

Revision of Mid- to Long-Term Vision 2030 and Mid-Term Management Plan 2027

Tokyo Stock Exchange / Code number : 9621

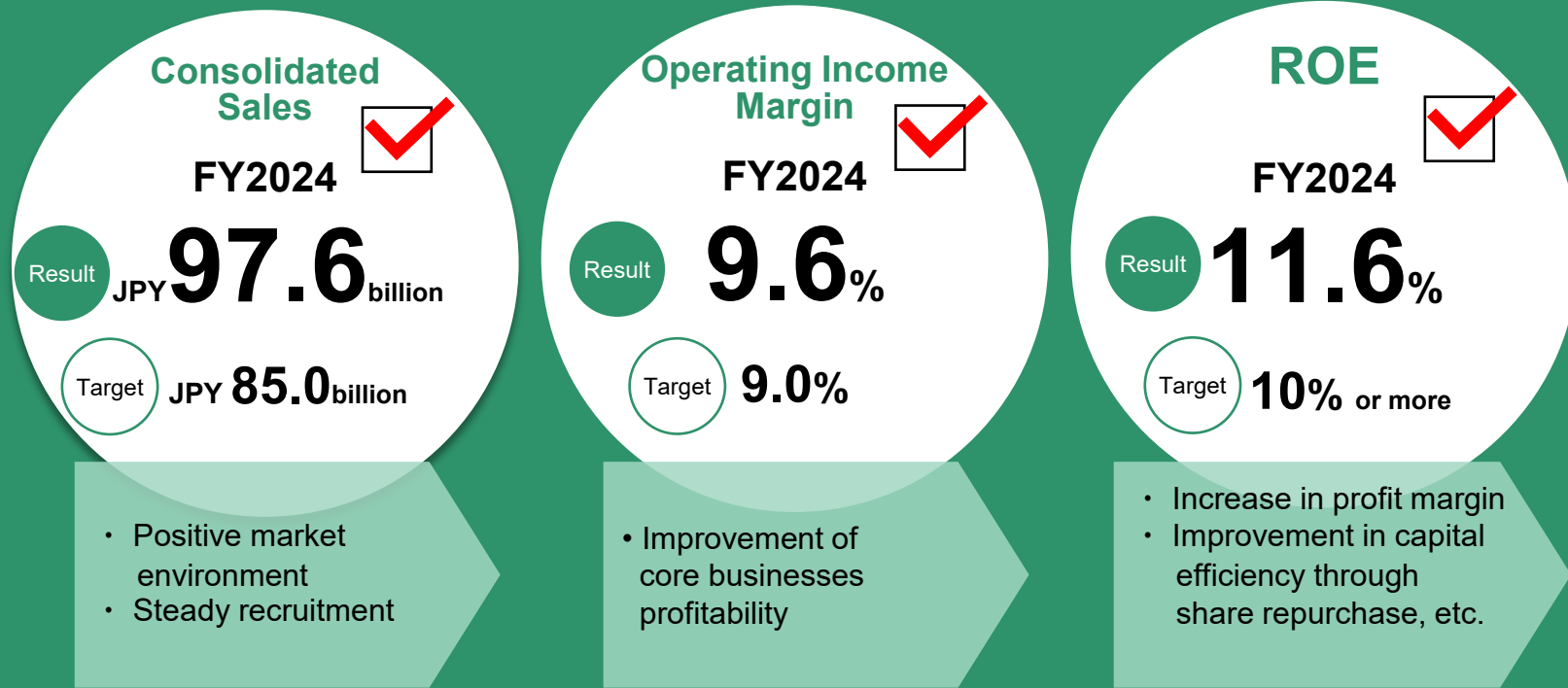
CTI Engineering Co., Ltd.

Feb 14, 2025



- Achieved Management Target Figures and employees' satisfaction score.
- Issues remain for commitment to stakeholders targets such as clients' complaints, field accidents, and R&D investment.

Management Target Figures



Commitment to Stakeholders

Rewarding and Attractive Working Place <input checked="" type="checkbox"/>	Improve Employee' Satisfaction KPI: Employee' Satisfaction Score Target: 55.0 (BBB) Result: 55.3 (BBB)
Clients' Complaints <input type="checkbox"/>	KPI: Number of Complaints Target: zero Result: 18 cases
Field Accidents <input type="checkbox"/>	KPI: Number of Accidents Target: zero Result: 10 cases
R&D Investment <input type="checkbox"/>	KPI: Net R&D Investment Amount from 2022 to 2024 Target: JPY 3 billion Result: JPY 2.5 billion

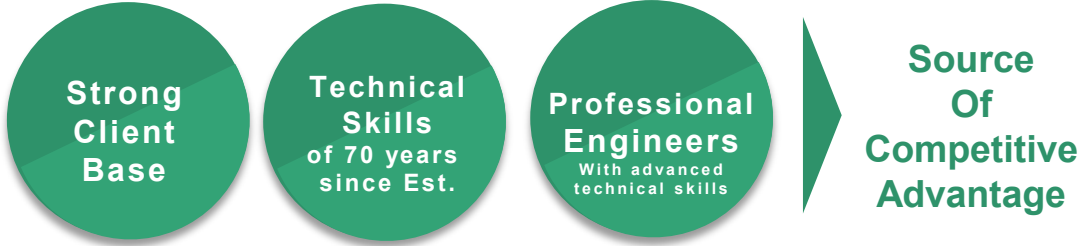
- Although group cooperation is progressing, challenges remain in accelerating business development, improving management of group companies, and achieving stable management.
- Necessary to strengthen internal controls and improve the efficiency of administrative work.

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.

- 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**

- 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

Domestic market

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

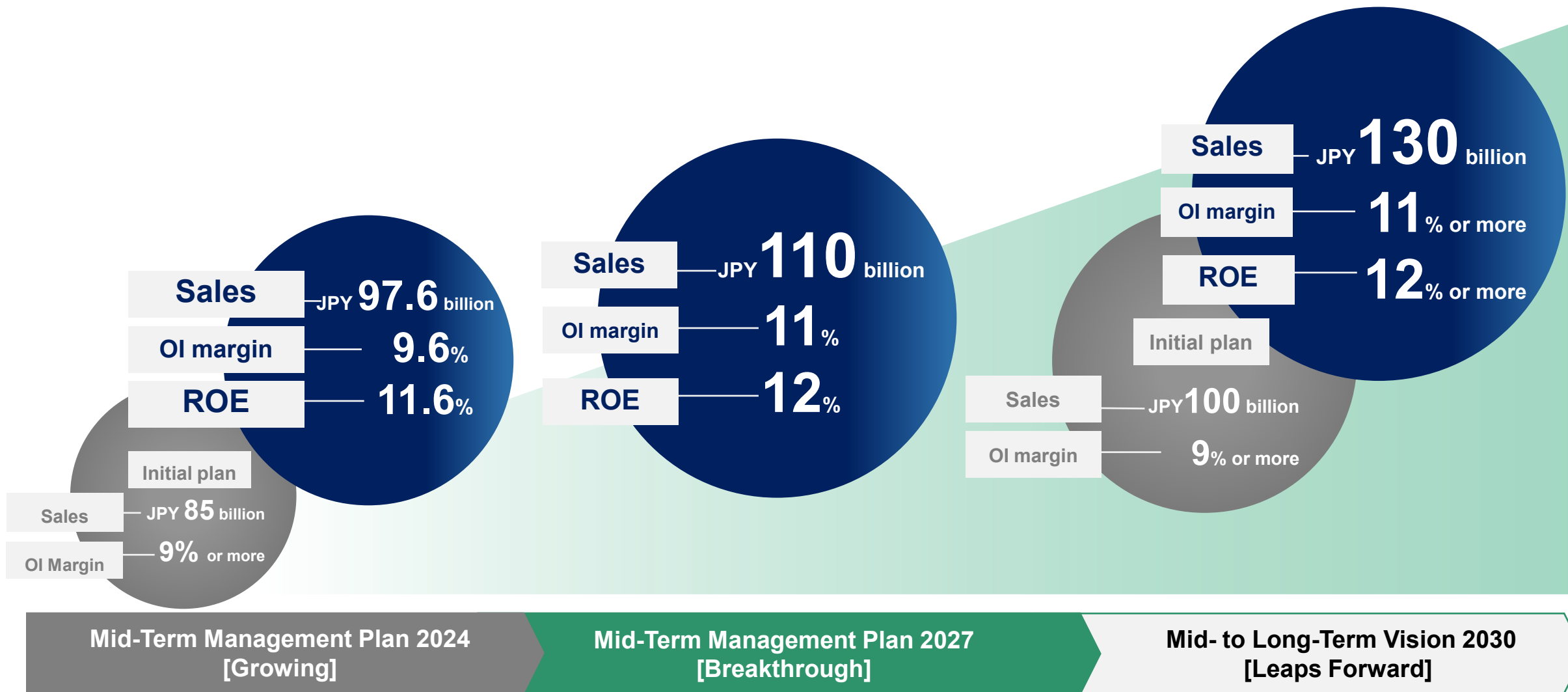
Overseas market

- 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 provision services

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



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

JPY **110** billion

Operating Income

JPY **12** billion

OI margin

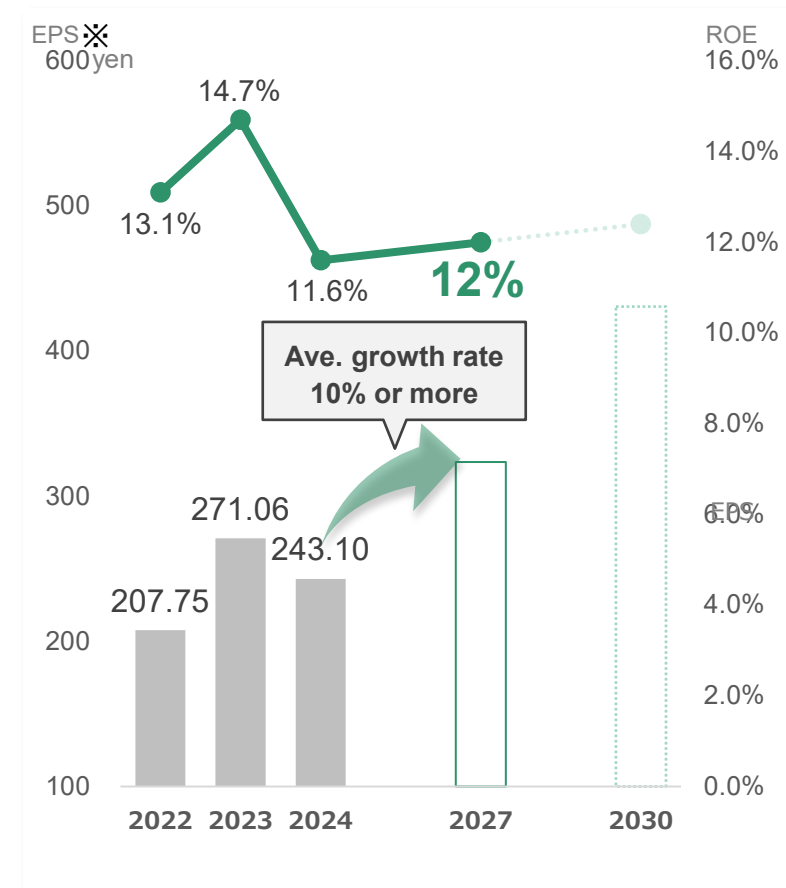
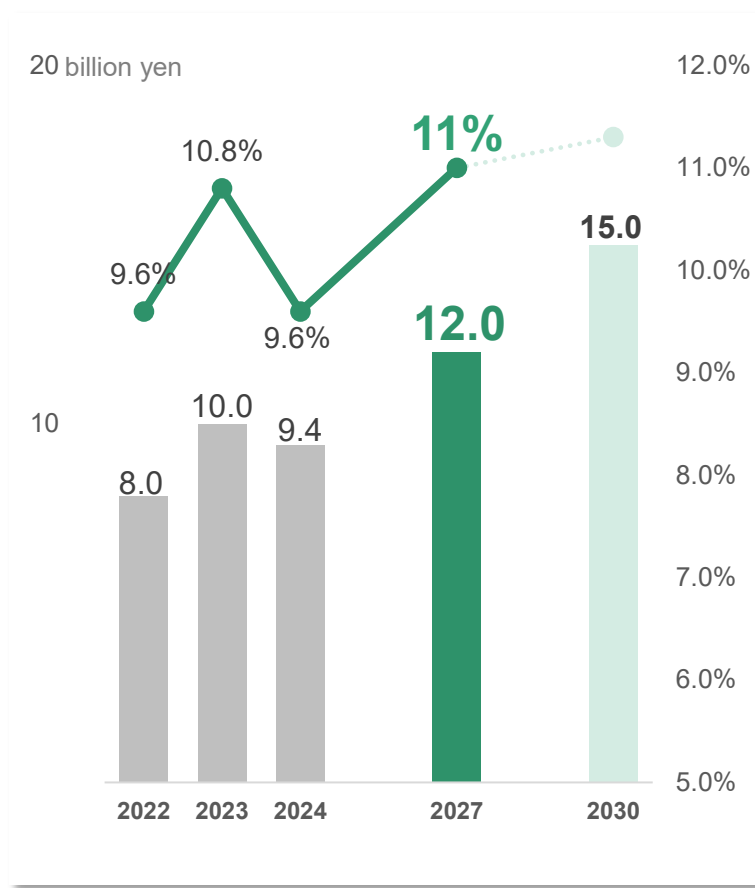
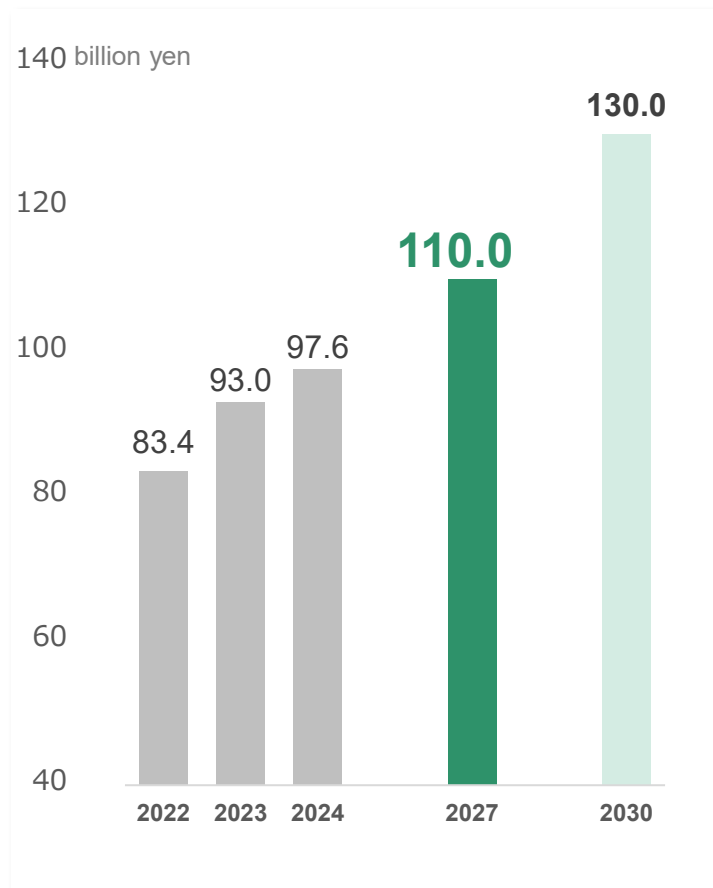
11%

ROE

12%

CAGR 2024-2027
Ave. EPS growth rate

10% or more



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

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

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

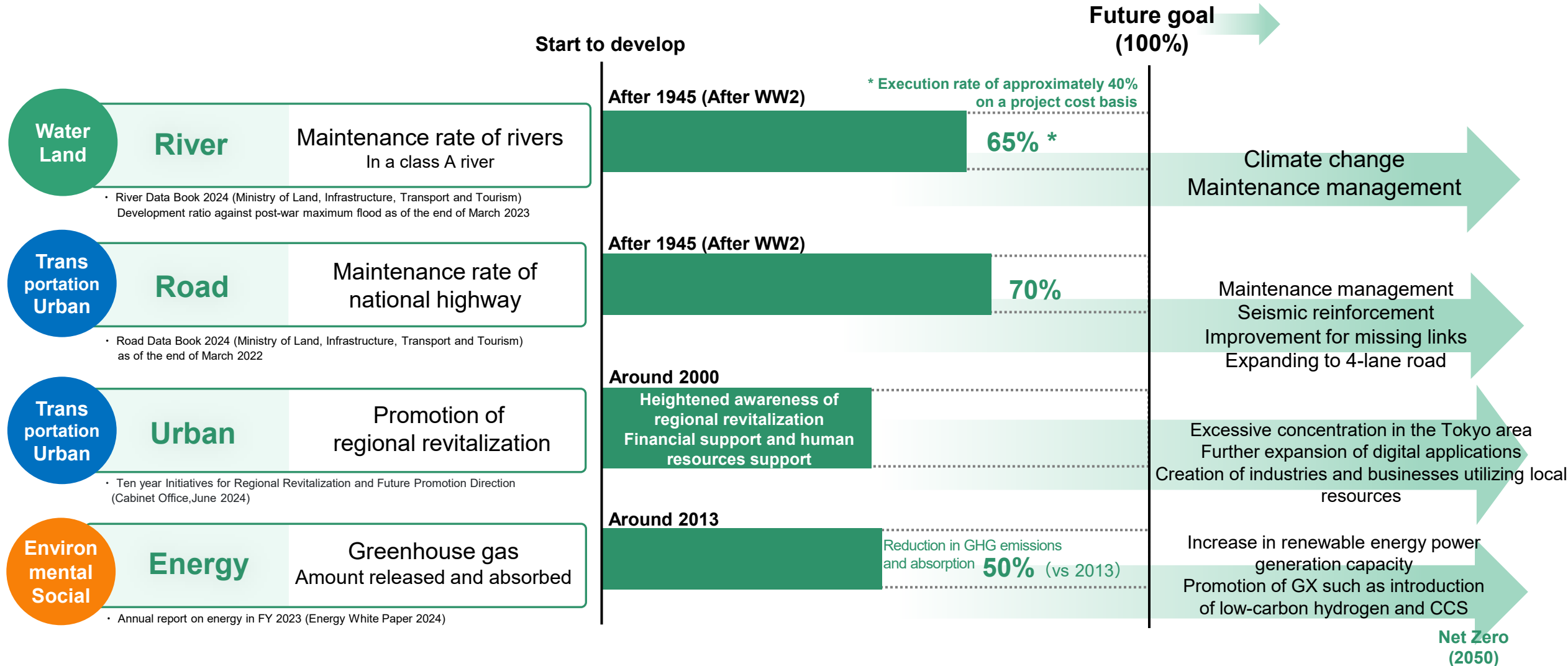
01-4

Overseas Business Development

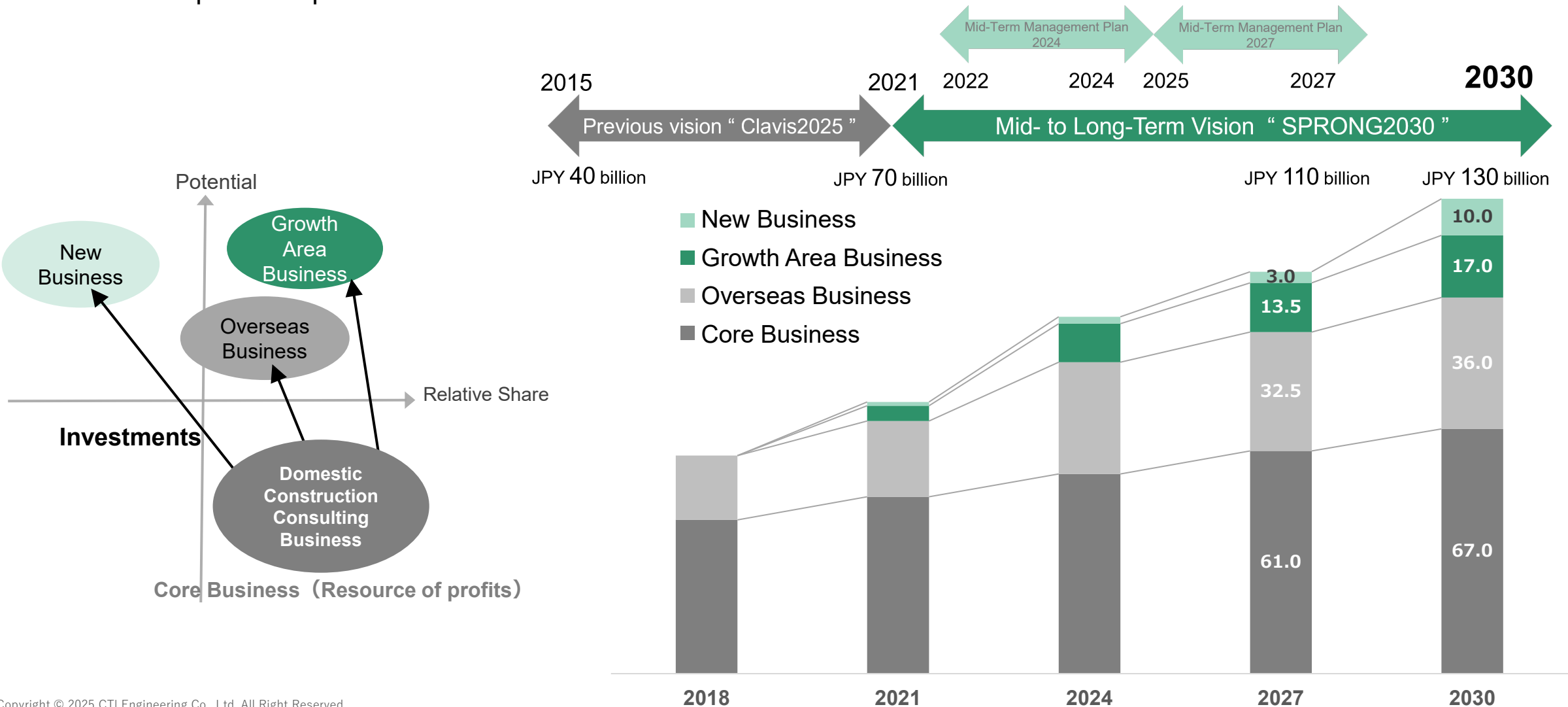
Improving profitability of base countries and expanding the number of new base countries

Domestic Market Environment (Infrastructure Development)

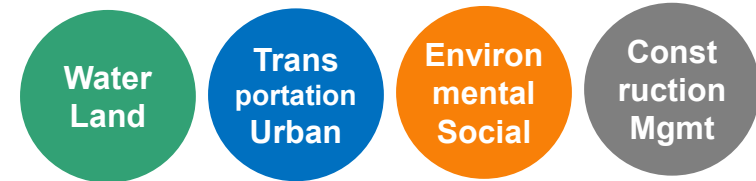
- The maintenance rate of rivers and roads, which are the main areas of infrastructure, is about 65-70%. Considering future climate change and maintenance management, the markets remain still large.
- In the future, there will be many opportunities to win orders such as further promotion of regional revitalization Net Zero initiative.



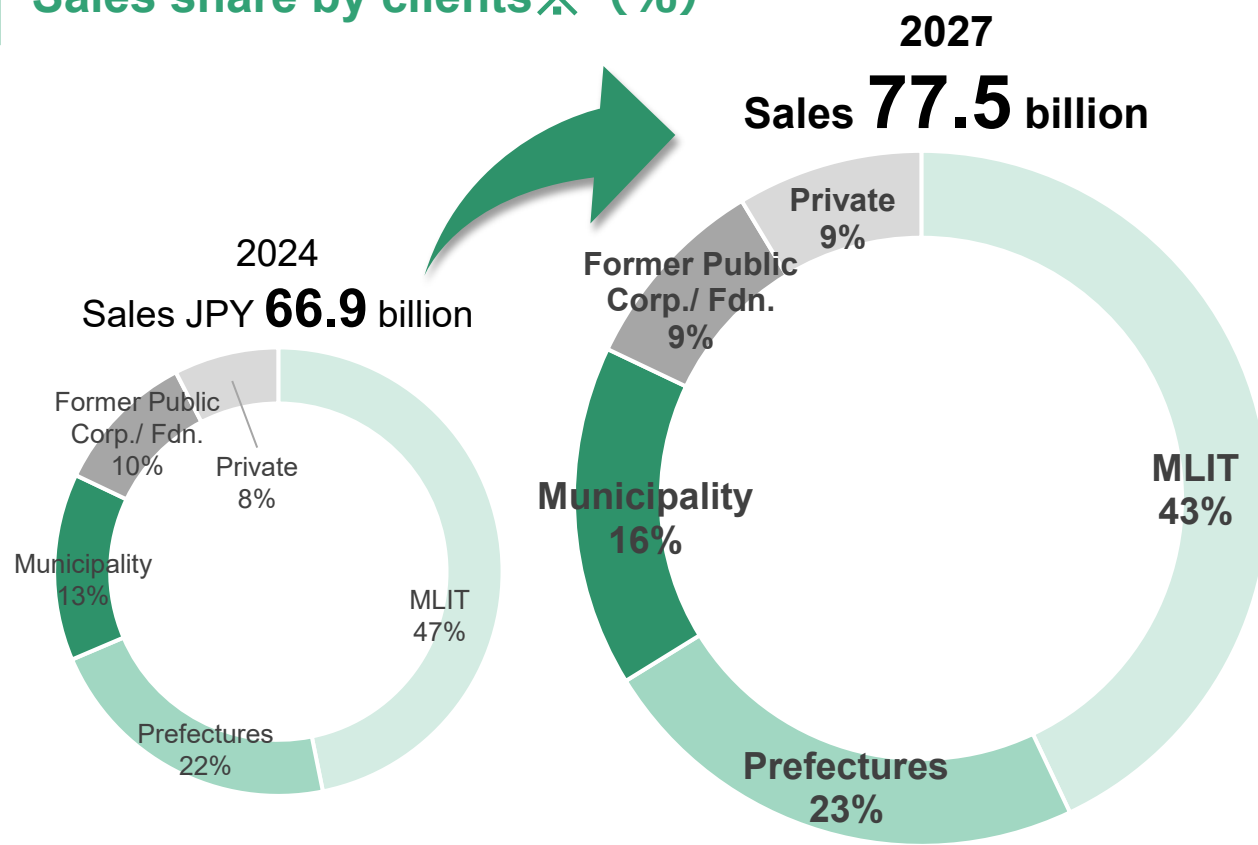
- Establish a strong profit structure for core businesses such as planning, research and construction management in the social and economic infrastructure development and **build a well-balanced business portfolio by investments in growth areas.**
- Along with solid growth in core businesses, growth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



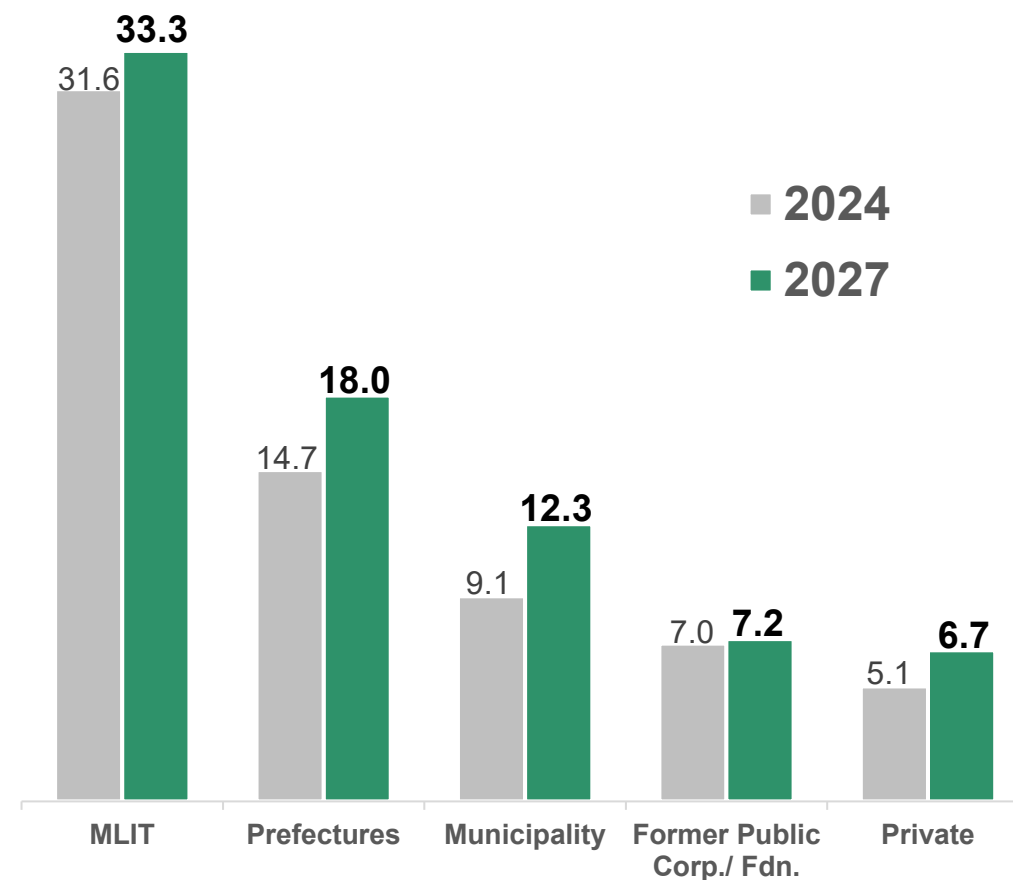
- Overview of business portfolio transformation by source
- ※ Sales figures are for the whole of domestic segment



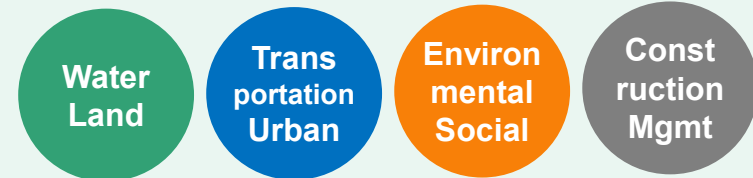
Sales share by clients※ (%)



Sales by clients※ (JPY billion)



- 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.)



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

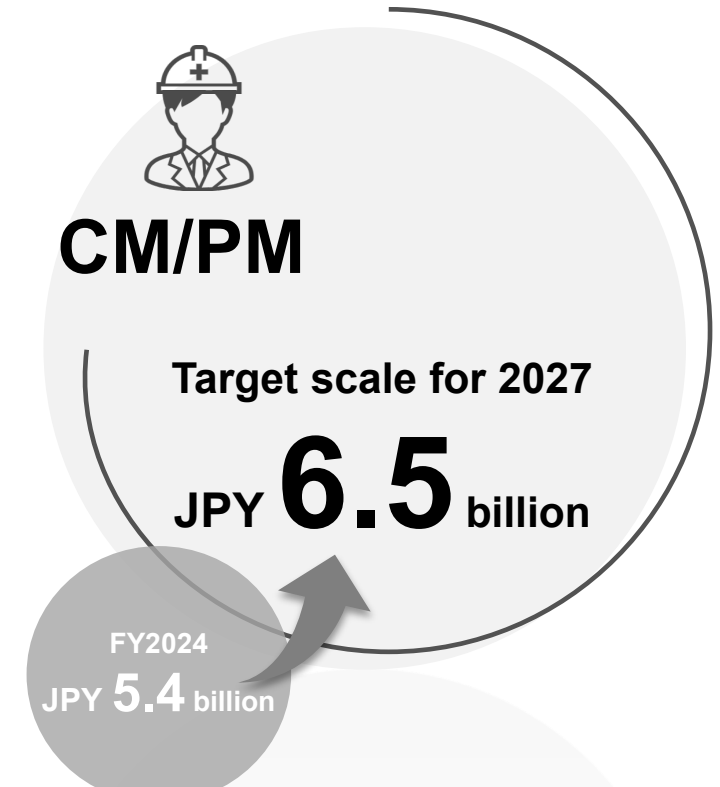
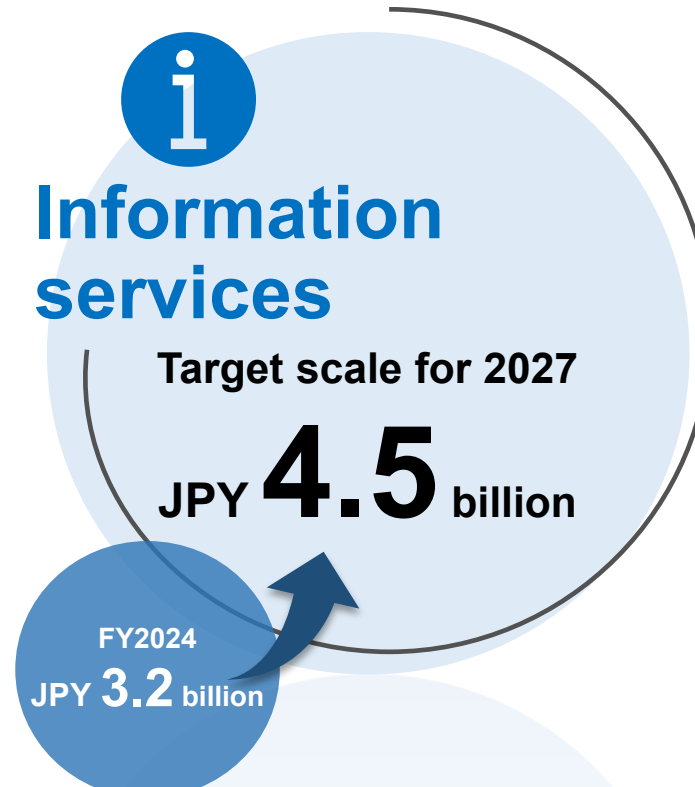
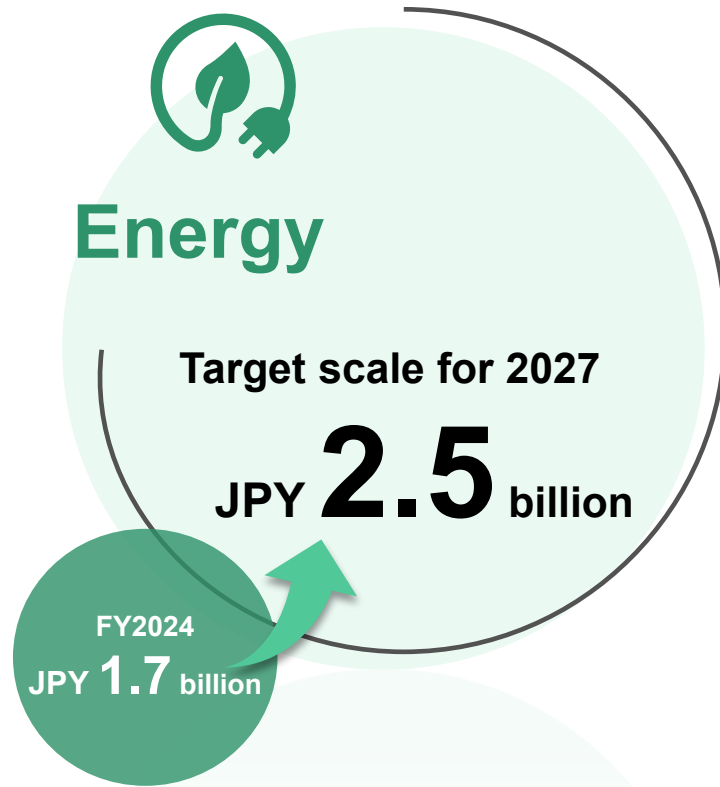


Train advanced engineers

Development of engineers to win technological competitions

- ▶▶▶ Building an advantage in high profitability markets

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





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.

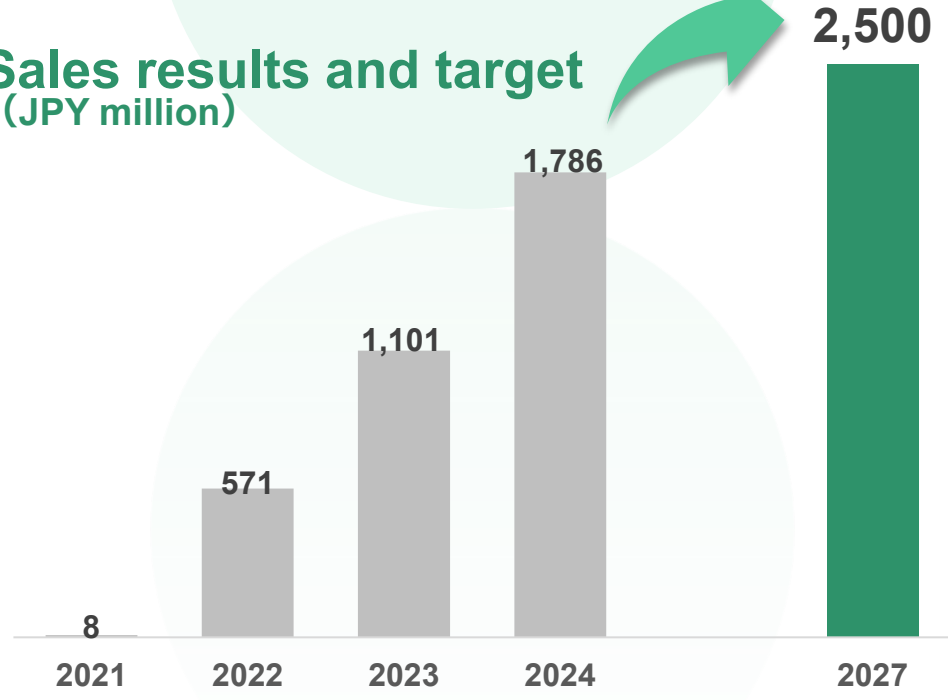
Strength 01

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

Strength 02

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

Sales results and target (JPY million)



Offshore wind power generation business



Solar power business

i **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.

Water
Land

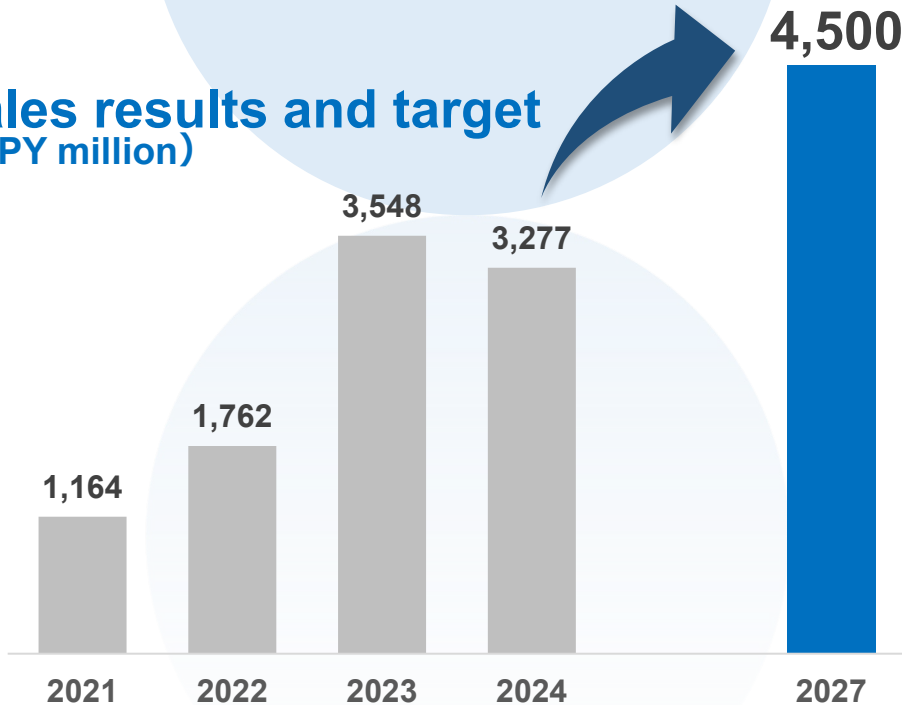
Trans
portation
Urban

Environ
mental
Social

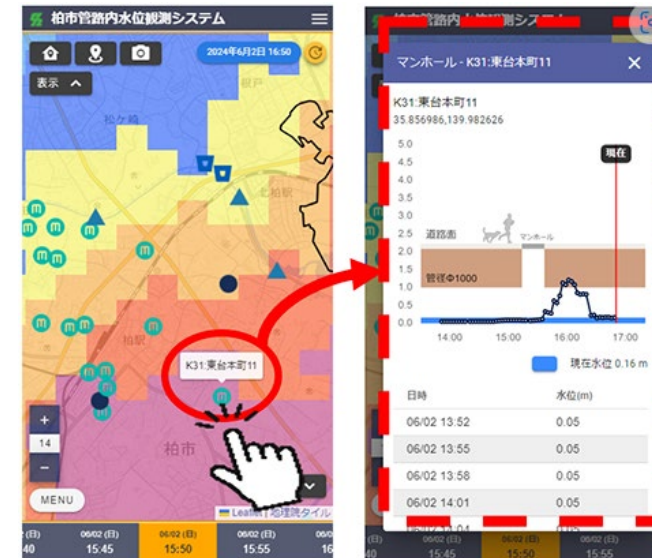
Business Description

- 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



CM/PM

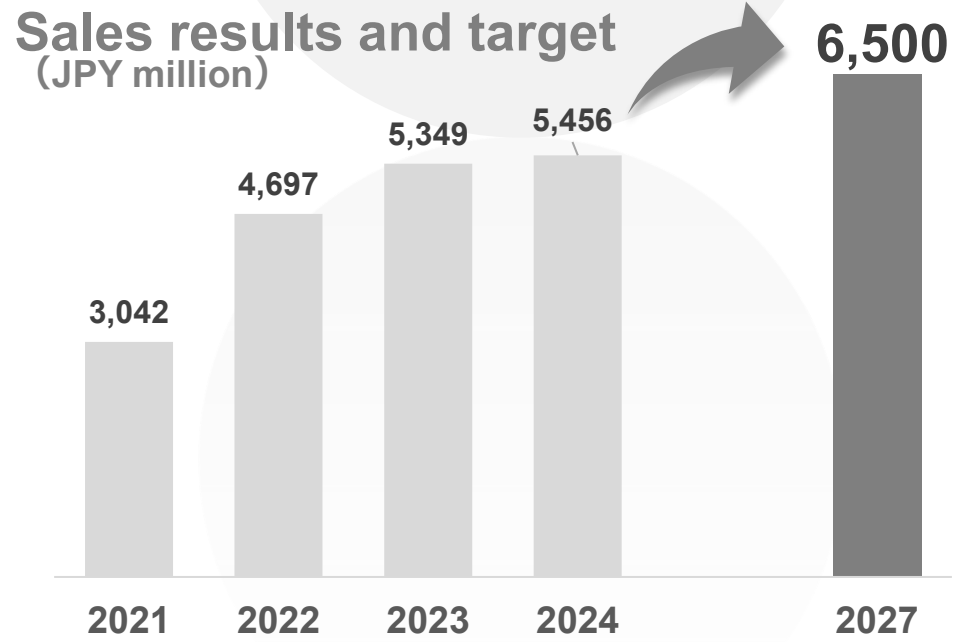
Building a position as a top commercial runner in CM/PM and business supervision by leveraging the strengths of comprehensive consulting.



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



CM for Japan World Expo site



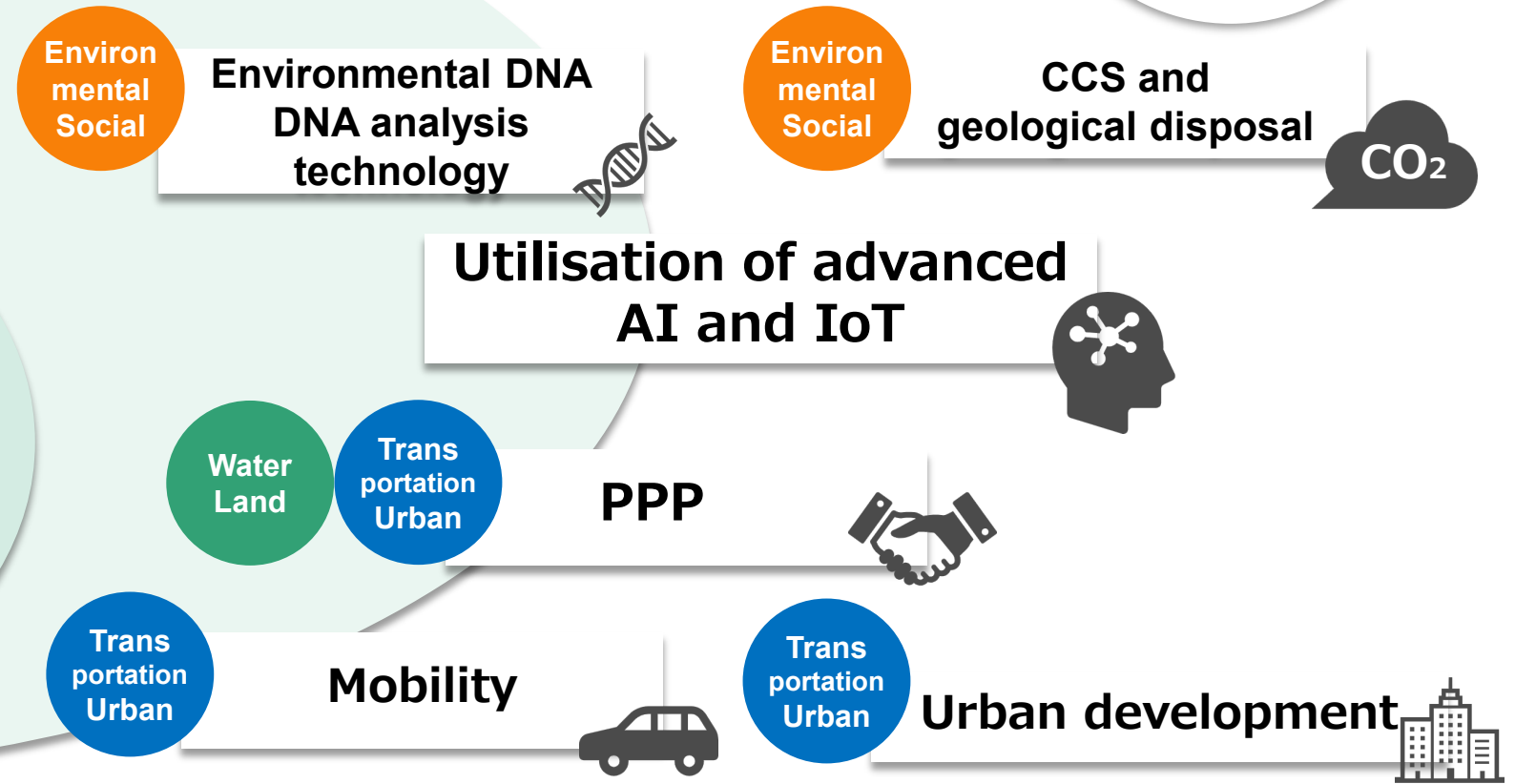
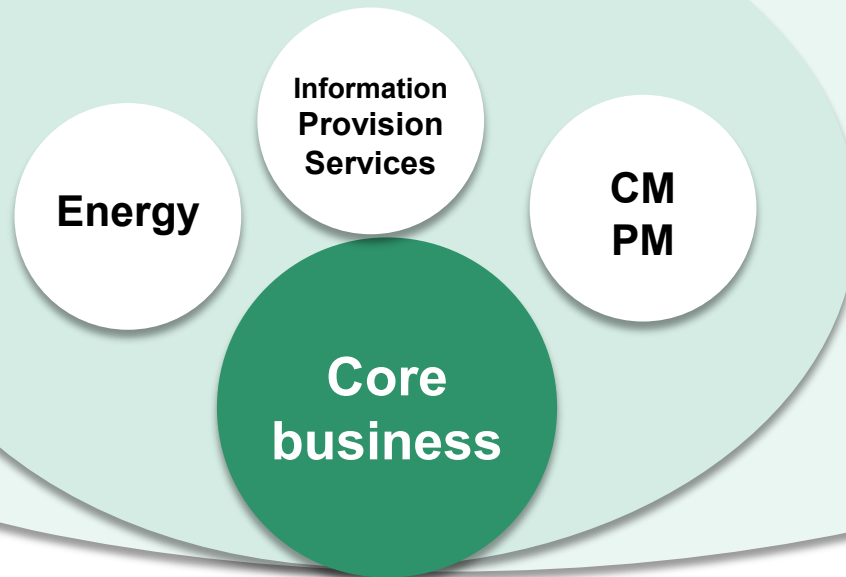
CM associated with embankment integrated road construction

- Explore the possibility of commercialisation 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.

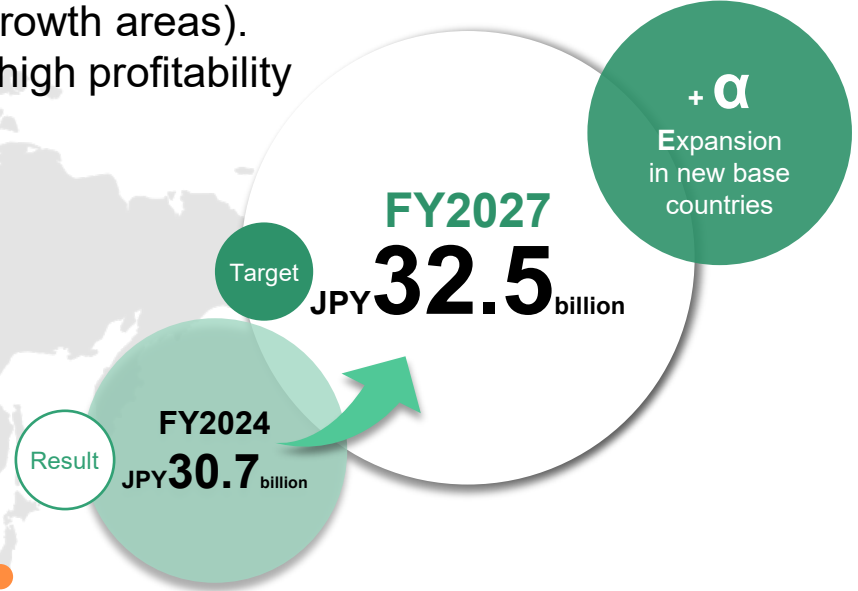
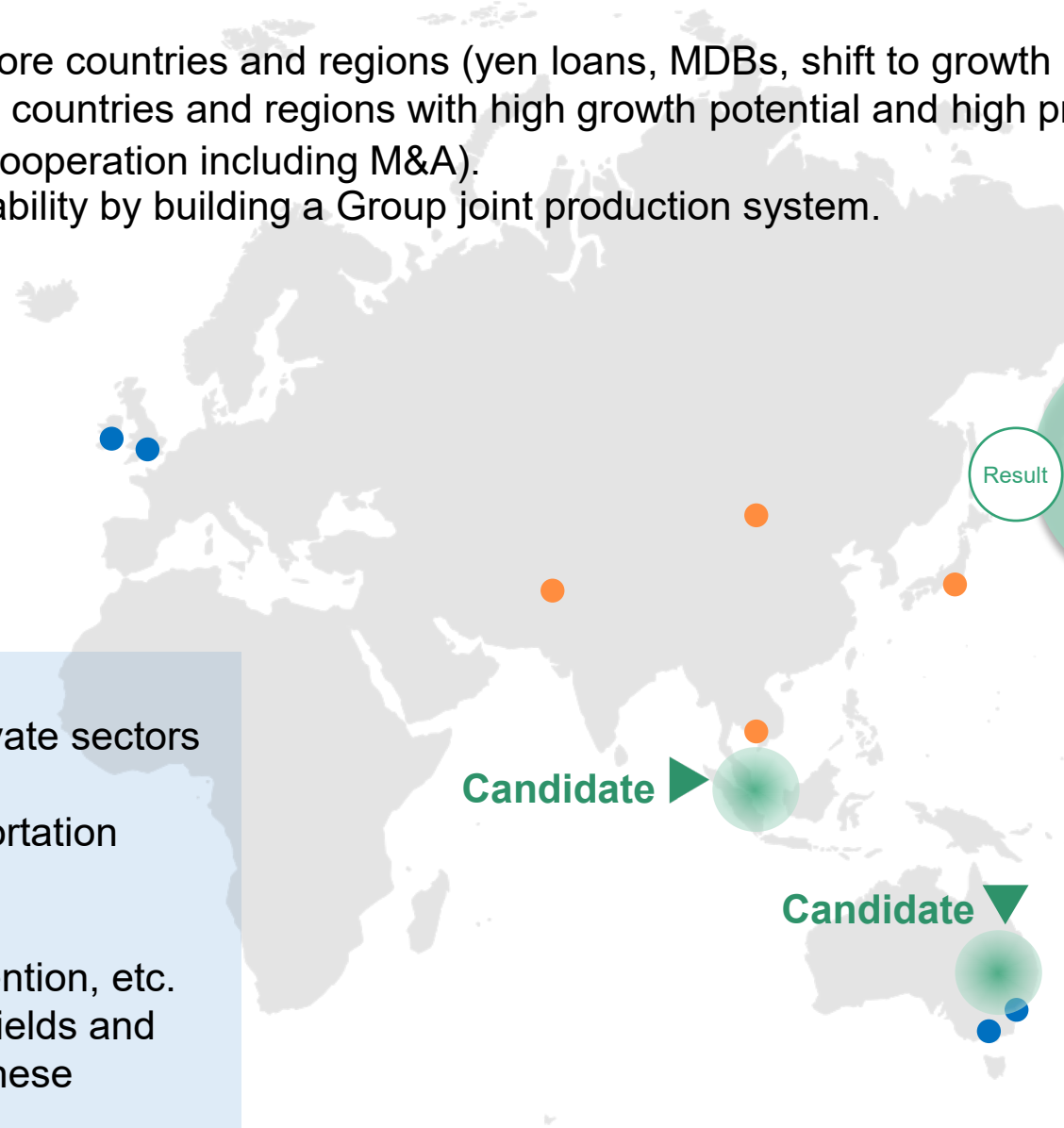
FY2027
Target JPY **30 billion**

New businesses

Growth areas



- Strengthen business in core countries and regions (yen loans, MDBs, shift to growth areas).
- Expansion of business in countries and regions with high growth potential and high profitability (Strengthening external cooperation including M&A).
- Improve sales and profitability by building a Group joint production system.



Waterman Group

Expansion of public and private sectors in WM's traditional strength: Urban, construction, transportation infrastructure

Environment, disaster prevention, etc. Aiming to expand into new fields and operations by utilizing Japanese technologies and systems

Candidate ▶

Candidate ▼

CTI Engineering International (CTII)

In Asia, aim to increase orders for local government / private-sector projects with an eye to post-ODA

In Asian countries especially Philippines and African countries, we will work large projects for major clients such as JICA and MDBs by utilising CTII's network.

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 decarbonizing 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

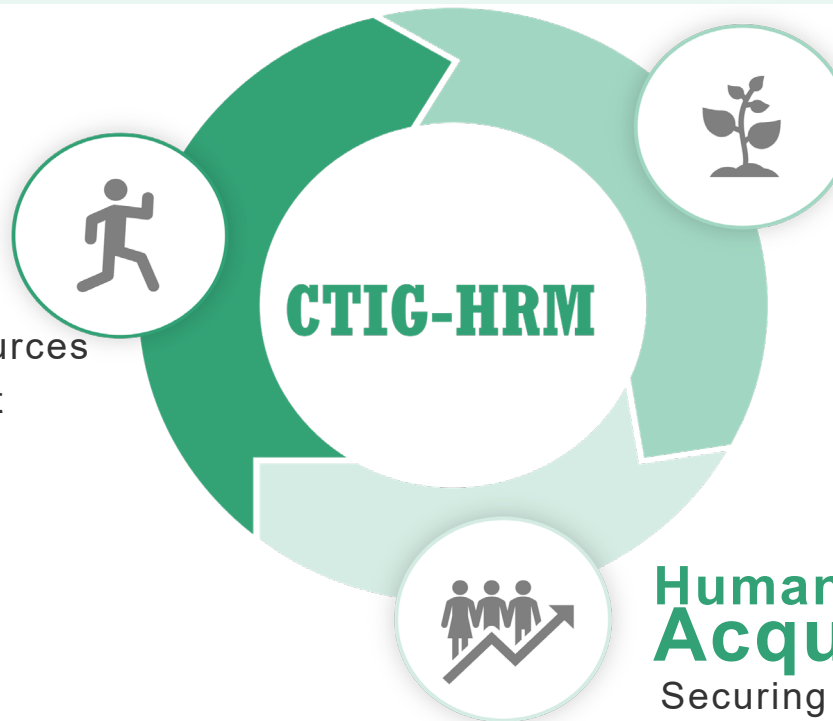
Rebuild of Foundation for Growth

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.

Human Resources Utilization

Activation diverse human resources
 Improve employee engagement



Human Resources Development

Sustainable development of human resources growth

Human Resources Acquisition

Securing diverse human resources

KGI (target for 2027)

4,300 engineers
 CTI Engineering : 1,940
 Group companies : 2,360

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

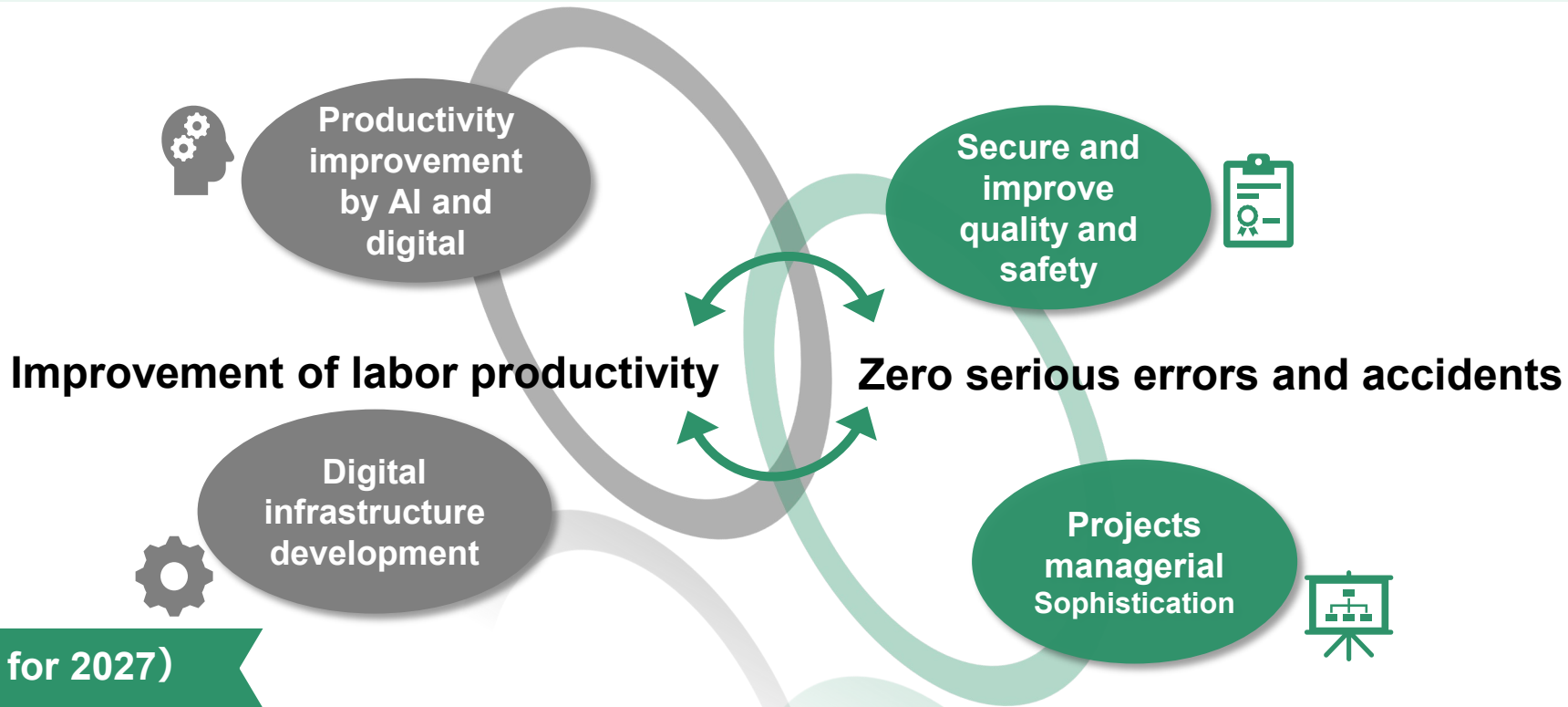
Engagement Score Rank **A** (Overall)
 Turnover rate of less than **3%**

Direction of the measures		Goal	
<h3>Sustainable Development of Human Resources Growth</h3>	<ul style="list-style-type: none"> 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 represent the industry Develop human resources capable of making technical proposals and judgments in the midst of advancing automation and AI utilisation 	<h4>KGI (Target for 2027)</h4> <p>4,300 engineers CTI Engineering: 1940 Group companies: 2360</p>	<h4>KPI</h4> <ul style="list-style-type: none"> ✓ Number of engineers ✓ Annual hours of training ✓ Number of Individual Award holders
	<ul style="list-style-type: none"> Strengthen the cohesiveness of CTI Engineering Group by enhancing the attractiveness of the entire group and widely publicising 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 utilising various recruitment methods 	<p>Diverse ratio of employees ※ : 20% Percentage of female managers : 6%</p>	<ul style="list-style-type: none"> ✓ Net increase in number of employees ✓ Percentage of employees taking paternity leave ✓ Number of female recruits
	<ul style="list-style-type: none"> 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 	<p>Engagement Score Rank A (Overall)</p>	<ul style="list-style-type: none"> ✓ Number of transfers and secondments ✓ Personnel exchange ratio
	<ul style="list-style-type: none"> Achieve employee well-being and aim for one rank higher engagement score. 	<p>Turnover rate of less than 3%</p>	<ul style="list-style-type: none"> ✓ Overtime hours ✓ Engagement score ✓ Ranking of best health corporations

※ Percentage of employees those who are limited to the workplace, working hours, childcare
 2024 Actual: 8%

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.



KGI (target for 2027)

Number of project manager increase 5% / year	Annual working hours 2,000h Hourly output 10% improvement	3.5pt ※ or higher IT environment satisfaction level	Number of work awards: 80 awards / year Zero serious errors and accidents
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Basic Policy

Based on the CTI Engineering Group Challenges for Sustainability Promotion Plan, we will implement measures to reduce CO₂ 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

CTI Engineering Group will build a sustainable community and society

As a member of the community and society, making our own activities for net zero

Direction of the measures

Achieving Net Zero for the CTI Group

- Reduce environmental impact in corporate activities

KGI (target for 2027)

CTI Engineering Group Greenhouse Gas Emissions (Scope1 & 2)

45% reduction per sales unit compared to 2021

Using the group's technology to build sustainable communities and societies

Direction of the measures

Contributing to the sustainability of local communities

- Provide consulting services utilizing our technologies, and contribute to sustainable society.
- Actively implement green business investment

KGI (target for 2027)

Climate change net sales
JPY **28** billion or more

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.



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- Comply with laws, regulations, ethics, and social norms and act in accordance with the Basic Compliance Policy
- All employees share a common awareness of risks and conduct thorough risk management

- Thoroughly implement an internal control system based on three line management, including Group companies
- Develop a system for the functioning of the internal control system and the supporting IT environment

KGI (target for 2027)

Zero Serious incidents

Analysis of the current situation

● Cost of equity

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

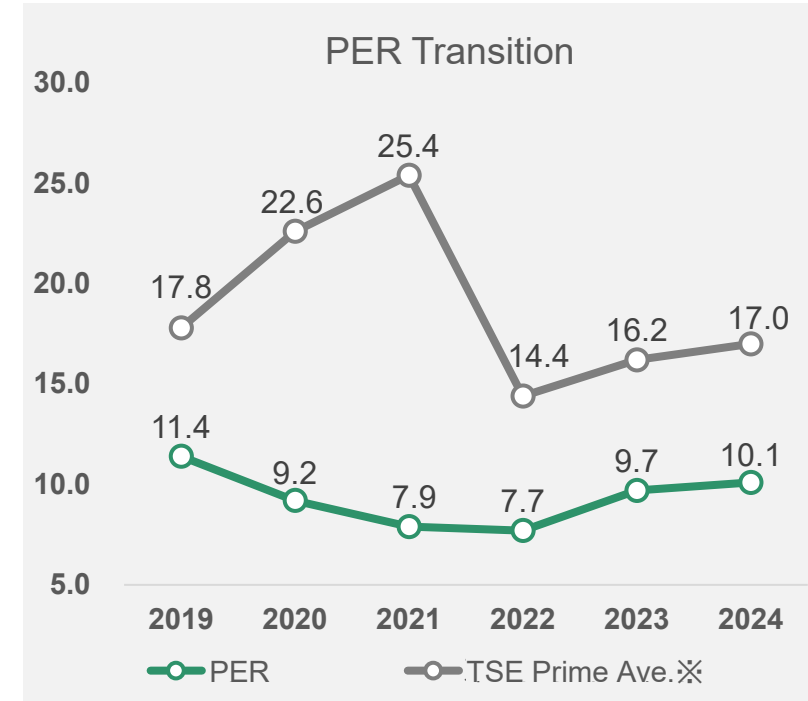
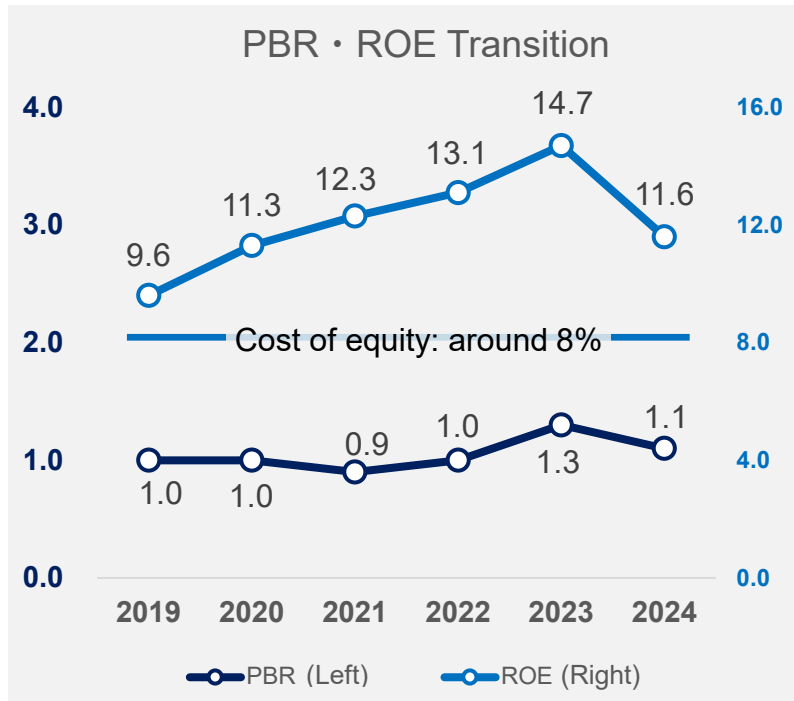
● ROE

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



Note: For TSE Prime Average P / E, reference is made to the December value of each year in TSE Statistical Data "Prime Market and Consolidated Integration (Simple)".

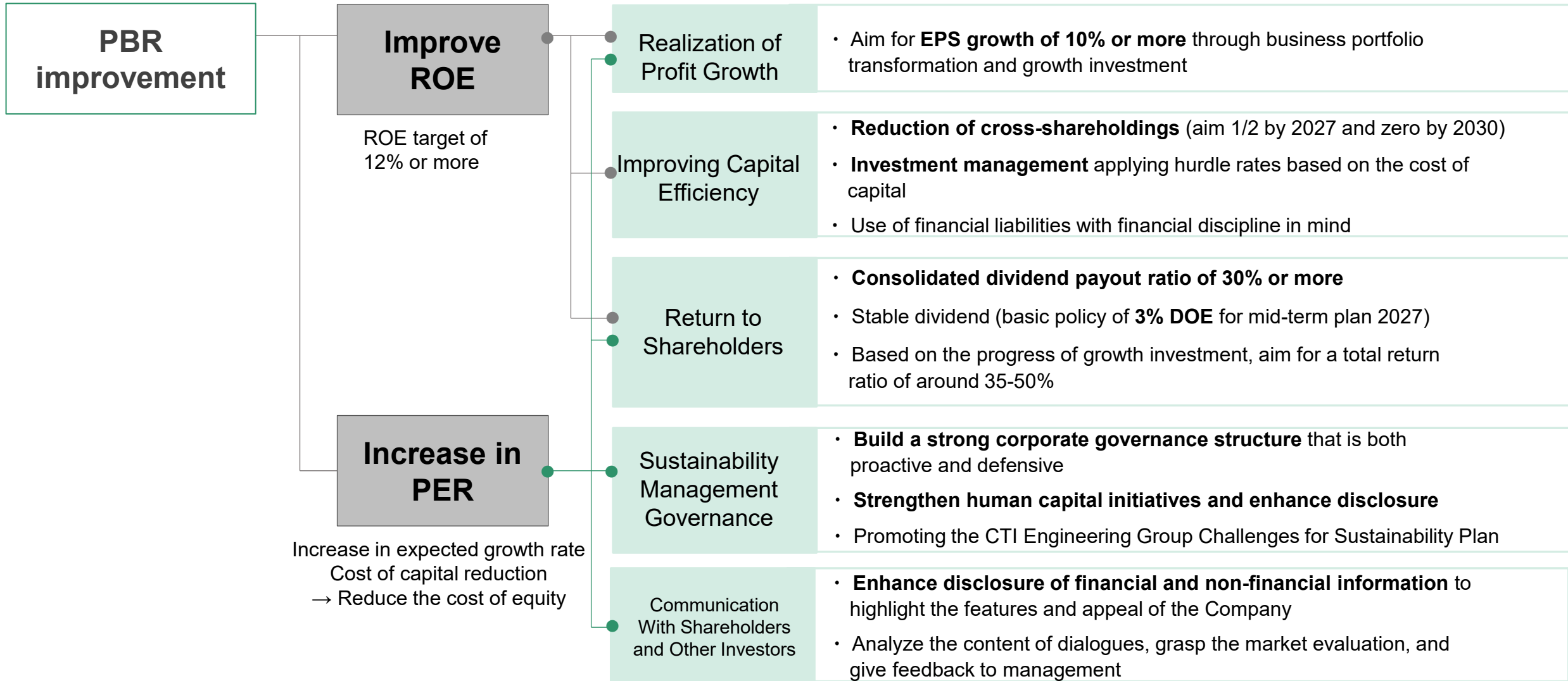
Subject

- 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

- By steadily implementing the Mid-Term Management Plan, which focuses on business portfolio reform and reconstruction of the foundation for growth, and by conducting management aimed at improving capital efficiency.
Aim to achieve ROE target + improve PER → improve PBR.



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

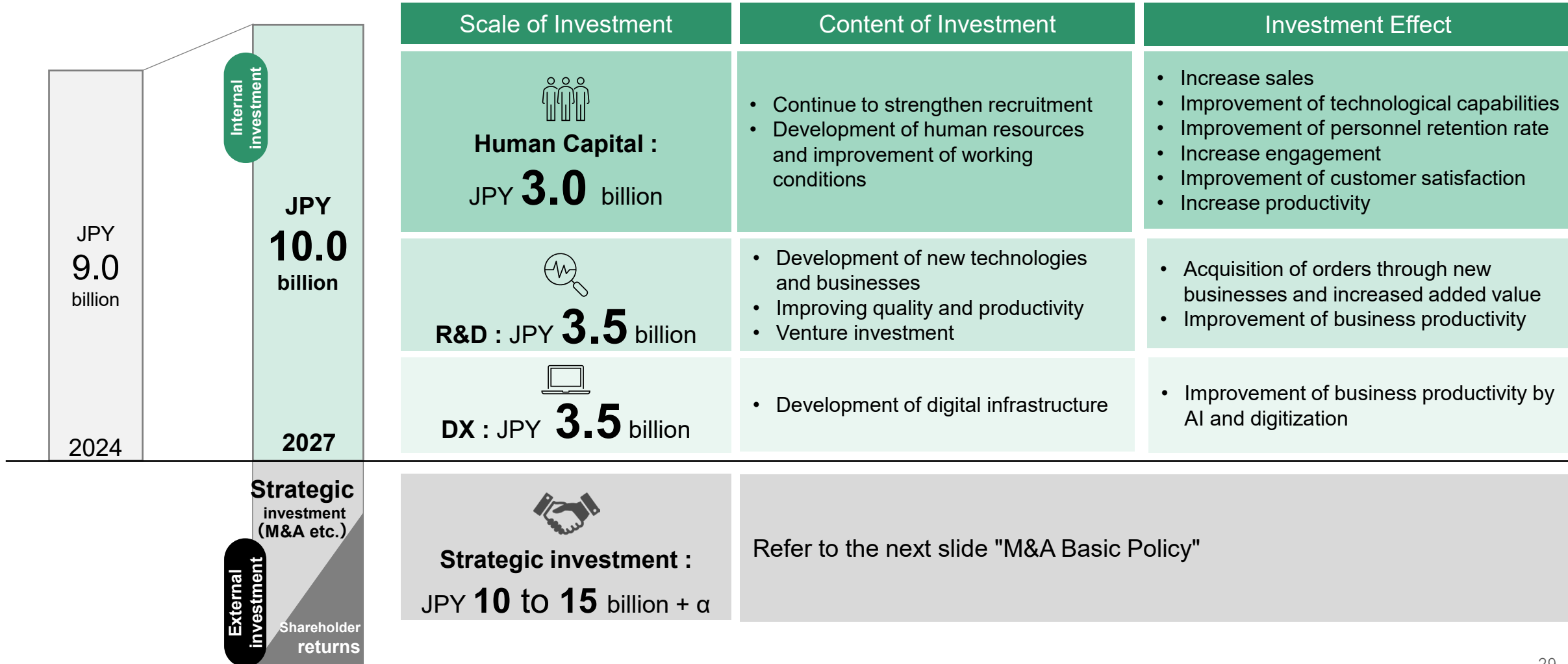
Basic Policy for Capital Allocation in the Mid-Term Management Plan 2027



- 1 Operating cash flow (before deduction of internal investments) : JPY 33 billion
Sale of assets (approx. JPY 1.5 billion)
Total JPY 34.5 billion
- 2 As a necessary working capital, JPY 15.5 billion
(Sales amount for about 2 months)
- 3 Renewal investment of JPY 3 billion
- 4 Dividends of JPY 6.5 billion
A consolidated dividend payout ratio of approximately 30%
- 5 JPY 25 billion for growth investment
JPY 10 billion for human capital investment, R&D investment, and DX investment.
M&A is expected as strategic investment.
(Debt may be considered depending on the project)
Additional shareholder returns if there would be no growth investments.

- 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



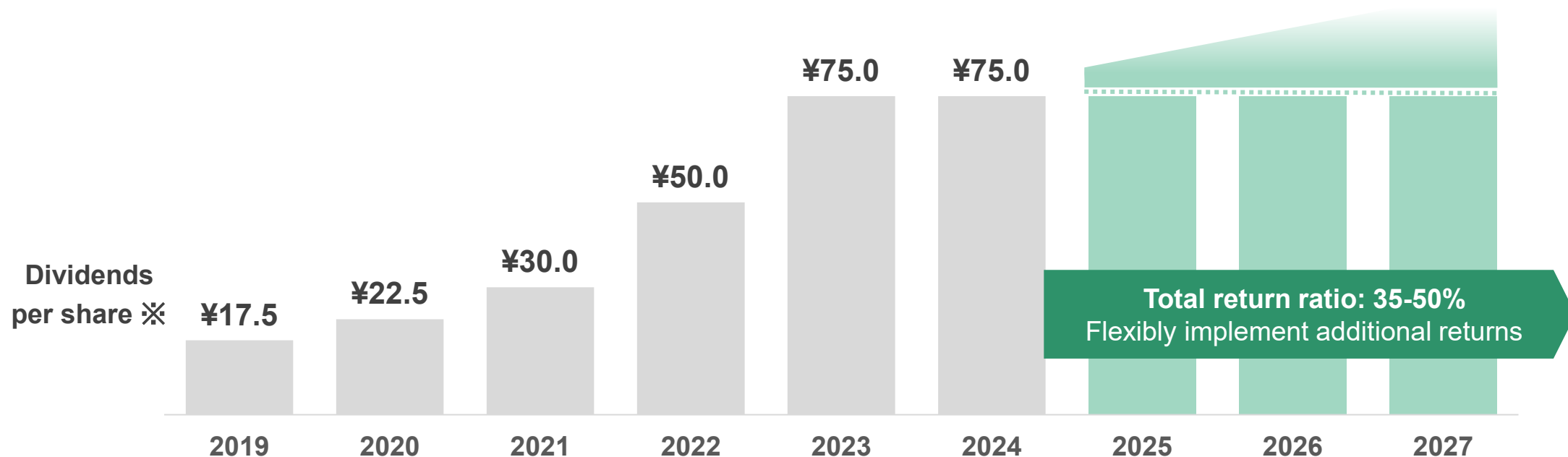
- Select M&A target companies in accordance with the following basic policy. Consider the use of borrowings if necessary.
- To make effective use of limited capital, clearly define criteria such as the scale of investment and expected returns, and carry out flexible investments.

M&A Basic Policy

M&A Target Areas	Target Company	Target Business Area
Core Area	Specialised vendors to complement relatively low-share technologies to provide one-stop services	Water & Wastewater, Urban Development, Electricity, Machinery, 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)

- Return profits to shareholders with a minimum consolidated dividend payout ratio of 30% or more.
- Basic policy of 3% DOE during the period of Mid-Term Management 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)



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.

Business Philosophy

We strive to create a safe,

Comfortable and enriching society

Using world-class technology and expertise.



Enriching life
through engineering

CTI Engineering Co., Ltd. has faced social issues with integrity throughout its history as a pioneering consulting engineer. It has worked to solve a variety of infrastructure development issues by constantly improving its engineering capabilities.

As technological innovation accelerates, we will serve as a group of professionals who will ambitiously take on new technologies and always provide the best infrastructure services. We will work tirelessly to create a society where people can live safely and securely with an eye on the future.

- Any forward-looking statements as part of information disclosed by the Company, such as (but not restricted to) information pertaining to future plans, outlooks, management strategy, etc., are based on the information available at the time of disclosure and/or on certain assumptions deemed reasonable.
- As such, these contain risks and uncertainties related to changes in the state of the economy, government policies impacting the Company's businesses, changes to the tax code and/or other regulatory changes and/or in the International status quo.
- Realized results may differ materially from the aforementioned forward-looking statements, due to a variety of factors and causes.

CTI Engineering Co., Ltd.

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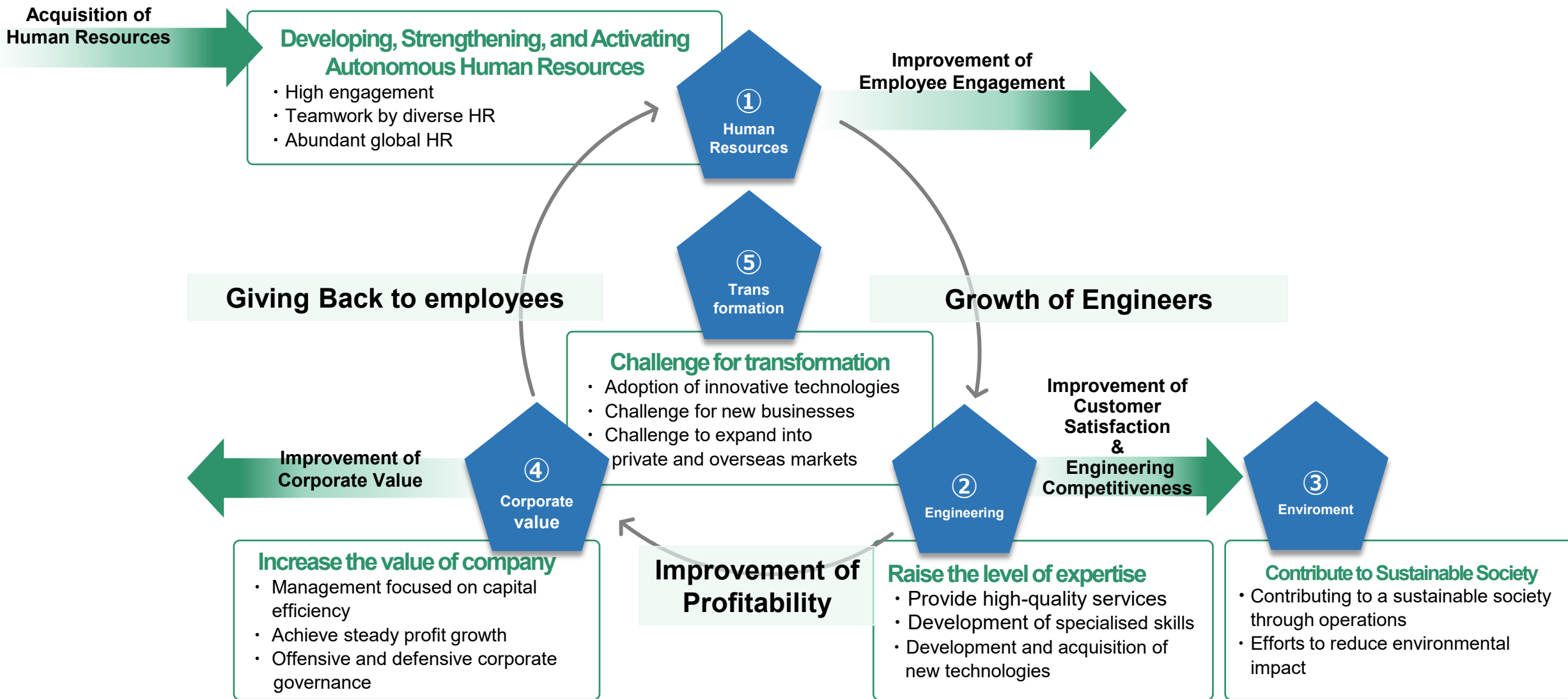
Tatsuya Nishimura, Representative Director and President, CEO

Contact: **Toshikazu Matsuoka**, Managing Executive Officer

TEL : 03-3668-4125

Appendix

Based on the five key factors that express ideal state of CTI Engineering Group, the measures to be implemented in the Mid-Term Management Plan 2027 are consolidated into two pillars.



● Important management figures in 2027

Sales

Continue to strengthen our workforce at an annual growth rate of around 5% and aim for net sales of JPY 110 billion or more (achieve SPRONG2030, our mid- to long-term vision, ahead of schedule)

Operating income

Aiming for sustainable profit growth over mid- to long-term and operating income of JPY 12 billion or more

ROE

Secure at least 12% ROE by business development, improvement of productivity and appropriate returning profits to shareholders

Labour productivity

Increase labour productivity by 10% or more from the current level by improving efficiency through promotion of DX and upgrading project management. (10% improvement in internal output per hour)

● Key points in setting the plan

Profit Plan

- Continue to strengthen workforce and raise wages
- Improve or maintain gross margins through DX and work efficiency
- Reduce operational reworks and errors by upgrading PM. Improve performance quality and reduce working hours through the advancement of PM.
- Decrease SG&A Expenses by DX and improving efficiency

Orders Received Plan

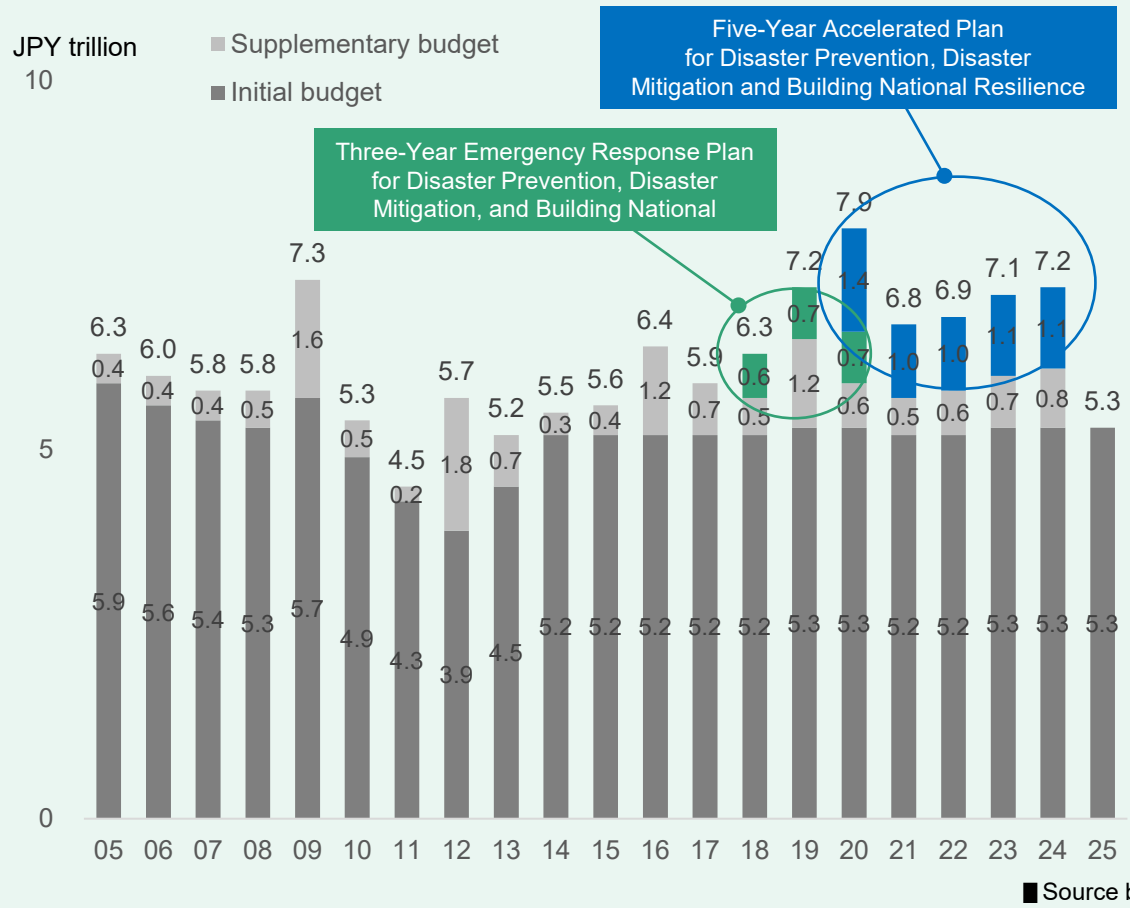
- Achieve a balanced customer structure with local governments and the private sector while keeping orders from the Ministry of Land, Infrastructure, Transport and Tourism
- Achieve targets through sustainable growth in core business areas, expansion of growth areas, and external growth such as M&A

Financial Plan

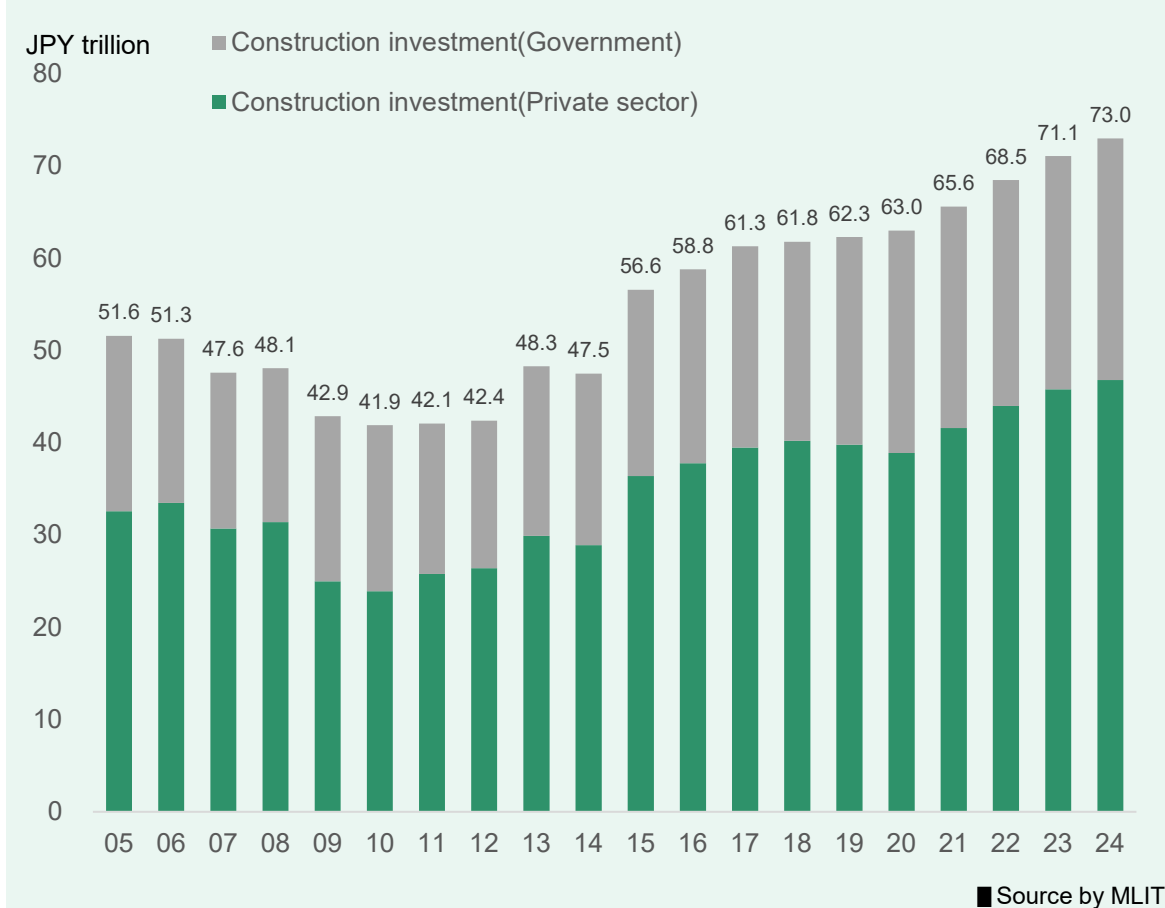
- Improve ROE and EPS by combining steady growth in operating income, flexible shareholder returns such as dividends, and external growth such as M&A

The market for consulting engineering business, our core business, is strongly influenced by government budget allocations and construction investment. Public works expenditures (Ministry of Land, Infrastructure, Transport and Tourism) have remained steady due to the “Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation and Building National Resilience” through 2024. Overall construction investment (public and private) has been increasing continuously since 2014. Construction investment by the government and the private sector is expected to stabilise to a certain extent in the future, and the potential market is also large due to the state of undeveloped infrastructure.

Steady growth in public works-related expenditures

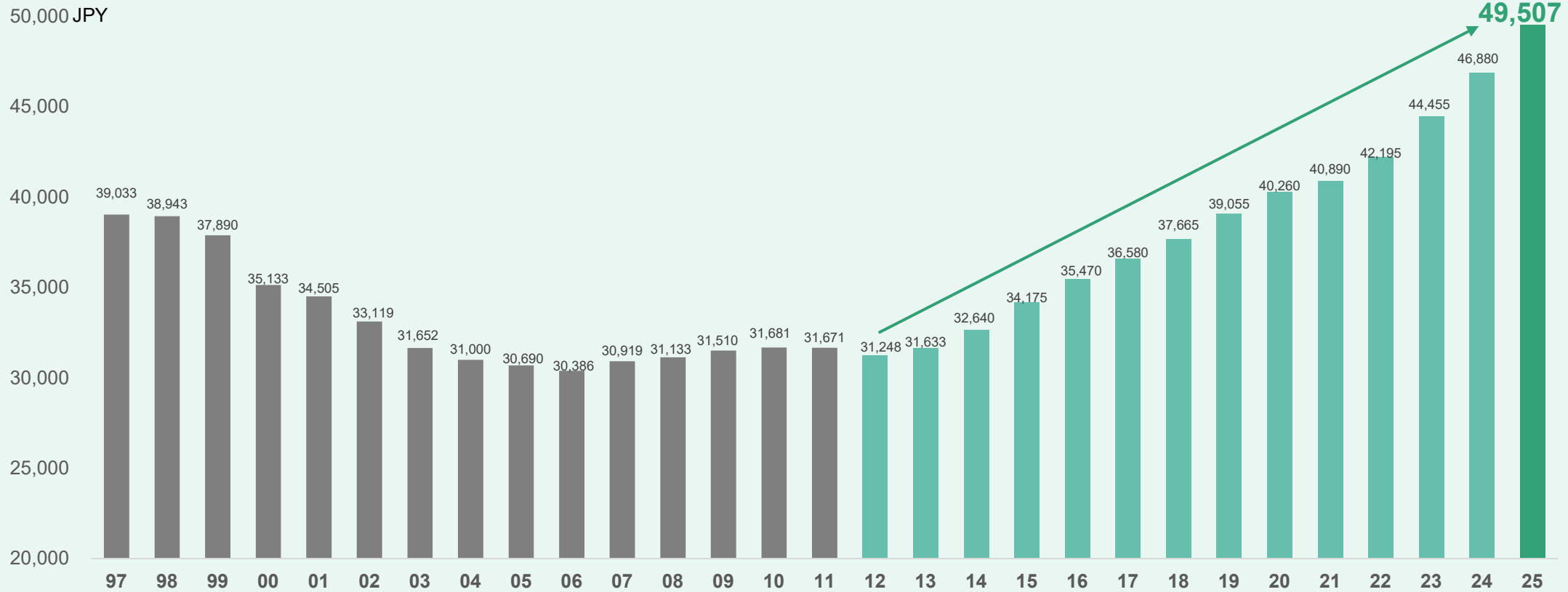


Increase in construction investment



- **Unit Price for Design Engineers:** A unit price used for estimating design work outsourcing (design, surveying, geology, etc.) ordered by the Ministry of Land, Infrastructure, Transport and Tourism, which is set based on the annual salary survey conducted every year.
- In FY2025, the simple average of all job categories was JPY 49,570, an increase of 5.7% from the previous year, reflecting recent wage increases, etc.

Increase in unit price for design engineers



■ Source by MLIT

