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Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]



May 13, 2024

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
 URL: <https://www.ctie.co.jp/>
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 Contact: Toshikazu Matsuoka, Director, Managing Executive Officer, serving as the Chief of Administration
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 Scheduled date of filing quarterly securities report: May 14, 2024
 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, 2024 (January 1, 2024 – March 31, 2024)

(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, 2024	29,189	17.9	6,107	63.2	6,104	61.5	4,437	60.1
March 31, 2023	24,760	5.2	3,742	7.2	3,779	7.0	2,770	13.3

(Note) Comprehensive income: Three months ended March 31, 2024: 5,186 million yen [69.9%]
 Three months ended March 31, 2023: 3,053 million yen [12.4%]

	Net income per share	Net income per share after adjustment of potential shares
Three months ended	yen	yen
March 31, 2024	320.08	—
March 31, 2023	197.83	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
As of March 31, 2024	85,222	58,216	68.1
As of December 31, 2023	79,914	55,093	68.7

(Reference) Net worth: As of March 31, 2024: 57,996 million yen
 As of December 31, 2023: 54,887 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2023	yen –	yen 0.00	yen –	yen 150.00	yen 150.00
Fiscal year ending December 31, 2024	–				
Fiscal year ending December 31, 2024 (Forecast)		0.00	–	150.00	150.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Sales		Operating income		Ordinary profit		Net income attributable to owners of the parent		Net income per share
Full year	million yen 89,000	% (4.4)	million yen 8,400	% (16.1)	million yen 8,500	% (16.3)	million yen 6,100	% (19.0)	yen 439.98

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
 (Changes in specified subsidiaries resulting in changes in scope of consolidation):
 Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2024:	14,159,086 shares
December 31, 2023:	14,159,086 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2024:	294,817 shares
December 31, 2023:	294,702 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Three months ended March 31, 2024:	13,864,297 shares
Three months ended March 31, 2023:	14,006,564 shares
- * These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.
- * Explanation of the proper use of financial results forecast and other notes
 Consolidated financial results forecast made in this document contains forward-looking statements about the future performance of the Company, which are based on the information available to the Company as of the date of release of this document. As such, various factors could cause actual results to differ materially from those discussed in the forward-looking statements.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Regarding the business environment surrounding the CTI Group, in the domestic consulting engineering business, with the enforcement of the Revised Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry in June 2023, the national budget for public works and promotion of disaster prevention/mitigation and national land resilience remained at the same level in 2024 as in the previous fiscal year. Accordingly, the promotion of disaster prevention/mitigation measures such as river basin flood control and river and road maintenance projects as a measure against aging infrastructure is forecast to continue. It is also expected that social demands related to disaster responses, carbon neutrality, and the promotion of DX (digital transformation) will further increase. In the overseas consulting engineering business, the business in Southeast Asia overseen by CTI Engineering International Co., Ltd. continues to recover, but in the UK and Australia, where Waterman Group Plc oversees business, conditions for order intake remain uncertain due to the high inflation rate, rising wages, and other economic trends, requiring continued monitoring.

In 2021, 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 62nd term, the final year of the Medium-term Business Plan 2024, the Company, under the slogan of “Carry out the steady execution of business structure transformation and production system reform to advance sustainability management,” 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) Promote business structure transformation
- (2) Promote production system reform
- (3) Enhance risk management and governance
- (4) Promote sustainability management

In terms of business conditions, orders received by the Group during the period under review decreased by 4.6% year-on-year to 24,479 million yen (25,668 million yen for the corresponding period of the previous year). Meanwhile, sales amounted to 29,189 million yen (24,760 million yen for the corresponding period of the previous year), which is equivalent to 32.8% of the sales forecast for the fiscal year ending December 31, 2024. Ordinary profit amounted to 6,104 million yen (3,779 million yen for the corresponding period of the previous year), or 71.8% of the full-year forecast for ordinary profit, and net income attributable to owners of the parent was 4,437 million yen (2,770 million yen for the corresponding period of the previous year), or 72.7% of the full-year forecast for net income attributable to owners of the parent. The engineering consulting services performed by the CTI Group mainly involve 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.

During the fiscal year ended December 31, 2023, incidents involving inappropriate outsourcing transactions by a former employee (“Notice of Receipt of Internal Investigation Committee Investigation Report and Our Response,” dated October 6, 2023) and inappropriate cost management by a former employee (“Notice of Receipt of Investigation Report by Internal Investigation Committee and Our Response,” dated April 16, 2024) came to light. Going forward, we will thoroughly implement measures to prevent the recurrence of such incidents and strive to regain our customers’ trust.

(2) Explanation of Financial Position

(Assets)

At the end of the period under review, the Group’s total assets totaled 85,222 million yen, an increase of 5,307 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in “notes receivable, completed work receivables and contract assets,” while “cash and bank deposits” decreased.

(Liabilities)

Total liabilities at the end of the period under review were 27,005 million yen, an increase of 2,185 million yen compared to the end of the previous fiscal year. This was mainly due to increases in “accounts payable,” “accrued income taxes,” and “contract liabilities,” while “reserve for bonuses” decreased.

(Net assets)

Net assets at the end of the period under review totaled 58,216 million yen, an increase of 3,122 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 dividends paid.

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

The Company has not revised its consolidated financial results forecast released on March 26, 2024.

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

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Three Months Ended March 31, 2024 (as of March 31, 2024)
Assets		
Current assets		
Cash and bank deposits	19,654	13,532
Notes receivable, completed work receivables and contract assets	33,814	44,792
Prepaid expenses for uncompleted services	107	78
Other	1,434	1,363
Allowance for doubtful accounts	-624	-662
Total current assets	54,387	59,105
Fixed assets		
Tangible fixed assets		
Land	4,787	4,787
Other, net	5,434	5,487
Total tangible fixed assets	10,222	10,275
Intangible fixed assets		
Goodwill	4,266	4,431
Other	474	436
Total intangible fixed assets	4,741	4,868
Investments and other assets		
Other	10,682	11,092
Allowance for doubtful accounts	-119	-119
Total investments and other assets	10,563	10,973
Total fixed assets	25,526	26,116
Total assets	79,914	85,222
Liabilities		
Current liabilities		
Accounts payable	3,018	4,854
Short-term borrowings	1,190	1,480
Accrued income taxes	1,123	1,816
Contract liabilities	3,690	4,275
Reserve for bonuses	3,946	1,725
Reserve for bonuses to directors	272	63
Allowance for losses in operations	111	38
Other	8,182	9,459
Total current liabilities	21,536	23,714
Fixed liabilities		
Long-term borrowings	160	150
Provision for warranties for completed operation	411	435
Net defined benefit liability	867	837
Asset retirement obligations	268	273
Other	1,574	1,595
Total fixed liabilities	3,283	3,291
Total liabilities	24,820	27,005

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Three Months Ended March 31, 2024 (as of March 31, 2024)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,616	3,632
Profit surplus	44,652	47,010
Treasury stock	-939	-940
Total shareholders' equity	50,354	52,727
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,513	1,779
Foreign currency translation adjustment	1,593	2,141
Remeasurements of defined benefit plans	1,425	1,347
Total accumulated other comprehensive income	4,532	5,268
Non-controlling interests	206	219
Total net assets	55,093	58,216
Total liabilities and net assets	79,914	85,222

(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, 2024

(million yen)

	Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023)	Three Months Ended March 31, 2024 (from January 1, 2024 to March 31, 2024)
Sales	24,760	29,189
Cost of sales	17,282	18,894
Gross profit	7,478	10,295
Selling, general and administrative expenses	3,736	4,187
Operating income	3,742	6,107
Non-operating revenues		
Interest earned	5	16
Dividend earned	12	16
Foreign exchange gains	35	-
House rent earned	9	9
Other	12	5
Total non-operating revenues	76	48
Non-operating expenses		
Interest expense	12	15
Foreign exchange losses	-	31
Commission for acquisition of treasury stock	24	-
Other	2	5
Total non-operating expenses	38	51
Ordinary profit	3,779	6,104
Extraordinary gain		
Gain on liquidation of subsidiaries and associates	-	9
Other	-	0
Total extraordinary gain	-	9
Extraordinary loss		
Other	0	-
Total extraordinary loss	0	-
Net income before income tax	3,779	6,114
Income taxes	1,009	1,663
Net income	2,770	4,450
Net income (loss) attributable to non-controlling interests	-0	13
Net income attributable to owners of the parent	2,770	4,437

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended March 31, 2024

(million yen)

	Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023)	Three Months Ended March 31, 2024 (from January 1, 2024 to March 31, 2024)
Net income	2,770	4,450
Other comprehensive income		
Other valuation difference on available-for-sale securities	44	265
Foreign currency translation adjustment	260	548
Remeasurements of defined benefit plans, net of tax	-22	-78
Total other comprehensive income	282	736
Comprehensive income	3,053	5,186
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	3,057	5,173
Comprehensive income attributable to non-controlling interests	-3	13

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(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, 2024 after the application of tax effect accounting.