2Q / 61st Term (2023)
Financial Results

Published on August 14, 2023

CTI Engineering Co., Ltd.

Agenda

1. Financial Results – 2Q / 61st Term (2023)

Appendix

1

Financial Results – 2Q / 61st Term(2023)

2Q / 61st Term – Results Outline (Consolidated)

- Orders received amount increased 11.6% YoY to 58,900 million yen – a new record performance
- Sales amount increased 13.8%YoY to 47,600 million yen – a new record performance
- Operating income increased 31.2% YoY to 7,100 million yen – a new record performance

Increase in orders received, sales, and income

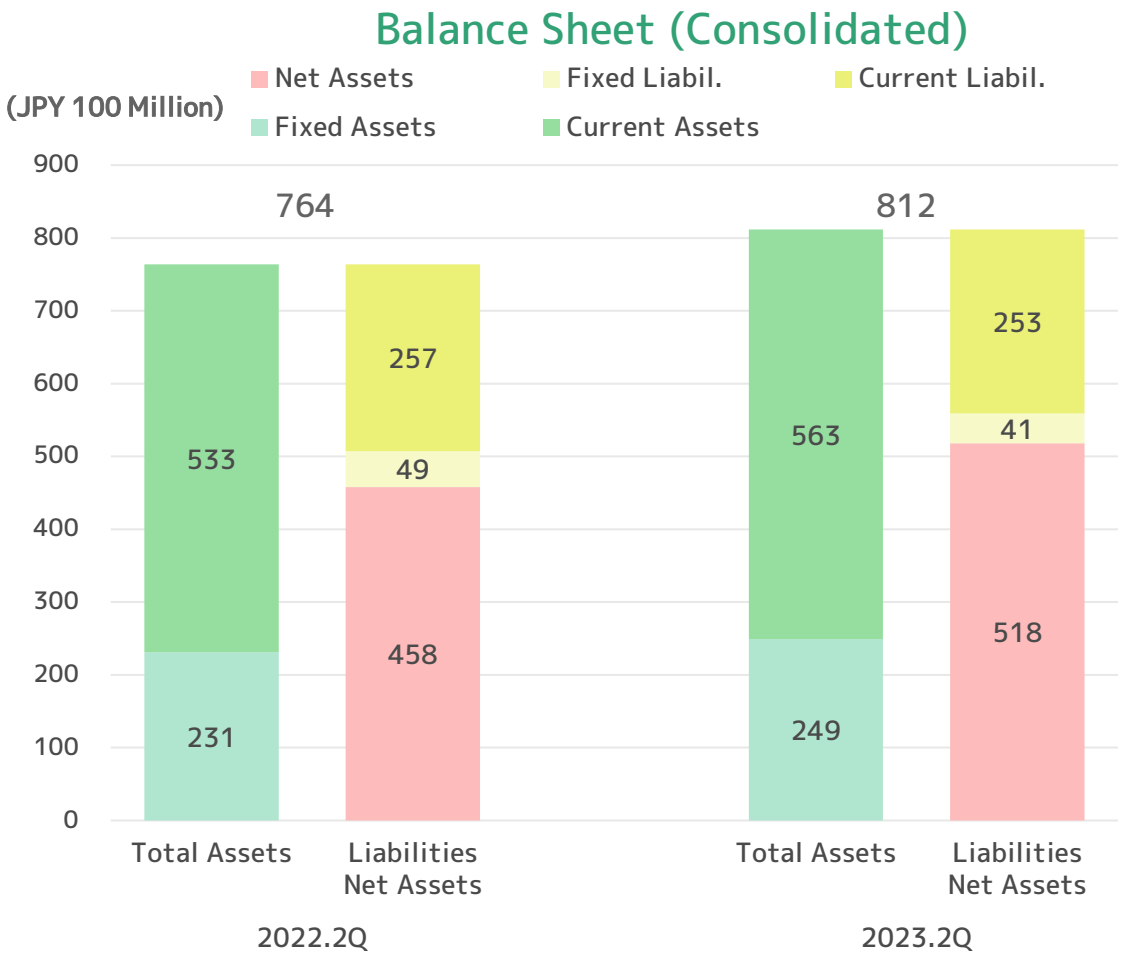
- Strong results for orders received in the Domestic and Overseas businesses
- Results in the Domestic business exceeded expectations, growing significantly YoY
- New 2Q record performances for the line items of orders received, sales amount, and for each income line item

(JPY Million)

	2Q 60th Term 2022	**2Q 61st Term 2023**	Change (%)	**61st Term 2023 (FY Forecast)**	Progress vs. Forecast (%)
Orders Received	**52,785**	**58,923**	+11.6	**87,000**	67.7
Sales Amount	**41,844**	**47,623**	+13.8	**87,000**	54.7
Operating Income	**5,462**	**7,166**	+31.2	**8,500**	84.3
OI Margin	**13.1%**	**15.0%**	+1.9pt	**9.8%**	–
Ordinary Profit	**5,601**	**7,287**	+30.1	**8,600**	84.7
Net Income Attributable to Owners of the Parent Company	**3,796**	**5,289**	+39.3	**6,300**	84.0

Balance Sheet (Consolidated) – YoY Comparison

- Net assets increased by 6,000 million yen YoY, to 51,800 million yen
  Net Worth Ratio **63.6% (+3.9 points)**



Total Assets

81,200 million yen (+4,800 million yen)

- Cash & bank deposits
  35,900 million yen (-100 million yen)
- Accounts receivable - trade
  19,500 million yen (+3,000 million yen)

Liabilities

29,400 million yen (-1,200 million yen)

- Contract liabilities
  9,400 million yen (-4,000 million yen)
- Consumption tax payable
  2,300 million yen (+1,600 million yen)
- Provision for bonuses
  2,000 million yen (+1,000 million yen)

Net Assets

51,800 million yen (+6,000 million yen)

- Increase in retained earnings
  (+6,000 million yen)
- Increase due to currency translation
  (+800 million yen)
- Increase in treasury shares
  (-900 million yen)

2Q / 61st Term – Results Outline (Non-Consolidated)

- **Orders received amount** increased 5.7% YoY to 36,700 million yen – **growing for the 8th consecutive term**
- **Sales amount** increased 14.3% YoY to 30,300 million yen – **growing for the 11th consecutive term**
- **Operating income** increased 31.7% YoY to 6,300 million yen – **growing for the 7th consecutive term**

Increase in orders received, sales, and income

- Continued strength in terms of orders, thanks to demand within the scope of five-year accelerated measures to prevent/mitigate natural disasters and strengthen national land resilience (through to FY 2025)
- Increases in project unit value and larger contract lot sizes led to productivity improvements and higher profit margins

(JPY Million)

	2Q 60th term 2022	**2Q 61st Term 2023**	Change (%)	**61st Term 2023 (FY Forecast)**	Progress vs. Forecast (%)
Orders Received	**34,745**	**36,726**	+5.7	**53,000**	69.3
Sales Amount	**26,570**	**30,374**	+14.3	**55,000**	55.2
Operating Income	**4,856**	**6,396**	+31.7	**7,600**	84.2
OI Margin	**18.3%**	**21.1%**	+2.8pt	**13.8%**	–
Ordinary Profit	**5,044**	**6,651**	+31.9	**7,800**	85.3
Net Income	**3,469**	**4,923**	+41.9	**5,800**	84.9

2Q / 61st Term Results Outline (By Segment)

- Strong order results in both the Domestic & Overseas segments

(JPY Million)

Segment	Item	2Q 60th Term 2022	**2Q 61st Term 2023**	Change (YoY)	Change (%)
Domestic Business	Orders Received	**38,262**	**40,625**	+2,363	+6.2
	Sales Amount	**30,012**	**34,113**	+4,101	+13.7
	Operating Income	**4,964**	**6,800**	1,836	+37.0
	OI Margin	16.5%	**19.9%**	—	+3.4pt
Overseas Business	Orders Received	**14,523**	**18,297**	+3,774	+26.0
	Sales Amount	**11,832**	**13,510**	+1,678	+14.2
	Operating Income	**491**	**377**	-114	-23.3
	OI Margin	4.2%	**2.8%**	—	-1.4pt
Total	Orders Received	**52,785**	**58,923**	+6,137	+11.6
	Sales Amount	**41,844**	**47,623**	+5,779	+13.8
	Operating Income*	**5,462**	**7,166**	+1,704	+31.2
	OI Margin	**13.1%**	**15.0%**	—	+1.9pt

*Operating income total figures presented following inter-segment adjustments

Domestic Consulting Engineering Business

- Orders received amount increased 6.2% YoY to 40,600 million yen
- Sales amount increased 13.7% YoY to 34,100 million yen
- Operating Income increased 37.0% to 6,800 million yen

Strong order numbers; increase in sales & income

- The Construction Management Sector succeeded in growing CM projects from local Government, registering a surge in orders received
- Better results than expected in the Water and Land and Construction Management Sectors, leading to increases in sales and income, and a higher operating income margin

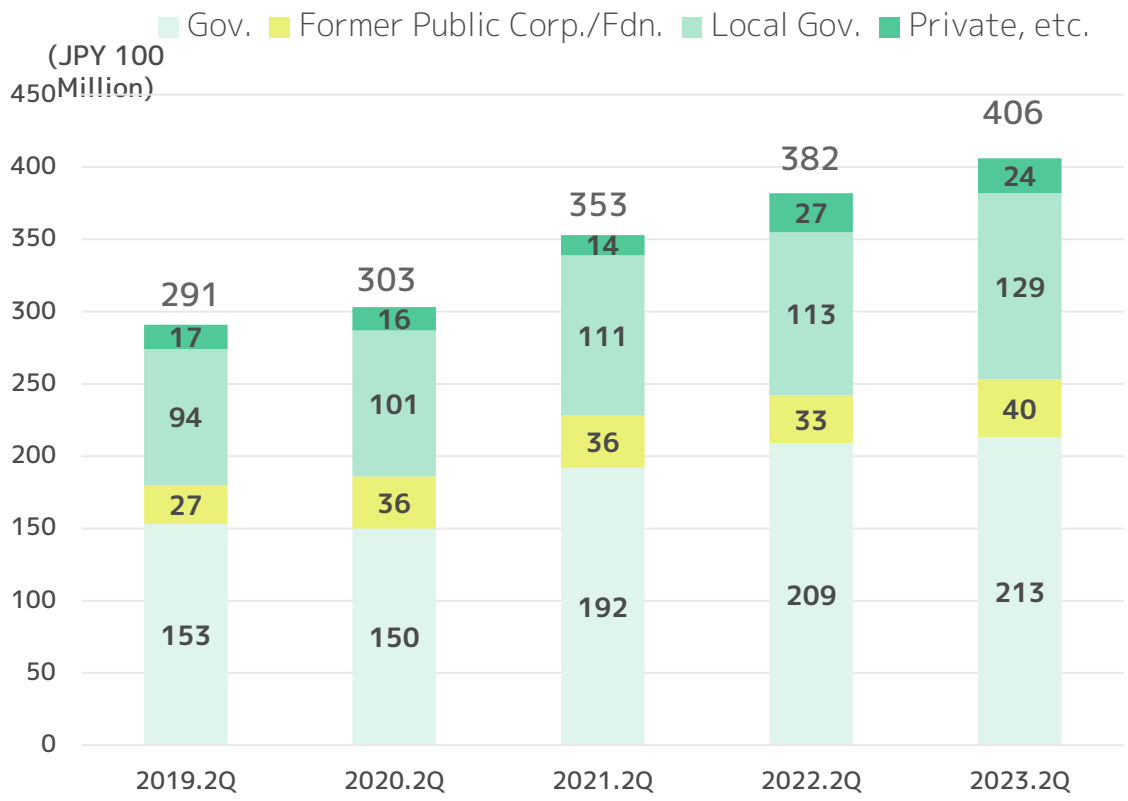
(JPY Million)

	2Q 60th Term 2022	**2Q 61st Term 2023**	Change (%)	**61st Term 2023 (FY Forecast)**	Progress vs. Forecast (%)
Orders Received	38,262	40,625	+6.2	60,000	67.7
Sales Amount	30,012	34,113	+13.7	62,000	55.0
Operating Income	4,964	6,800	+37.0	7,800	87.2
OI Margin	16.5%	19.9%	+3.4pt	12.6%	—

Orders Received Amount By Source –Trend (Domestic)

Increase in orders from local Government for CM projects (Construction Management Sector) and urban construction (Transportation and Urban Sector); slight decrease in orders from the private sector

Orders Received Amount By Source



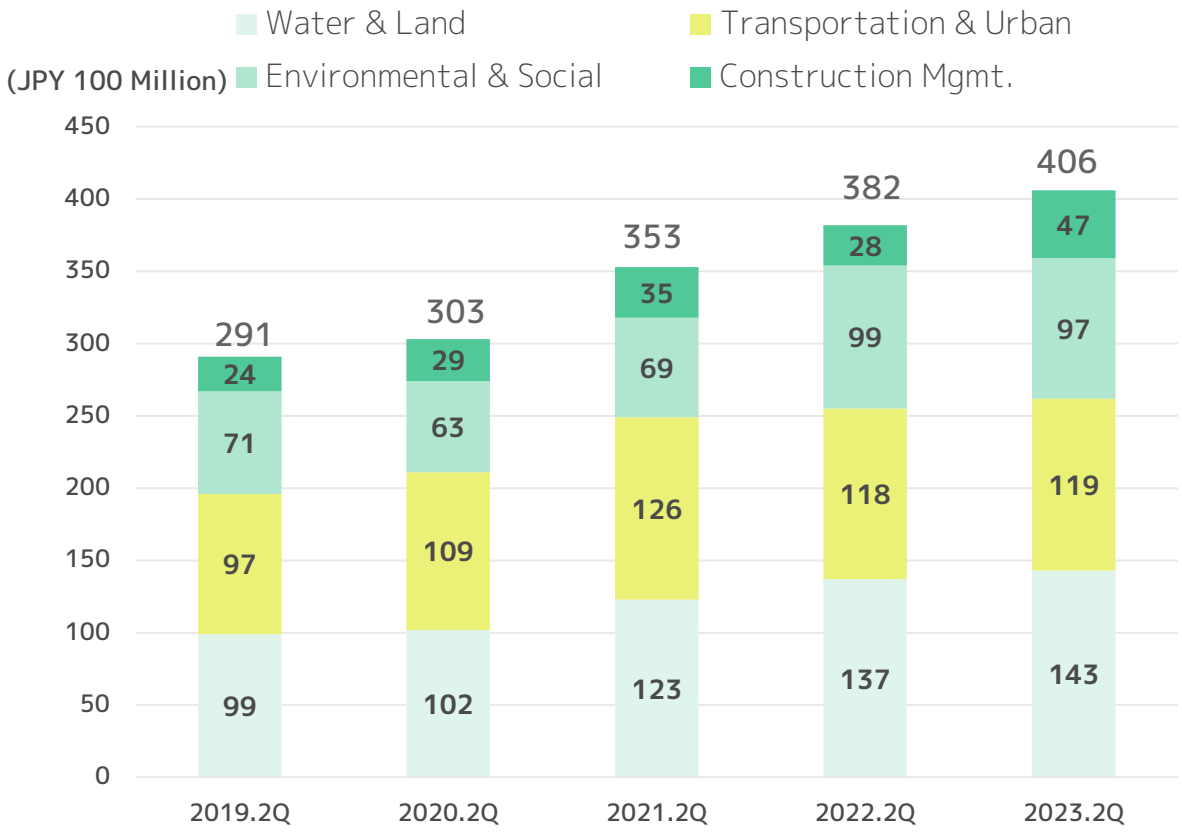
Status By Source

- Increase of 400 million yen from Government institutions
- Increase of 700 million yen from former public corporations and foundations
- Increase of 1,600 million yen from Local Government (YoY +14.3%)
- Decrease of 300 million yen from the private sector

Orders Received Amount By Sector – Trend (Domestic)

Strong performance from the Construction Management Sector

Orders Received Amount By Sector



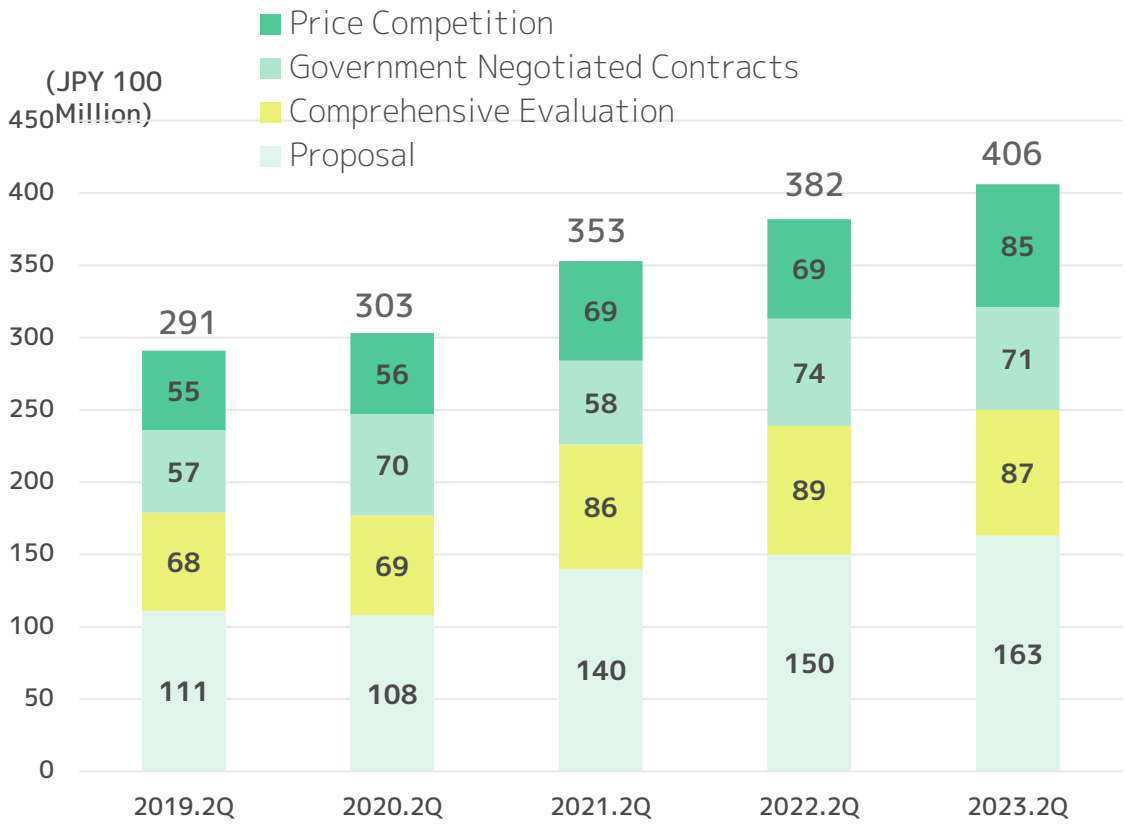
Status By Sector

- Increase of 600 million yen in the Water & Land Sector
- Increase of 100 million yen in the Transportation & Urban Sector
- Decrease of 200 million yen in the Environmental & Social Sector
- Increase of 1,900 million yen in the Construction Management Sector (YoY +66.8%)

Orders Received Amount By Contract Method (Domestic)

Engineering competitiveness (proposal & comprehensive evaluation) account for a large share of orders received. Orders received from local Government also grew through price competition

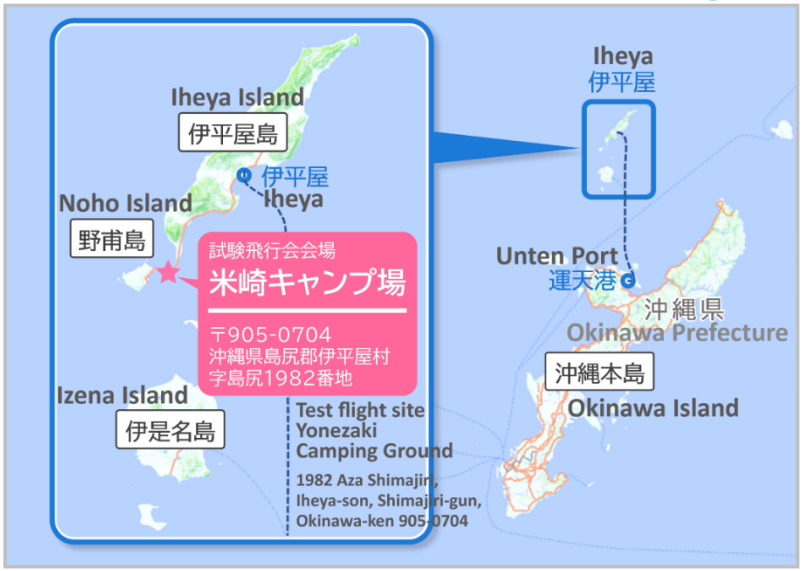
Orders Received Amount By Contract Method



Status By Contract Method

- Increase of 1,300 million yen in orders received for the proposal contract method
- Decrease of 200 million yen in orders received for the comprehensive evaluation contract method
- Decrease of 300 million yen in orders received for government negotiated contracts
- Increase of 1,600 million yen in orders received for the price competition contract method (YoY +23.4%)

【Flying Car】
First Successful Test Flight In Okinawa & Outlying Islands





【Test flight outline】

■Flight date : June 7, 2023 (Wed.)

■Flight location : Iheya, Okinawa Prefecture Yonezaki Camp ～ Vicinity of Nohoura Port

■Parties : CTI Engineering Co., Ltd., Japan Airport Consultants,Inc.
AIRPORT FACILITIES CO.,LTD., AirX Inc.

■Test flight outline

・This test flight was the first initiative of this kind in Japan covering Okinawa Prefecture and outlying islands.

・Previous flights were restricted to select areas, with this flight being the first step toward full-scale implementation in outlaying islands and other areas.

■Role played by CTI

・Evaluate the feasibility of our flying car business model, measure and evaluate noise and wind speeds when in operation, estimate social benefits from our flying car service.

【On-demand Transportation】 And Support In The Adoption Of New Systems







【What is on-demand transportation?】

・Reservation-based public transportation service serving the needs of people living in depopulated areas, against the backdrop of an ageing population with declining birth rates

【Introduction of an AI on-demand system】

・Offer an on-demand shared mobility service catering to local communities' needs and taking into account the specifics of the region's public transport infrastructure.

・Users can hail a ride using their smartphone/computer.

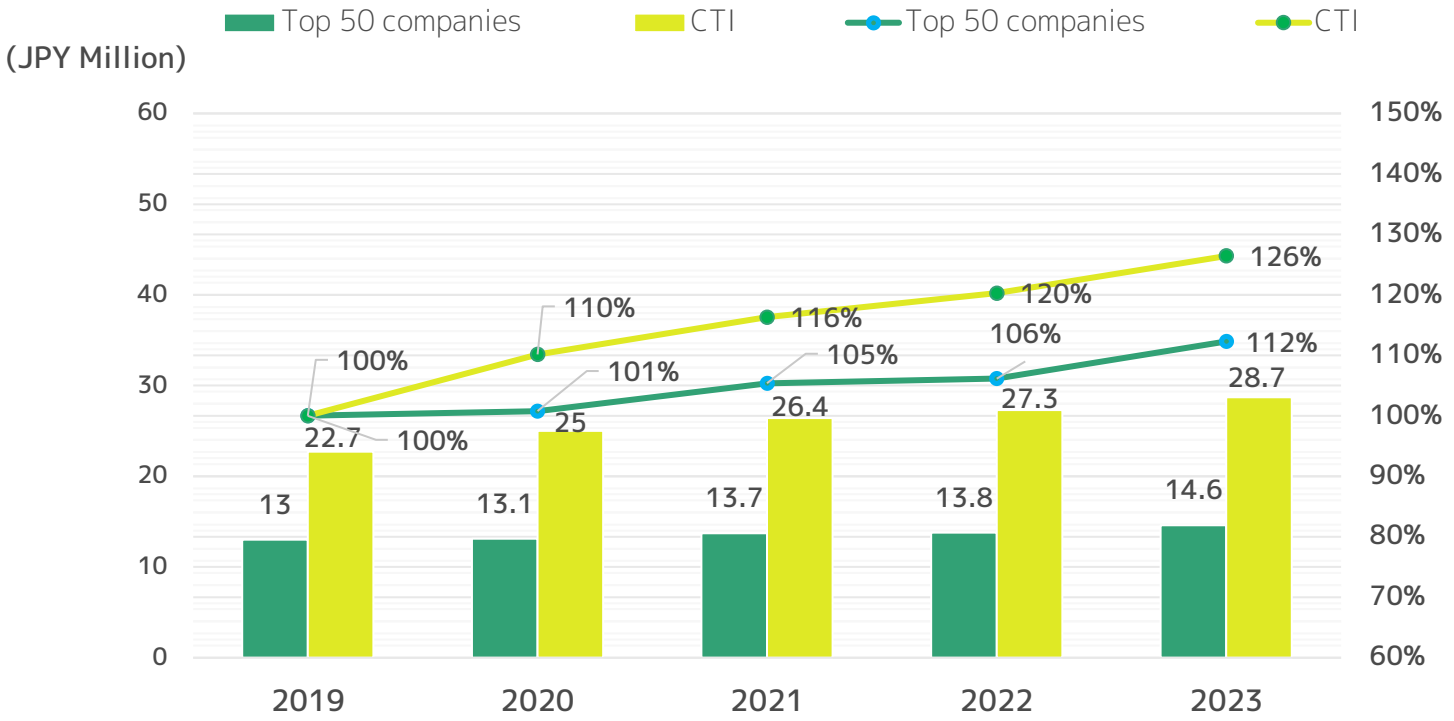
【CTI results】

・Considering introduction / operating this service in localities in the following Prefectures:Miyagi,Fukushima,Tochigi, Ibaraki,Chiba,Nagano,Gifu,Ishikawa,Nara, Osaka,and Hyogo.

Contract Amount Per Project (Non-Consolidated)

- Larger projects have translated into an increase in the contract amount (1H)

Contract Amount Per Project & % Increase Versus 2019



Source: Ministry of Land, Infrastructure, Transport and Tourism Policy Bureau Information Policy Division Office for Statistical Research and Analysis on Economy in Construction Market - Official Documents "Survey of Construction-related Industries" (Month of June); "Survey of Table 2 Construction-related Industries" (50 engineering consulting companies)
Contract amount per project for the top 50 companies uses data from 2019 - 2023 (Month of June data)

Overseas Consulting Engineering Business

- Orders received amount increased 26.0% YoY to 18,200 million yen
- Sales amount increased 14.2% YoY to 13,500 million yen
- Operating income decreased 23.3% YoY to 380 million yen

Strong order performance; increase in sales

- Waterman's public-sector related business in the UK saw a strong order performance and an increase in sales
- While orders received amount and sales amount partly benefited from foreign exchange, income was lower due to salary increases, etc.

(JPY Million)

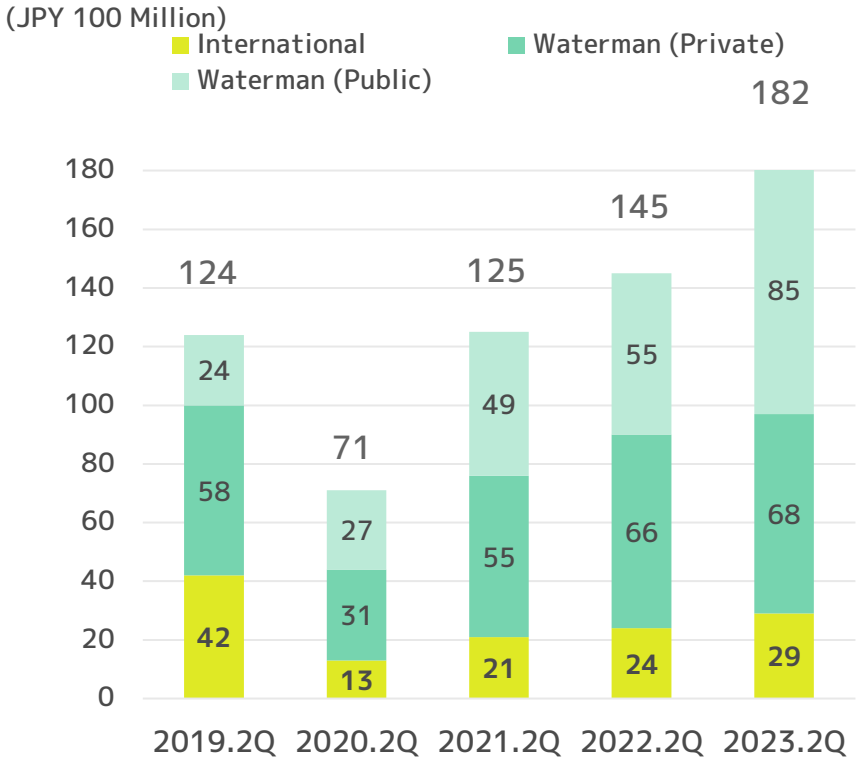
	2Q 60th Term 2022	**2Q 61st Term 2023**	Change (%)	**61st Term 2023 (FY Forecast)**	Progress vs. Forecast (%)
Orders Received	**14,523**	**18,297**	+26.0 (+12.6)	**27,000**	67.8
Sales Amount	**11,832**	**13,510**	+14.2 (+5.6)	**25,000**	54.0
Operating Income	**491**	**377**	- 23.3	**700**	53.9
OI Margin	**4.2%**	**2.8%**	- 1.4pt	**2.8%**	-

* Orders received amount include a foreign currency translation of our overseas subsidiaries' order balance as of the end of the period in review. The change percentage shown in brackets represents the percentage excluding the above-mentioned foreign currency translations.

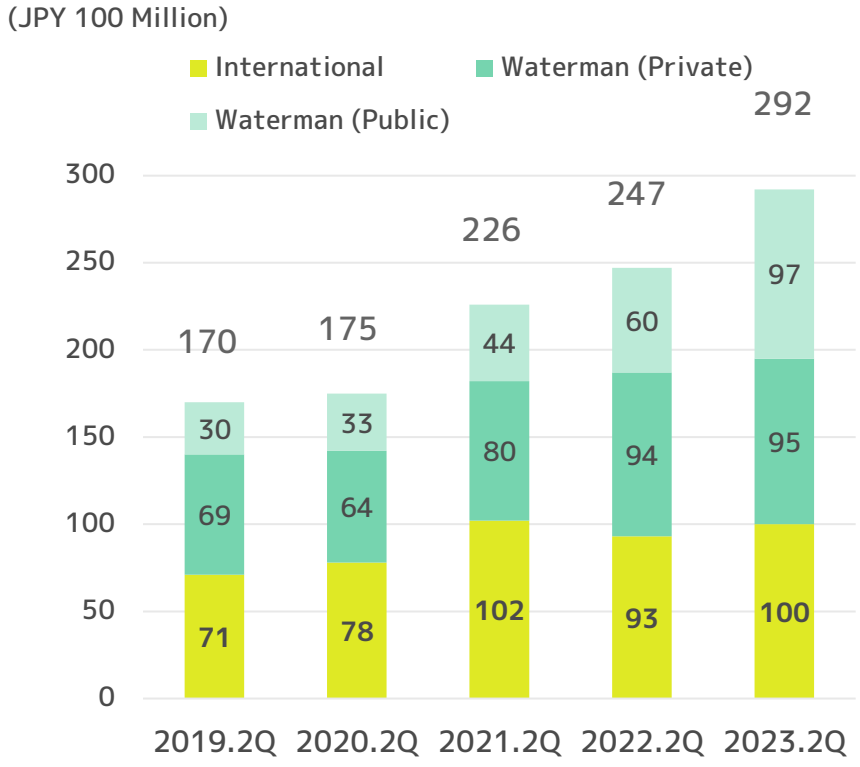
Orders Received Amount Trend (Overseas)

Both Waterman and CTI Engineering International delivered a steady orders received performance
Growing weighting for Waterman's public sector projects

Trend in Orders Received Amount



Trend in Order Balance



Overseas Project Showcase



Imus Detention Basin (The Philippines' first detention basin facility, 6 months after construction)



Container terminal owned by Peel Ports (United Kingdom)

★ CTI Engineering International was responsible for a flood risk management project in the Philippines (3 rivers) , covering detailed planning through to construction supervision

We were involved in a flood risk management project in the Philippines (3 rivers), carrying out a variety of functions from detailed planning to construction supervision, and our efforts were well received by the local community. (CTI Engineering International)

★Framework agreement with the Peel Ports Group for the provision of engineering and environmental consulting

Peel Ports owns and operates 6 of the UK's most important ports and a container terminal in Dublin, Ireland, handling 65 million tons of cargo every year. The Waterman Group has been selected to offer engineering and environmental consulting with the objective of helping key infrastructure projects and feasibility work within the scope of all of Peel Ports' projects and engineering business. (Waterman Group)

61st Term (2023) EoFY Forecasts (Consolidated / Non-Consolidated)

- Raised full fiscal year guidance on both a consolidated and non-consolidated basis

(JPY Million)

		60th Term 2022 (LFY Realized)	61st Term 2023 (Initial Forecast)	**61st Term 2023 (FY Forecast)**	Change (%) (YoY)	Change (%) Vs. Initial Forecast
	Orders Received	85,887	84,000	**87,000**	+1.3	+3.6
	Sales Amount	83,485	84,000	**87,000**	+4.2	+3.6
	Operating Income	8,017	7,200	**8,500**	+6.0	+18.1
	OI Margin	9.6%	8.6%	**9.8%**	+0.2pt	+1.2pt
	Ordinary Profit	8,235	7,300	**8,600**	+4.4	+17.8
	Net Income	5,874	4,900	**6,300**	+7.2	+28.6
	Orders Received	51,226	52,000	**53,000**	+3.5	+1.9
	Sales Amount	51,359	52,000	**55,000**	+7.1	+5.8
	Operating Income	6,705	6,300	**7,600**	+13.3	+20.6
	OI Margin	13.1%	12.1%	**13.8%**	+0.7pt	+1.7pt
	Ordinary Profit	7,024	6,500	**7,800**	+11.0	+20.0
	Net Income	5,167	4,500	**5,800**	+12.2	+28.9
	Dividends	100 yen	100 yen	**100 yen**	—	—

61st Term (2023) EoFY Forecasts (Segment)

- Raised guidance for the Domestic segment

(JPY Million)

Segment	Item	60th Term 2022 (LFY Realized)	61st Term 2023 (Initial Forecast)	**61st Term 2023 (FY Forecast)**	Change (%) (YoY)	Change (%) Vs. Initial Forecast
Domestic Segment	Orders Received	58,191	59,000	**60,000**	+3.1	+1.7
	Sales Amount	58,160	59,000	**62,000**	+6.6	+5.1
	Operating Income	6,885	6,500	**7,800**	+13.3	+20.0
	OI Margin	11.8%	11.0%	**12.6%**	+0.8pt	+1.6pt
Overseas Segment	Orders Received	27,696	25,000	**27,000**	-2.5	+8.0
	Sales Amount	25,325	25,000	**25,000**	-1.3	—
	Operating Income	1,131	700	**700**	-38.1	—
	OI Margin	4.5%	2.8%	**2.8%**	-1.7pt	—
Total	Orders Received	85,887	84,000	**87,000**	+1.3	+3.6
	Sales Amount	83,485	84,000	**87,000**	+4.2	+3.6
	Operating Income*	8,017	7,200	**8,500**	+6.0	+18.1
	OI Margin	9.6%	8.6%	**9.8%**	+0.2pt	+1.2pt

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

Challenges And Outlook For 2H

Challenges and outlook for 2H, based on 1H

Challenges	Measures going forward
Steady progress in production system reform	· We have taken to heart the proposals put forth by Production System Reform Headquarters. This Headquarters has transformed into the Production System Reform Promotion Headquarters, established this fiscal year, and within it, we are reviewing concrete promotion plans and working to adopt company-wide the results we have obtained. · We newly established the DX Promotion Department within Engineering Headquarters to drive the creation of a structure contributing to productivity improvements in the Group.
Promote Group collaboration toward business structure transformation	· Local municipalities are driving a slight market expansion, but we will continue to work toward growing orders received through continued collaboration between the Engineering and Business Development Divisions. · While there has been a YoY increase in some domains in terms of key business areas and business processes, this continues to be insufficient, as we seek to achieve a greater business expansion.
Enhance governance	· Of the key risks we outlined at the start of the FY, we will review and enhance measures to address those risks that grew YoY in 1H.
Promote sustainability management	· Promote the "CTI Engineering Group Challenges for Sustainability" action plan – which we formulated last FY – accelerating initiatives toward achieving our targets.

Thank you for listening!



Appendix

Company Profile

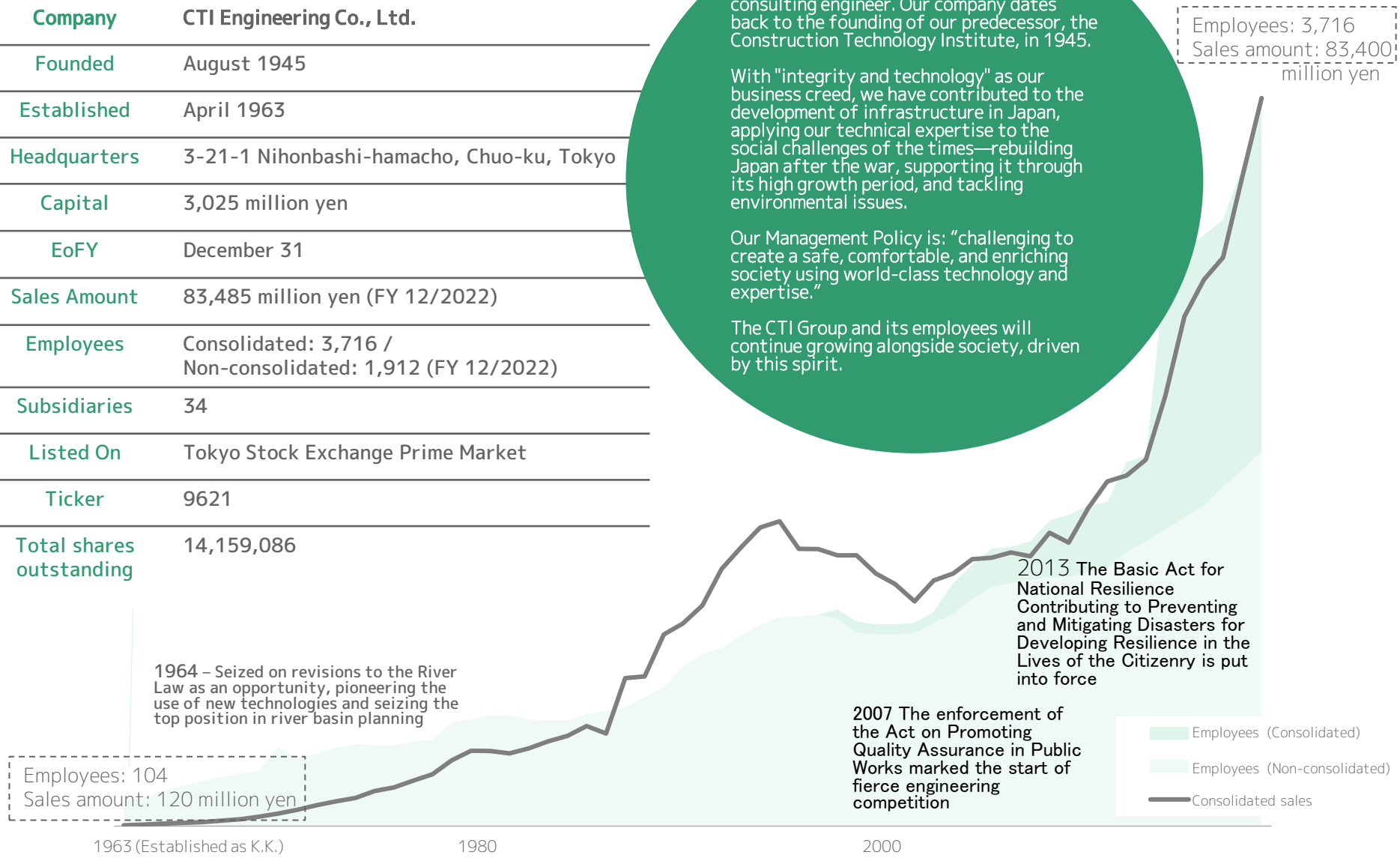
Company	CTI Engineering Co., Ltd.
Founded	August 1945
Established	April 1963
Headquarters	3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo
Capital	3,025 million yen
EoFY	December 31
Sales Amount	83,485 million yen (FY 12/2022)
Employees	Consolidated: 3,716 / Non-consolidated: 1,912 (FY 12/2022)
Subsidiaries	34
Listed On	Tokyo Stock Exchange Prime Market
Ticker	9621
Total shares outstanding	14,159,086

CTI Engineering Co., Ltd. is Japan's first consulting engineer. Our company dates back to the founding of our predecessor, the Construction Technology Institute, in 1945.

With "integrity and technology" as our business creed, we have contributed to the development of infrastructure in Japan, applying our technical expertise to the social challenges of the times—rebuilding Japan after the war, supporting it through its high growth period, and tackling environmental issues.

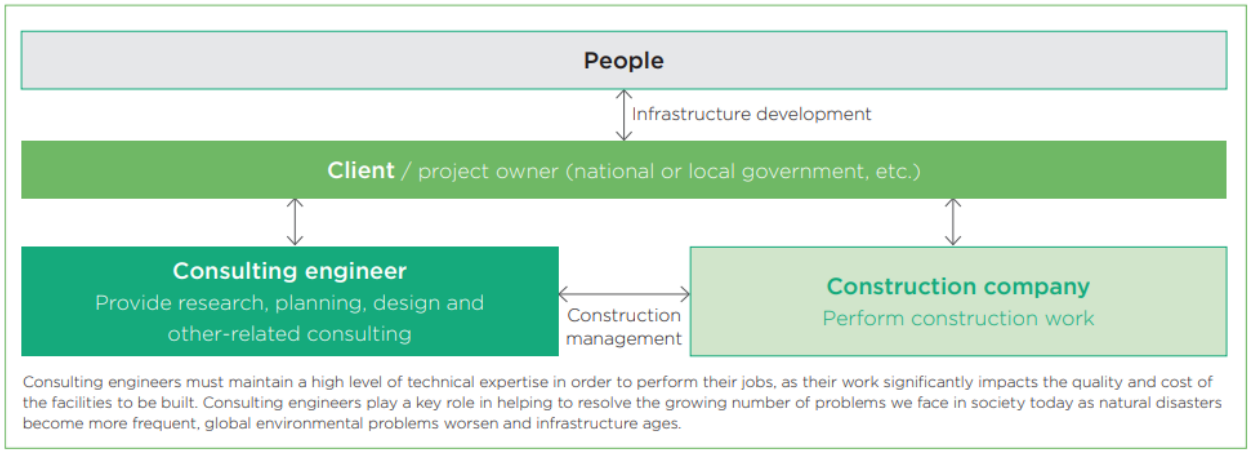
Our Management Policy is: "challenging to create a safe, comfortable, and enriching society using world-class technology and expertise."

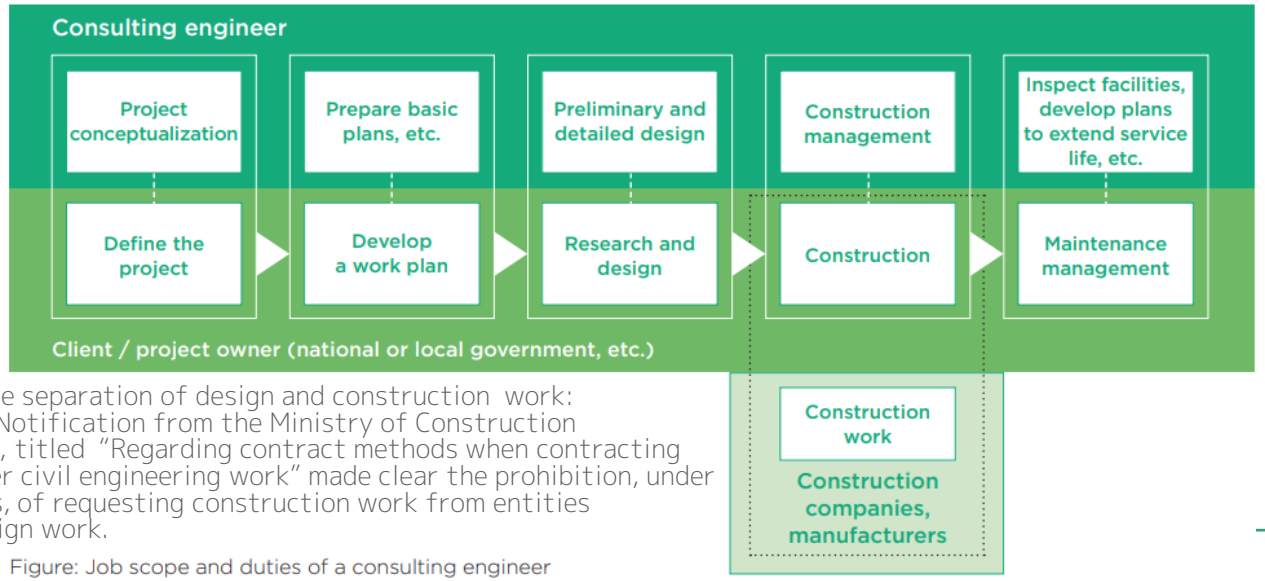
The CTI Group and its employees will continue growing alongside society, driven by this spirit.



The Role Of Engineering Consultants

- Oversee and provide advice regarding a wide array of infrastructure projects
- Offer support to our clients, which include the National and Local Governments, etc.
- Separation from the construction industry, as per the principle of the separation of design and construction work





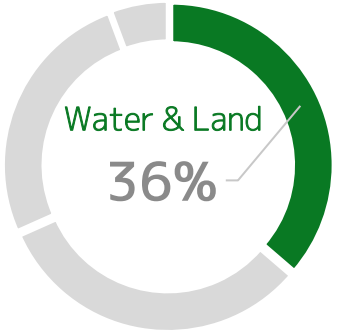
*Principle of the separation of design and construction work:
January 1959: Notification from the Ministry of Construction Undersecretary, titled "Regarding contract methods when contracting design and other civil engineering work" made clear the prohibition, under most situations, of requesting construction work from entities performing design work.

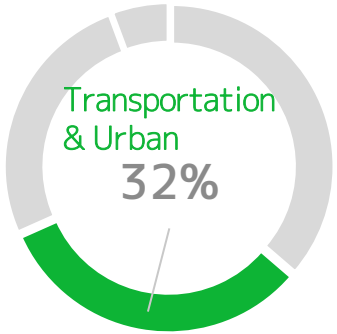
CTI CTI Engineering C Figure: Job scope and duties of a consulting engineer

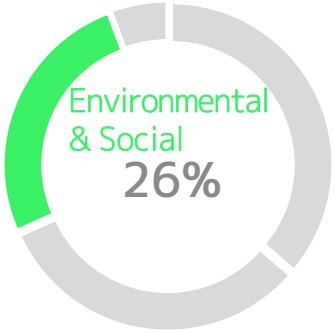
CTI's Business Domains (Non-consolidated)

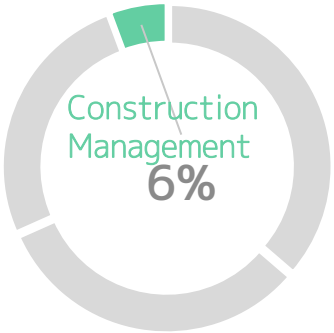
➢ We operate in the following 4 business sectors (non-consolidated)

【60th Term - Share of orders received 】











【Main Activities】
Disaster prevention for rivers and shores;
Building new dams / revival plans;
Survey / prediction of landslides;
Design of waterway and sewage systems; anti-earthquake design, etc.



【Main Activities】
Planning / design of roads / overhead lines (bridges)
Urban development
Urban transportation support, etc.



【Main Activities】
Design of infrastructure systems and facilities; wide-area disaster & urban disaster prevention planning; environmental surveys; structural planning for a decarbonized / circular society, etc.

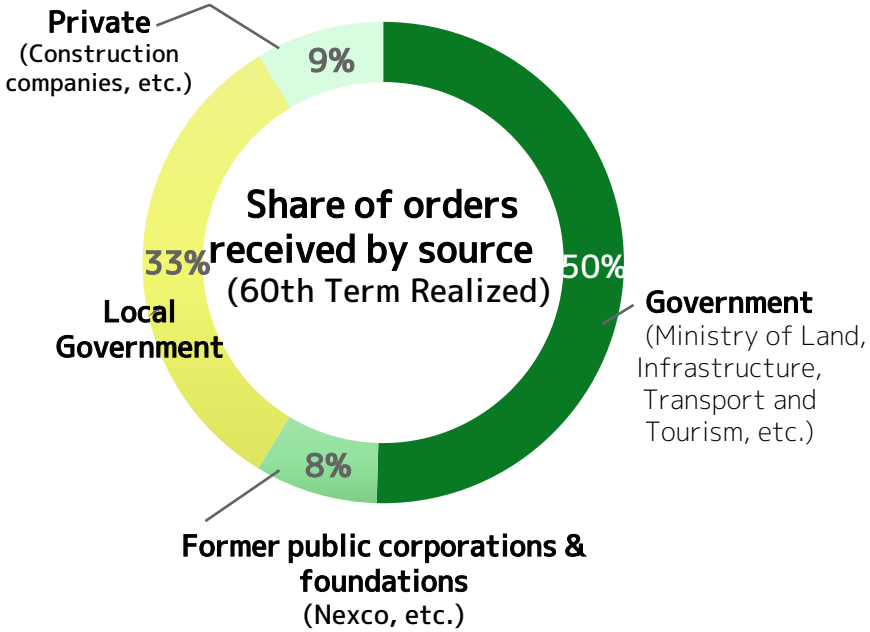


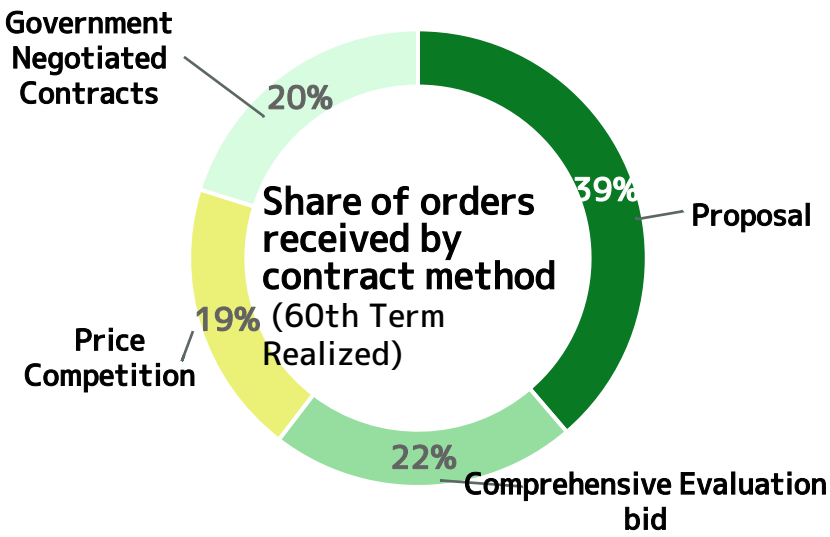
【Main Activities】
Support public works;
PM & CM*; Construction supervision, etc.

* Ensuring neutrality and building upon our engineering expertise to carry out management for each of the process of design, ordering, and construction on behalf of contractors.

CTI's Features (Non-consolidated)

- Our business is stable, with Government accounting for approximately half of orders received
- Our specialty is engineering competitiveness, allowing us to avoid having to compete on price





- Proposal :
  Competition purely on the basis of our engineering proposal capabilities (no price competition) Point system based on the proposal and also not just on company results, but also engineer results
- Comprehensive Evaluation bid :
  Engineering proposal capabilities + price competition
- Price Competition :
  Competition purely on price
- Government Negotiated Contracts :
  Contracts awarded at the client's discretion Examples: post-disaster recovery, specialized projects, etc.

CTI's Positioning In The Engineering Consulting Industry (Non-consolidated)

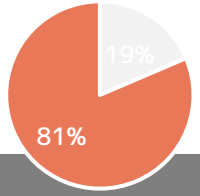
Industry No.3 in sales amount; No.2 in net income (2022 results)

(JPY Million)

Company	Engineering Consulting Dpt. Sales Amount	Net Income
ID & E Holdings (Nippon Koei)	61,058	5,236
Pacific Consultants *Not publicly listed	51,218	2,149
CTI Engineering	**48,696**	**5,167**
ORIENTAL CONSULTANTS	30.438	998
Oriental Consultants Global	28,884	983
Eight-Japan Engineering Consultants	23,641	1,952
Yachiyo Engineering	23,329	891
IDEA Consultants	21,521	2,021
Nihon Suido Consultants	19,652	1,646
CHODAI	18,836	2,046

Source: "Nikkei Construction" April 2023 issue - Top 10 companies excerpted from engineering consulting financial results ranking 2023

Consolidated Group Operations (Overseas Segment 1)



60th Term
Overseas Segment - Sales amount composition

Waterman Group Plc (UK)

History Entered the CTI Group in June 2017

Outline Planning/design and consulting in domains of architecture and civil engineering, as well as engineer seconding in developed countries

Domains
Primarily targeting the private sector
- Structural design
- Building service

Primarily targeting the public sector
- Engineering consultants
- Seconding of engineers

Regions
United Kingdom
Ireland
Australia



International Financial Center - In addition to structural, building services, and environmental design, we offered proposals on sustainability, acoustics, and transportation.



Pioneered the trial of Materials Passports* within the development of the "Edenica" commercial building

*Digital dataset registering the materials used in products and systems, and the main characteristics of components, with the objective of promoting a circular economy



We designed the new company HQ for premium lifestyle brand Joules (Received BCO Regional Award)

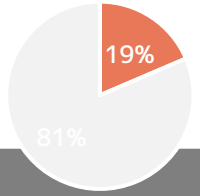


Badenoch and Strathspey Community Hospital - did civil engineering and structural design work (Received Scottish Property Award)



Provided environmental consulting for the St. James Quarter Project (Received Scottish Property Award)

Consolidated Group Operations (Overseas Segment 2)



CTI Engineering International Co., Ltd. (Japan)

60th Term
Overseas Segment - Sales amount Composition

History Established March 1999

Outline Engineering consulting business centered on ODA in NIEs and developing countries

Domains Survey, planning, design, construction supervision and project management of infrastructure and communities overseas (Planning regarding flood control, municipal wastewater, the management of water resources, sewage, roads, water quality, waste management, river structure, dam, road, and bridge structure, participatory development, workplace and socioeconomic surveys, environmental assessments, etc.)

Key Clients Japan International Cooperation Agency (JICA), World Bank, Asia Development Bank, Governments around the world, etc.

Regions Philippines, Indonesia, Pakistan, Mongolia, Kenya, etc.



Republic of Kenya – The Project for Rural Water Supply in Baringo County



Mongolia – Narnii Zam ("Sun Road"), built within the scope of the Project for Railway Flyover Construction in Ulaanbaatar City



Philippines – detailed planning of the LAGUNA LAKESHORE ROAD NETWORK PROJECT (Artist rendering)



Indonesia – Jatibarang Dam, completed within the Integrated Water Resources and Flood Management Project for Semarang City



Pakistan – N-70 East-West Road Improvement Project

Consolidated Group Operations (Domestic Segment)

Japan Urban Engineering Co.,Ltd.

Transportation & Urban

Business outline



- Urban planning & community development
- Land re-zoning
- Urban re-development
- Civil engineering design/development permits
- Assess damages and compensation
- Post disaster reconstruction, etc.

Chi-ken Sogo Consultants Co., Ltd.

Environmental & Social

Business outline



- Geological surveys/analysis
- Groundwater/soil pollution surveys
- Planning/design of roads, rivers, underground facilities
- Planning and design for erosion control disaster prevention
- Disaster prevention: volcanos, slope failures, landslides
  Survey and formulation of countermeasures

NISSOKEN ARCHITECTS / ENGINEERS

Transportation & Urban

Business outline



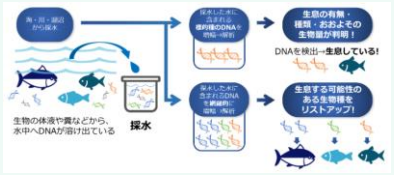


- Survey, planning, design, supervision of architectural construction and architectural construction equipment
- All-purpose PM & CM in architectural construction
- Survey/appraisal of structures
- Increasing lifespan of structures
- Formulation of long-term maintenance plans, etc.

Environmental Research & Solutions Co., Ltd.

Environmental & Social

Business outline



- Environmental surveys / analysis
  (Soil, groundwater, waste, exhaust gases, water quality, sediments, bad odors, dioxins, PCB, asbestos, radiation)
- Work environment measurements
- Genetic analysis (environmental DNA, etc.)
- Consulting on soil pollution, wastewater discharge, environmental assessments, etc.