	**105,000**	-4.3%	-
	Sales	101,038	**105,000**	+3.9%	110,000
	Operating Income	9,136	**10,500**	+14.9%	12,000
	Operating Income Margin	9.0%	**10.0%**	+1.0pt	11%
	Ordinary Profit	9,350	**10,500**	+12.3%	-
	Net Income Attributable to Owners of the Parent	5,952	**7,000**	+17.6%	-
	Net Income per share	JPY 214.45	**JPY 257.41**	-	-
	Annual Dividends (Dividends Payout Ratio)	JPY 75(35.0%)	**JPY 110(42.7%)**	-	- (Over 30%)
Non-Consolidated	Orders Received	62,760	**62,000**	-1.2%	-
	Sales	60,969	**62,000**	+1.7%	
	Ordinary Profit	8,947	**9,600**	+7.3%	-
	Net Income	5,908	**6,700**	+13.4%	-

Nishimura：

In line with the initial plan, we expect both sales and operating income to increase on a consolidated as well as a non-consolidated basis.

As part of this outlook, and as I will detail shortly, we are raising the dividend to 110 yen per share for fiscal 2026, up from 75 yen last year.



Nishimura：
Under our Mid-Term Management Plan 2027, we target a dividend payout ratio of 30% or more.

Guided by this policy, and reflecting our performance through the second quarter and solid financial position, we are taking steps to further enhance shareholder returns.

Specifically, we have revised our initial year-end dividend forecast upward by 32 yen, bringing it to 110 yen per share.

Shareholder Returns: Acquisition of Treasury Shares (Announced on July 30, 2026)

Reasons for acquisition of treasury shares

This acquisition of treasury shares was implemented to promote Management that is Conscious of Cost of Capital and Stock Price, improve capital efficiency, and enhance shareholder returns based on the policy, "shareholder returns based on the progress of growth investment," set out in the Mid-Term Management Plan 2027.

Details of share acquisition

Fiscal year	Acquisition period	Maximum Number of Shares to be Acquired (Thousand shares)	Maximum Acquisition Amount (Billion yen)	Acquisition method
2026–2027	**From August 14, 2026 to April 30, 2027**	1,200	**3.0**	**Market purchase**

- The treasury shares scheduled to be acquired will be cancelled by a resolution of the Board of Directors pursuant to the provisions of Article 178 of the Companies Act.

(Reference) Past results

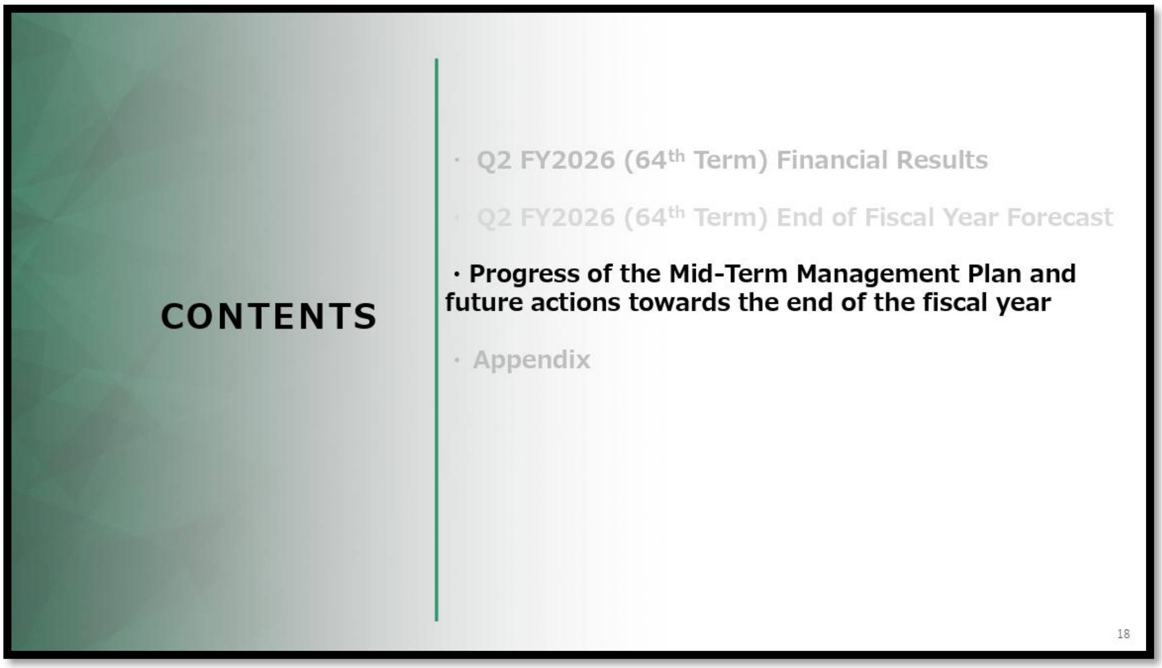
Fiscal year	Acquisition period	Number of Shares Acquired (Thousand shares)	Acquisition Amount (Billion yen)	Acquisition method
2023	From March 1, 2023 to March 24, 2023	597*	1.0	Market purchase
2025–2026	From November 13, 2025 to April 30, 2026	485	1.5	Market purchase

* The Company conducted a 2-for-1 stock split of its common stock on January 1, 2025. The number of shares acquired is calculated assuming the said stock split was conducted at the beginning of 2023.

Nishimura：
Next, I will detail our acquisition of treasury shares.

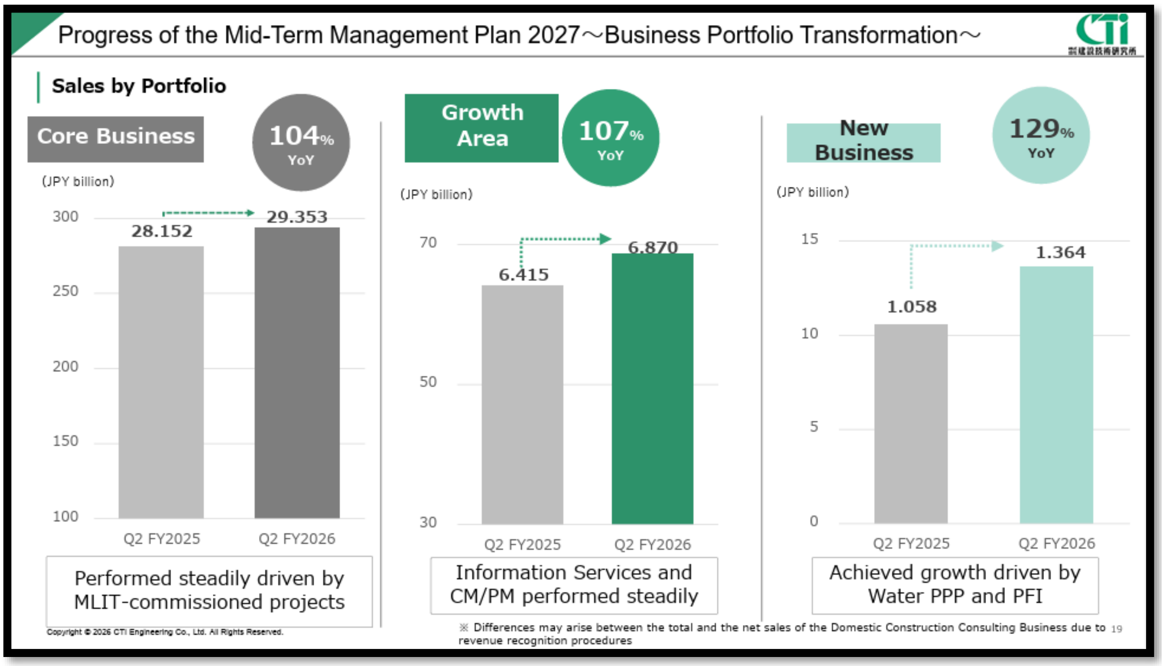
This initiative is designed to further enhance shareholder returns, directly aligning with our Mid-Term Management Plan 2027 policy of linking returns to the progress of our growth investments.

Specifically, we will acquire a maximum of 1.2 million shares for up to 3 billion yen, and the acquisition period will run from August 14, 2026, through April 30, 2027.



Nishimura：

Next, I will outline the progress on the Mid-Term Management Plan and our initiatives for the remainder of the fiscal year.



Nishimura：
Let’s start with Business Portfolio Transformation.

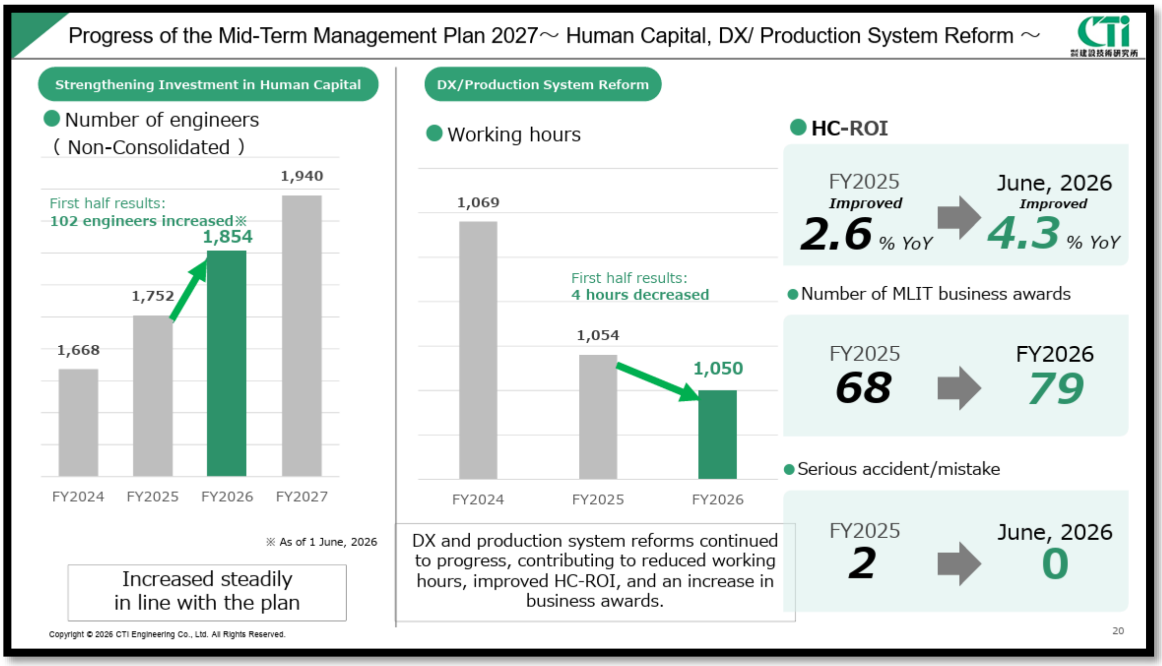
Turning to sales by portfolio, our core business recorded 29.353 billion yen, marking a 4% increase over the second quarter of fiscal year 2025.

This growth was driven primarily by steady performance in MLIT-commissioned projects.

In our growth area, sales reached 6.87 billion yen, up 7% compared to the same period last year.

This was supported by steady progress in Information Services and our CM/PM business.

Similarly, new business sales came in at 1.364 billion yen—a 29% increase over that same baseline—fueled largely by Water PPP and PFI projects.



Nishimura：

As part of rebuilding our growth foundation, we continue to strengthen our investment in human capital.

Specifically, we added 102 engineers on a non-consolidated basis during the first half of fiscal year 2026, bringing our total to 1,854.

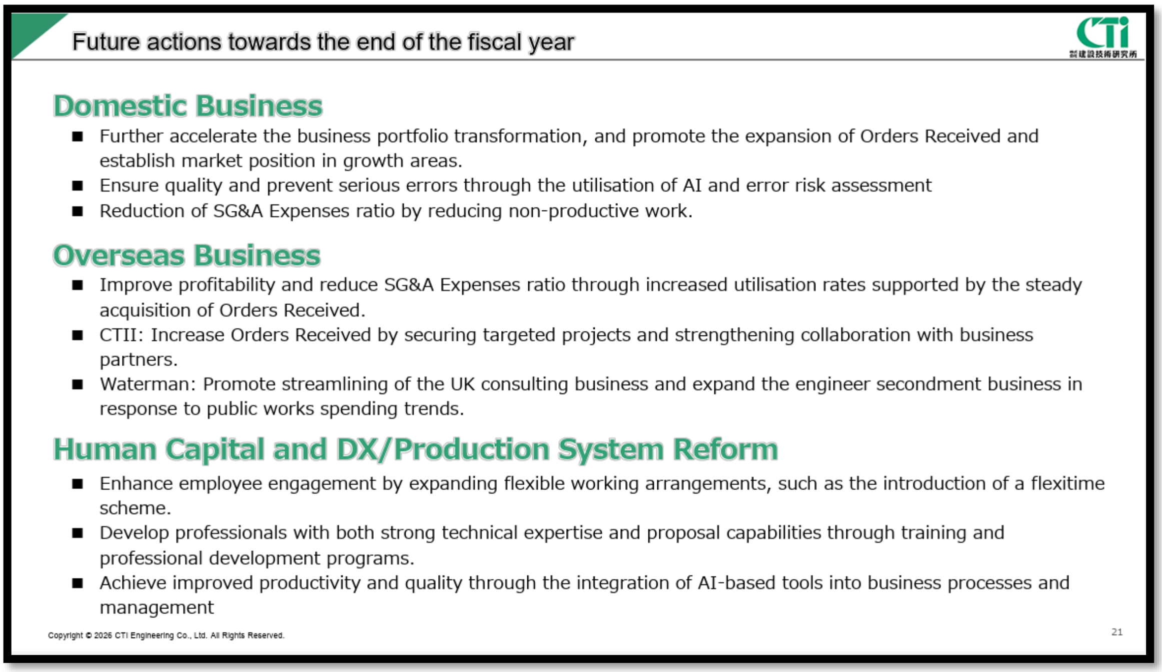
This steady expansion keeps us in line with our target.

Turning to our DX and production system reforms, working hours decreased by 4 hours compared to the same period last year.

Looking at HC-ROI, our indicator for productivity improvement, we achieved a 4.3% year-on-year improvement.

On the quality and safety front, MLIT business awards increased from 68 in fiscal year 2025 to 79 in fiscal year 2026.

Additionally, we recorded zero serious accidents and mistakes during the first half of fiscal year 2026, an improvement from the two incidents reported in fiscal year 2025.



Nishimura：

Looking ahead to the remainder of the fiscal year, our strategy for the Domestic Consulting Engineer business centers on three key objectives.

We will further accelerate our business portfolio transformation to expand orders received and solidify our market position in growth areas.

Operationally, we are utilizing AI and risk assessments to ensure quality and prevent serious errors.

Lastly, we are actively cutting non-productive work to lower our SG&A expense ratio, directly addressing the cost increases we experienced in fiscal year 2025.

In the Overseas Business, we are focused on improving profitability and lowering our SG&A expense ratio by driving higher utilization rates through a steady influx of orders received.

To achieve this at CTI Engineering International, we will expand our order book by securing targeted projects and deepening ties with our business partners.

Meanwhile, Waterman Group Plc is streamlining its UK consulting operations and actively expanding its engineer secondment business to capitalize on public works spending trends.

Concluding with human capital and DX/production system reform, we are driving employee engagement by expanding flexible working arrangements, notably through the rollout of a new flextime scheme.

Concurrently, our training programs are actively cultivating professionals equipped with both deep technical expertise and strong proposal capabilities.
To crown these efforts, we are integrating AI-based tools directly into our business processes and management, ensuring we drive improvements in both productivity and quality.