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Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]



May 11, 2023

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
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 Scheduled date of filing quarterly securities report: May 12, 2023
 Scheduled date of commencing dividend payments: —
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended March 31, 2023 (January 1, 2023 - March 31, 2023)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended March 31, 2023	24,760	5.2	3,742	7.2	3,779	7.0	2,770	13.3
March 31, 2022	23,538	—	3,490	—	3,531	—	2,444	—

(Note) Comprehensive income: Three months ended March 31, 2023: 3,053 million yen [12.4%]
 Three months ended March 31, 2022: 2,715 million yen [—%]

	Net income per share	Net income per share after adjustment of potential shares
Three months ended	yen	yen
March 31, 2023	197.83	—
March 31, 2022	172.89	—

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) and other standards from the beginning of the previous fiscal year. Figures for the fiscal year ended December 31, 2022 reflect these accounting standards. Accordingly, changes from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
As of March 31, 2023	73,573	48,324	65.5
As of December 31, 2022	73,296	47,719	64.8

(Reference) Net worth: As of March 31, 2023: 48,163 million yen
 As of December 31, 2022: 47,520 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2022	yen –	yen 0.00	yen –	yen 100.00	yen 100.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (Forecast)		0.00	–	100.00	100.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	84,000	0.6	7,200	(10.2)	7,300	(11.4)	4,900	(16.6)	352.97

(Note) Revision to the financial results forecast announced most recently: None

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In 2021, CTI Engineering Co., Ltd. (hereinafter the “Company”) formulated its management strategy, the CTI Group medium- to long-term vision SPRONG 2030, and its first step, the Medium-term Business Plan 2024. In the 61st term, the second year of the Medium-term Business Plan 2024, while the Company will continue working to address issues, it will focus in particular on the following priority agenda items with the aim of achieving the goals of the Medium-term Business Plan 2024.

- (1) Promotion of business structural reform
- (2) Promotion of production system reform
- (3) Strengthening governance
- (4) Promotion of sustainability management

With regard to the business environment that the CTI Group finds itself in, the domestic consulting engineering business remained robust, on the back of the bolstering of government-led projects for disaster prevention/mitigation and the promotion of measures to build national resilience for the maintenance of aging infrastructure. It is also expected that social demands related to disaster risk, promotion of digital transformation (DX), and carbon neutrality will further increase. In the overseas consulting engineering business, the Asian market is gradually improving from the upheaval of the COVID-19 pandemic. Meanwhile, the UK and Australian markets require continued monitoring as conditions for order intake remain unstable due to economic trends such as the high inflation rate and rising wages.

As a result of the above, orders received by the Group during the period under review increased by 4.1% year-on-year to 25,668 million yen (24,647 million yen for the corresponding period of the previous year). Meanwhile, sales amounted to 24,760 million yen (23,538 million yen for the corresponding period of the previous year), which is equivalent to 29.5% of the sales forecast for the fiscal year ending December 31, 2023. Ordinary profit amounted to 3,779 million yen (3,531 million yen for the corresponding period of the previous year), or 51.8% of the full-year forecast for ordinary profit, and net income attributable to owners of the parent was 2,770 million yen (2,444 million yen for the corresponding period of the previous year), or 56.5% of the full-year forecast for net income attributable to owners of the parent. The engineering consulting services performed by the CTI Group mainly involves public works in Japan, with the result that its sales and profit/income tend to be concentrated in the first quarter of each fiscal year as many projects show much progress toward the end of March every year.

(2) Explanation of Financial Position

(Assets)

At the end of the period under review, the Group’s total assets totaled 73,573 million yen, an increase of 277 million yen compared to the end of the previous fiscal year. This was mainly due to increases in “notes receivable, completed work receivables and contract assets,” etc., while “cash and bank deposits” decreased.

(Liabilities)

Total liabilities at the end of the period under review were 25,249 million yen, a decrease of 327 million yen compared to the end of the previous fiscal year. This was mainly due to decreases in “reserve for bonuses” and “accrued income taxes,” etc., while “accounts payable” and “contract liabilities” increased.

(Net assets)

Net assets at the end of the period under review totaled 48,324 million yen, an increase of 604 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in “profit surplus” resulting from the posting of “net income attributable to owners of the parent,” which offset a decrease due to acquisition of treasury stock.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The Company has not revised its consolidated financial results forecast released on February 14, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes
 (1) Quarterly Consolidated Balance Sheet

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Three Months Ended March 31, 2023 (as of March 31, 2023)
Assets		
Current assets		
Cash and bank deposits	22,589	13,572
Notes receivable, completed work receivables and contract assets	25,979	34,677
Prepaid expenses for uncompleted services	165	90
Other	1,298	1,677
Allowance for doubtful accounts	-500	-505
Total current assets	49,532	49,511
Fixed assets		
Tangible fixed assets		
Land	4,787	4,787
Other, net	5,111	5,173
Total tangible fixed assets	9,899	9,961
Intangible fixed assets		
Goodwill	4,058	4,126
Other	600	560
Total intangible fixed assets	4,658	4,686
Investments and other assets		
Other	9,311	9,519
Allowance for doubtful accounts	-106	-106
Total investments and other assets	9,204	9,413
Total fixed assets	23,763	24,061
Total assets	73,296	73,573
Liabilities		
Current liabilities		
Accounts payable	2,992	4,761
Short-term borrowings	1,190	1,190
Accrued income taxes	2,801	1,270
Contract liabilities	4,547	6,225
Reserve for bonuses	3,240	1,414
Reserve for bonuses to directors	233	43
Allowance for losses in operations	84	77
Provision for warranties for completed operation	82	37
Other	6,511	6,397
Total current liabilities	21,684	21,418
Fixed liabilities		
Long-term borrowings	201	191
Provision for warranties for completed operation	574	558
Net defined benefit liability	1,161	1,155
Asset retirement obligations	258	274
Other	1,696	1,651
Total fixed liabilities	3,891	3,830
Total liabilities	25,576	25,249

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Three Months Ended March 31, 2023 (as of March 31, 2023)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,535	3,534
Profit surplus	38,531	39,888
Treasury stock	-14	-1,014
Total shareholders' equity	45,079	45,435
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,338	1,383
Foreign currency translation adjustment	606	870
Remeasurements of defined benefit plans	496	474
Total accumulated other comprehensive income	2,441	2,727
Non-controlling interests	198	160
Total net assets	47,719	48,324
Total liabilities and net assets	73,296	73,573

(2) Quarterly Consolidated Profit and Loss Account and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Profit and Loss Account
Three Months Ended March 31, 2023

(million yen)

	Three Months Ended March 31, 2022 (from January 1, 2022 to March 31, 2022)	Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023)
Sales	23,538	24,760
Cost of sales	16,455	17,282
Gross profit	7,082	7,478
Selling, general and administrative expenses	3,592	3,736
Operating income	3,490	3,742
Non-operating revenues		
Interest earned	3	5
Dividend earned	11	12
Foreign exchange gains	25	35
House rent earned	9	9
Other	6	12
Total non-operating revenues	56	76
Non-operating expenses		
Interest expense	13	12
Commission for acquisition of treasury stock	-	24
Other	2	2
Total non-operating expenses	15	38
Ordinary profit	3,531	3,779
Extraordinary loss		
Loss on sale of investment securities	1	-
Other	0	0
Total extraordinary loss	1	0
Net income before income tax	3,530	3,779
Income taxes	1,077	1,009
Net income	2,452	2,770
Net income (loss) attributable to non-controlling interests	7	-0
Net income attributable to owners of the parent	2,444	2,770

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended March 31, 2023

(million yen)

	Three Months Ended March 31, 2022 (from January 1, 2022 to March 31, 2022)	Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023)
Net income	2,452	2,770
Other comprehensive income		
Other valuation difference on available-for-sale securities	3	44
Foreign currency translation adjustment	259	260
Remeasurements of defined benefit plans, net of tax	-0	-22
Total other comprehensive income	262	282
Comprehensive income	2,715	3,053
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,685	3,057
Comprehensive income attributable to non-controlling interests	29	-3

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Based on a resolution of the Board of Directors meeting held on February 14, 2023, the Company repurchased its own shares, resulting in an increase of 999 million yen (298,600 shares) in treasury stock during the period under review.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by multiplying net income before income tax for the period under review by a reasonably estimated effective tax rate for net income before income tax for the fiscal year ending December 31, 2023 after the application of tax effect accounting.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Standard Implementation Guidance") from the beginning of the period under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard Implementation Guidance in accordance with the transitional treatment as set forth in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance. This does not affect the quarterly consolidated financial statements.