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Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]



August 13, 2024

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
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 Scheduled date of filing semi-annual securities report: August 13, 2024
 Scheduled date of commencing dividend payments: —
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2024 (January 1, 2024 – June 30, 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	%
Six months ended June 30, 2024	50,746	6.6	6,789	(5.3)	6,853	(6.0)	4,883	(7.7)
June 30, 2023	47,623	13.8	7,166	31.2	7,287	30.1	5,289	39.3

(Note) Comprehensive income: Six months ended June 30, 2024: 6,302 million yen [(3.1)%]
 Six months ended June 30, 2023: 6,505 million yen [52.6%]

	Net income per share	Net income per share after adjustment of potential shares
Six months ended	yen	yen
June 30, 2024	352.10	—
June 30, 2023	379.67	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
As of June 30, 2024	85,877	59,391	68.9
As of December 31, 2023	79,914	55,093	68.7

(Reference) Net worth: As of June 30, 2024: 59,142 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
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2023	–	0.00	–	150.00	150.00
Fiscal year ending December 31, 2024	–	0.00			
Fiscal year ending December 31, 2024 (Forecast)			–	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
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	97,000	4.2	9,600	(4.1)	9,700	(4.5)	6,900	(8.4)	497.30

(Note) Revision to the financial results forecast announced most recently: Yes

- * For the consolidated financial results forecast, please see “Notice of the Revision to Financial Results Forecast” released on August 13, 2024.

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – (), Excluded: – ()

(2) Accounting methods adopted particularly for the preparation of semi-annual 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):

June 30, 2024: 14,159,086 shares

December 31, 2023: 14,159,086 shares

2) Total number of treasury shares at the end of the period:

June 30, 2024: 278,650 shares

December 31, 2023: 294,702 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended June 30, 2024: 13,869,661 shares

Six months ended June 30, 2023: 13,931,628 shares

* These semi-annual consolidated financial results are outside the scope of 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 Semi-annual 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 continuously high inflation rate, rising wages, and other economic trends, requiring continued monitoring.

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 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

Orders received by the Group during the period under review decreased by 7.4% year-on-year to 54,545 million yen (58,923 million yen for the corresponding period of the previous year). Meanwhile, sales amounted to 50,746 million yen (47,623 million yen for the corresponding period of the previous year), which is equivalent to 52.3% of the sales forecast for the fiscal year ending December 31, 2024. Ordinary profit amounted to 6,853 million yen (7,287 million yen for the corresponding period of the previous year), or 70.7% of the full-year forecast for ordinary profit, and net income attributable to owners of the parent was 4,883 million yen (5,289 million yen for the corresponding period of the previous year), or 70.8% of the full-year forecast for net income attributable to owners of the parent. Orders received, sales, and profit/income exceeded the forecast for the first semi-annual financial results based on the initial plan.

(2) Explanation of Financial Position

(Assets)

At the end of the period under review, the Group’s total assets totaled 85,877 million yen, an increase of 5,963 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in “cash and bank deposits,” while “notes receivable, completed work receivables and contract assets” decreased.

(Liabilities)

Total liabilities at the end of the period under review were 26,486 million yen, an increase of 1,666 million yen compared to the end of the previous fiscal year. This was mainly due to increases in “short-term borrowings,” “accrued income taxes,” and “contract liabilities,” while “reserve for bonuses” decreased.

(Net assets)

Net assets at the end of the period under review totaled 59,391 million yen, an increase of 4,297 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,” exceeding dividends paid, and an increase in “foreign currency translation adjustment” due to fluctuation of exchange rates.

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

The Company has revised its consolidated financial results forecast for the fiscal year ending December 31, 2024, released on March 26, 2024. For details, please see “Notice of the Revision to Financial Results Forecast” released on August 13, 2024.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheet

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Six Months Ended June 30, 2024 (as of June 30, 2024)
Assets		
Current assets		
Cash and bank deposits	19,654	32,943
Notes receivable, completed work receivables and contract assets	33,814	25,246
Prepaid expenses for uncompleted services	107	100
Other	1,434	1,307
Allowance for doubtful accounts	-624	-681
Total current assets	54,387	58,917
Fixed assets		
Tangible fixed assets		
Land	4,787	4,787
Other, net	5,434	5,855
Total tangible fixed assets	10,222	10,643
Intangible fixed assets		
Goodwill	4,266	4,626
Other	474	390
Total intangible fixed assets	4,741	5,017
Investments and other assets		
Other	10,682	11,421
Allowance for doubtful accounts	-119	-121
Total investments and other assets	10,563	11,299
Total fixed assets	25,526	26,960
Total assets	79,914	85,877
Liabilities		
Current liabilities		
Accounts payable	3,018	2,011
Short-term borrowings	1,190	1,690
Accrued income taxes	1,123	2,116
Contract liabilities	3,690	5,324
Reserve for bonuses	3,946	2,157
Reserve for bonuses to directors	272	113
Allowance for losses in operations	111	67
Other	8,182	9,447
Total current liabilities	21,536	22,930
Fixed liabilities		
Long-term borrowings	160	140
Provision for warranties for completed operation	411	442
Net defined benefit liability	867	872
Provision for loss on guarantees	-	10
Asset retirement obligations	268	277
Other	1,574	1,813
Total fixed liabilities	3,283	3,556
Total liabilities	24,820	26,486

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Six Months Ended June 30, 2024 (as of June 30, 2024)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,616	3,640
Profit surplus	44,652	47,456
Treasury stock	-939	-889
Total shareholders' equity	50,354	53,232
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,513	1,888
Foreign currency translation adjustment	1,593	2,757
Remeasurements of defined benefit plans	1,425	1,263
Total accumulated other comprehensive income	4,532	5,909
Non-controlling interests	206	248
Total net assets	55,093	59,391
Total liabilities and net assets	79,914	85,877

(2) Semi-annual Consolidated Profit and Loss Account and Semi-annual Consolidated Statements of Comprehensive Income
Semi-annual Consolidated Profit and Loss Account

(million yen)

	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six Months Ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Sales	47,623	50,746
Cost of sales	32,235	34,761
Gross profit	15,388	15,985
Selling, general and administrative expenses	8,221	9,195
Operating income	7,166	6,789
Non-operating revenues		
Interest earned	14	34
Dividend earned	42	49
Foreign exchange gains	74	-
House rent earned	20	19
Other	27	29
Total non-operating revenues	179	132
Non-operating expenses		
Interest expense	24	31
Foreign exchange losses	-	25
Commission for acquisition of treasury stock	24	-
Other	8	11
Total non-operating expenses	58	68
Ordinary profit	7,287	6,853
Extraordinary gain		
Gain on sale of non-current assets	27	-
Gain on sale of investment securities	-	8
Gain on liquidation of subsidiaries and associates	-	9
Other	-	1
Total extraordinary gain	27	19
Extraordinary loss		
Loss from fixed assets disposal	15	18
Provision for loss on guarantees	-	10
Other	0	1
Total extraordinary loss	16	30
Net income before income tax	7,299	6,842
Income taxes	2,000	1,938
Net income	5,298	4,903
Net income attributable to non-controlling interests	8	19
Net income attributable to owners of the parent	5,289	4,883

Semi-annual Consolidated Statements of Comprehensive Income

(million yen)

	Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)	Six Months Ended June 30, 2024 (from January 1, 2024 to June 30, 2024)
Net income	5,298	4,903
Other comprehensive income		
Other valuation difference on available-for-sale securities	165	374
Foreign currency translation adjustment	1,086	1,186
Remeasurements of defined benefit plans, net of tax	-44	-162
Total other comprehensive income	1,207	1,398
Comprehensive income	6,505	6,302
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	6,493	6,259
Comprehensive income attributable to non-controlling interests	12	42

(3) Notes to Semi-annual 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 semi-annual 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.