

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]



November 10, 2023

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
 URL: <https://www.ctie.co.jp/>
 Representative: Tetsumi Nakamura, Representative Director and President, CEO
 Contact: Naoto Suzuki, Director, Managing Executive Officer, serving as the Chief of Administration Headquarters
 Phone: +81-3-3668-4125
 Scheduled date of filing quarterly securities report: November 13, 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 Nine Months Ended September 30, 2023 (January 1, 2023 – September 30, 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	%
Nine months ended September 30, 2023	69,015	12.3	8,331	27.9	8,438	26.2	6,122	35.6
September 30, 2022	61,446	—	6,513	—	6,689	—	4,516	—

(Note) Comprehensive income: Nine months ended September 30, 2023: 7,441 million yen [53.7%]
 Nine months ended September 30, 2022: 4,841 million yen [—%]

	Net income per share	Net income per share after adjustment of potential shares
	yen	yen
Nine months ended September 30, 2023	440.16	—
September 30, 2022	319.40	—

(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 September 30, 2023	78,442	52,786	67.1
As of December 31, 2022	73,296	47,719	64.8

(Reference) Net worth: As of September 30, 2023: 52,606 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	—	0.00	—		
Fiscal year ending December 31, 2023 (Forecast)				150.00	150.00

(Note) Revision to the forecast for dividends announced most recently: Yes

- * For the forecast for dividends, please see “Notice of the Revisions of Earnings and Dividend Forecasts” released today (November 10, 2023).

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	91,000	9.0	9,700	21.0	9,800	19.0	7,000	19.2	503.67

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

- * For the consolidated financial results forecast, please see “Notice Regarding the Revisions of Earnings and Dividend Forecasts” released today (November 10, 2023).

*** 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: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies)” on page 8 of the Attachments.
- (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):

September 30, 2023:	14,159,086 shares
December 31, 2022:	14,159,086 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2023:	294,578 shares
December 31, 2022:	19,478 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Nine months ended September 30, 2023:	13,909,265 shares
Nine months ended September 30, 2022:	14,139,677 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.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information ...	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Profit and Loss Account and Quarterly Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Profit and Loss Account	6
Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	8
(Changes in accounting policies)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

On October 6, 2023, CTI Engineering Co., Ltd. (hereinafter the “Company”) released a statement, “Notice of receipt of Internal Investigation Committee investigation report and our response,” in relation to an employee’s inappropriate subcontracting transactions. The Company hereby expresses its deepest apologies to stakeholders for any inconvenience this may have caused.

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 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 9.0% year-on-year to 76,831 million yen (70,459 million yen for the corresponding period of the previous year). Meanwhile, sales amounted to 69,015 million yen (61,446 million yen for the corresponding period of the previous year), which is equivalent to 75.8% of the sales forecast for the fiscal year ending December 31, 2023. Ordinary profit amounted to 8,438 million yen (6,689 million yen for the corresponding period of the previous year), or 86.1% of the full-year forecast for ordinary profit, and net income attributable to owners of the parent was 6,122 million yen (4,516 million yen for the corresponding period of the previous year), or 87.5% of the full-year forecast for net income attributable to owners of the parent.

(2) Explanation of Financial Position

(Assets)

At the end of the period under review, the Group’s total assets totaled 78,442 million yen, an increase of 5,146 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 25,656 million yen, an increase of 79 million yen compared to the end of the previous fiscal year. This was mainly due to increases in “contract liabilities” and “reserve for bonuses,” while “accrued income taxes” decreased.

(Net assets)

Net assets at the end of the period under review totaled 52,786 million yen, an increase of 5,067 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

As for the consolidated financial results forecast for the fiscal year ending December 31, 2023 and other related information, the Company has revised the financial results forecast released on August 14, 2023 and the dividend forecast released on February 14, 2023, respectively. For details, please see “Notice Regarding the Revisions of Earnings and Dividend Forecasts” released today (November 10, 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)	Nine Months Ended September 30, 2023 (as of September 30, 2023)
Assets		
Current assets		
Cash and bank deposits	22,589	27,634
Notes receivable, completed work receivables and contract assets	25,979	24,620
Prepaid expenses for uncompleted services	165	181
Other	1,298	1,682
Allowance for doubtful accounts	-500	-656
Total current assets	49,532	53,462
Fixed assets		
Tangible fixed assets		
Land	4,787	4,787
Other, net	5,111	5,384
Total tangible fixed assets	9,899	10,172
Intangible fixed assets		
Goodwill	4,058	4,389
Other	600	492
Total intangible fixed assets	4,658	4,882
Investments and other assets		
Other	9,311	10,032
Allowance for doubtful accounts	-106	-106
Total investments and other assets	9,204	9,926
Total fixed assets	23,763	24,980
Total assets	73,296	78,442
Liabilities		
Current liabilities		
Accounts payable	2,992	2,004
Short-term borrowings	1,190	1,290
Accrued income taxes	2,801	665
Contract liabilities	4,547	5,993
Reserve for bonuses	3,240	4,091
Reserve for bonuses to directors	233	186
Allowance for losses in operations	84	64
Provision for warranties for completed operation	82	2
Other	6,511	7,273
Total current liabilities	21,684	21,572
Fixed liabilities		
Long-term borrowings	201	170
Provision for warranties for completed operation	574	652
Net defined benefit liability	1,161	1,258
Asset retirement obligations	258	270
Other	1,696	1,731
Total fixed liabilities	3,891	4,083
Total liabilities	25,576	25,656

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2022)	Nine Months Ended September 30, 2023 (as of September 30, 2023)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,535	3,533
Profit surplus	38,531	43,240
Treasury stock	-14	-939
Total shareholders' equity	45,079	48,860
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,338	1,639
Foreign currency translation adjustment	606	1,677
Remeasurements of defined benefit plans	496	429
Total accumulated other comprehensive income	2,441	3,746
Non-controlling interests	198	179
Total net assets	47,719	52,786
Total liabilities and net assets	73,296	78,442

(2) Quarterly Consolidated Profit and Loss Account and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Profit and Loss Account
Nine Months Ended September 30, 2023

(million yen)

	Nine Months Ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Sales	61,446	69,015
Cost of sales	43,571	48,127
Gross profit	17,875	20,888
Selling, general and administrative expenses	11,362	12,556
Operating income	6,513	8,331
Non-operating revenues		
Interest earned	10	25
Dividend earned	62	68
Foreign exchange gains	74	51
House rent earned	29	30
Other	47	36
Total non-operating revenues	223	213
Non-operating expenses		
Interest expense	41	38
Commission for acquisition of treasury stock	-	24
Expenses for the Company's 60th anniversary project	-	30
Other	6	12
Total non-operating expenses	47	106
Ordinary profit	6,689	8,438
Extraordinary gain		
Gain on sale of non-current assets	0	28
Total extraordinary gain	0	28
Extraordinary loss		
Loss from fixed assets disposal	2	15
Loss on sale of investment securities	1	-
Unrealized loss on investment securities	-	9
Impairment loss	17	-
Other	0	0
Total extraordinary loss	21	26
Net income before income tax	6,667	8,441
Income taxes	2,109	2,308
Net income	4,558	6,133
Net income attributable to non-controlling interests	42	10
Net income attributable to owners of the parent	4,516	6,122

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended September 30, 2023

(million yen)

	Nine Months Ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Net income	4,558	6,133
Other comprehensive income		
Other valuation difference on available-for-sale securities	-37	300
Foreign currency translation adjustment	326	1,075
Remeasurements of defined benefit plans, net of tax	-5	-66
Total other comprehensive income	283	1,308
Comprehensive income	4,841	7,441
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	4,769	7,427
Comprehensive income attributable to non-controlling interests	72	14

(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.

Meanwhile, the Company disposed of its own shares for restricted stock remuneration based on a resolution of the Board of Directors meeting held on April 28, 2023, resulting in a decrease of 75 million yen (23,586 shares) in treasury stock during the period under review.

After an increase due to purchase of shares below a unit was taken into account, treasury stock was 939 million yen (294,578 shares) as of September 30, 2023.

(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 three-month period ended March 31, 2023, 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.