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Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]



November 12, 2024

Company name: CTI Engineering Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9621
 URL: <https://www.ctie.co.jp/>
 Representative: Tatsuya Nishimura, Representative Director and President, CEO
 Contact: Toshikazu Matsuoka, Director, Managing Executive Officer, serving as the Chief of Administration
 Headquarters
 Phone: +81-3-3668-4125
 Scheduled date of commencing dividend payments: —
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of 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, 2024 (January 1, 2024 – September 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	%
Nine months ended September 30, 2024	72,197	4.6	7,419	(11.0)	7,421	(12.1)	5,266	(14.0)
September 30, 2023	69,015	12.3	8,331	27.9	8,438	26.2	6,122	35.6

(Note) Comprehensive income: Nine months ended September 30, 2024: 5,909 million yen [(20.6)%]
 Nine months ended September 30, 2023: 7,441 million yen [53.7%]

	Net income per share	Net income per share after adjustment of potential shares
	yen	yen
Nine months ended September 30, 2024	379.63	—
September 30, 2023	440.16	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
As of September 30, 2024	84,817	58,965	69.3
As of December 31, 2023	79,914	55,093	68.7

(Reference) Net worth: As of September 30, 2024: 58,748 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	—	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: None

*** 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 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):

September 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:

September 30, 2024: 278,751 shares

December 31, 2023: 294,702 shares

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

Nine months ended September 30, 2024: 13,873,230 shares

Nine months ended September 30, 2023: 13,909,265 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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, strong economic growth is expected to continue in Southeast Asia, where CTI Engineering International Co., Ltd. oversees business. However, Waterman Group Plc expect the sluggish construction market is unlikely to resolve quickly due to the continuing high interest rates and high construction costs, despite the downward trend in the inflation rate in the UK and Australia, where it oversees business, and the need to carefully ascertain the details of policies of the new Labour Party administration in the UK.

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 increased by 0.5% year-on-year to 77,228 million yen (76,831 million yen for the corresponding period of the previous year). Meanwhile, sales amounted to 72,197 million yen (69,015 million yen for the corresponding period of the previous year), which is equivalent to 74.4% of the sales forecast for the fiscal year ending December 31, 2024. Ordinary profit amounted to 7,421 million yen (8,438 million yen for the corresponding period of the previous year), or 76.5% of the full-year forecast for ordinary profit, and net income attributable to owners of the parent was 5,266 million yen (6,122 million yen for the corresponding period of the previous year), or 76.3% 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 84,817 million yen, an increase of 4,902 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 25,851 million yen, an increase of 1,031 million yen compared to the end of the previous fiscal year. This was mainly due to increases in “short-term borrowings” and “contract liabilities,” while “accounts payable” decreased.

(Net assets)

Net assets at the end of the period under review totaled 58,965 million yen, an increase of 3,871 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,” 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 not revised its consolidated financial results forecast released on August 13, 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)	Nine Months Ended September 30, 2024 (as of September 30, 2024)
Assets		
Current assets		
Cash and bank deposits	19,654	27,928
Notes receivable, completed work receivables and contract assets	33,814	28,930
Prepaid expenses for uncompleted services	107	108
Other	1,434	1,635
Allowance for doubtful accounts	-624	- 521
Total current assets	54,387	58,080
Fixed assets		
Tangible fixed assets		
Land	4,787	4,787
Other, net	5,434	5,746
Total tangible fixed assets	10,222	10,534
Intangible fixed assets		
Goodwill	4,266	4,260
Other	474	377
Total intangible fixed assets	4,741	4,637
Investments and other assets		
Other	10,682	11,686
Allowance for doubtful accounts	-119	-121
Total investments and other assets	10,563	11,565
Total fixed assets	25,526	26,736
Total assets	79,914	84,817
Liabilities		
Current liabilities		
Accounts payable	3,018	2,044
Short-term borrowings	1,190	1,990
Accrued income taxes	1,123	836
Contract liabilities	3,690	4,700
Reserve for bonuses	3,946	4,095
Reserve for bonuses to directors	272	161
Allowance for losses in operations	111	78
Other	8,182	8,516
Total current liabilities	21,536	22,425
Fixed liabilities		
Long-term borrowings	160	129
Provision for warranties for completed operation	411	406
Net defined benefit liability	867	911
Provision for loss on guarantees	-	19
Asset retirement obligations	268	277
Other	1,574	1,682
Total fixed liabilities	3,283	3,426
Total liabilities	24,820	25,851

(million yen)

	Previous Consolidated Fiscal Year (as of December 31, 2023)	Nine Months Ended September 30, 2024 (as of September 30, 2024)
Net assets		
Shareholders' equity		
Capital	3,025	3,025
Capital surplus	3,616	3,626
Profit surplus	44,652	47,839
Treasury stock	-939	-889
Total shareholders' equity	50,354	53,602
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	1,513	1,830
Foreign currency translation adjustment	1,593	2,135
Remeasurements of defined benefit plans	1,425	1,179
Total accumulated other comprehensive income	4,532	5,146
Non-controlling interests	206	217
Total net assets	55,093	58,965
Total liabilities and net assets	79,914	84,817

(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, 2024

(million yen)

	Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)	Nine Months Ended September 30, 2024 (from January 1, 2024 to September 30, 2024)
Sales	69,015	72,197
Cost of sales	48,127	50,772
Gross profit	20,888	21,425
Selling, general and administrative expenses	12,556	14,006
Operating income	8,331	7,419
Non-operating revenues		
Interest earned	25	51
Dividend earned	68	79
Foreign exchange gains	51	-
House rent earned	30	29
Other	36	33
Total non-operating revenues	213	194
Non-operating expenses		
Interest expense	38	49
Foreign exchange losses	-	103
Commission for acquisition of treasury stock	24	-
Expenses for the Company's 60th anniversary project	30	-
Other	12	38
Total non-operating expenses	106	191
Ordinary profit	8,438	7,421
Extraordinary gain		
Gain on sale of non-current assets	28	-
Gain on sale of investment securities	-	8
Gain on liquidation of subsidiaries and associates	-	9
Other	-	2
Total extraordinary gain	28	20
Extraordinary loss		
Loss from fixed assets disposal	15	18
Unrealized loss on investment securities	9	-
Provision for loss on guarantees	-	19
Other	0	1
Total extraordinary loss	26	40
Net income before income tax	8,441	7,401
Income taxes	2,308	2,105
Net income	6,133	5,295
Net income attributable to non-controlling interests	10	28
Net income attributable to owners of the parent	6,122	5,266

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended September 30, 2024

(million yen)

	Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)	Nine Months Ended September 30, 2024 (from January 1, 2024 to September 30, 2024)
Net income	6,133	5,295
Other comprehensive income		
Other valuation difference on available-for-sale securities	300	316
Foreign currency translation adjustment	1,075	543
Remeasurements of defined benefit plans, net of tax	-66	-245
Total other comprehensive income	1,308	614
Comprehensive income	7,441	5,909
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	7,427	5,880
Comprehensive income attributable to non-controlling interests	14	29

(3) Notes to Quarterly Consolidated Financial Statements

(Basic important matters for preparation of quarterly consolidated financial statements)

The quarterly consolidated financial statements are prepared in accordance with Article 4, Paragraph 1 of the Standards for the Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. as well as the accounting standards for quarterly financial statements generally accepted as fair and appropriate in Japan (however, the omission of descriptions applies, as prescribed in Article 4, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements, etc.).

(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.

(Notes on segment information, etc.)

[Segment Information]

Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)

1. Information on the amounts of sales and profit (loss) by reportable segment

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Total	Adjustments (Note 1)	Book value on the Quarterly Consolidated Profit and Loss Account (Note 2)
Sales					
Sales to outside customers	48,034	20,981	69,015	-	69,015
Inter-segment sales or transfers	115	16	131	-131	-
Total	48,150	20,997	69,147	-131	69,015
Segment income	7,704	631	8,335	-4	8,331

- (Notes) 1. Adjustments to inter-segment sales or transfers (-131 million yen) and adjustments to segment income (-4 million yen) are attributable to inter-segment eliminations.
2. Segment income is reconciled with operating income in the Quarterly Consolidated Profit and Loss Account.

Nine Months Ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

1. Information on the amounts of sales and profit (loss) by reportable segment

(million yen)

	Domestic consulting engineering business	Overseas consulting engineering business	Total	Adjustments (Note 1)	Book value on the Quarterly Consolidated Profit and Loss Account (Note 2)
Sales					
Sales to outside customers	49,361	22,836	72,197	-	72,197
Inter-segment sales or transfers	43	6	49	-49	-
Total	49,404	22,843	72,247	-49	72,197
Segment income	6,934	478	7,413	6	7,419

- (Notes) 1. Adjustments to inter-segment sales or transfers (-49 million yen) and adjustments to segment income (6 million yen) are attributable to inter-segment eliminations.
2. Segment income is reconciled with operating income in the Quarterly Consolidated Profit and Loss Account.

(Notes on cash flow statement)

No quarterly consolidated cash flow statement is prepared for the nine months ended September 30, 2024.

The depreciation and amortization (including amortization related to intangible fixed assets) and the amortization of goodwill in the nine months ended September 30 are as follows.

	Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)	Nine Months Ended September 30, 2024 (from January 1, 2024 to September 30, 2024)
Depreciation and amortization	1,035 million yen	1,173 million yen
Amortization of goodwill	225 million yen	253 million yen

(Significant subsequent events)

(Business combination through acquisition)

The Company resolved at a meeting of the Board of Directors held on October 29, 2024 to acquire all shares (excluding treasury shares) of HIROKEN CONSULTANTS Co., Ltd. and make it a wholly-owned subsidiary. The shares of the company were acquired on November 12, 2024 following the conclusion of a share purchase agreement dated that same day.

1. Outline of business combination

(1) Name of the acquired company and description and scale of its business

Name of the acquired company:	HIROKEN CONSULTANTS Co., Ltd.
Description of business:	Engineering consulting business
Scale of business:	Consolidated net assets: 2,696 million yen (Accounting figures for fiscal year ended March 31, 2024. The figures have not been audited by the Company's Accounting Auditor.)

(2) Primary reason for the business combination

Since established in 1978, the company has been engaged in businesses of engineering consulting, land surveying, and geological survey sector, centered in Hiroshima Prefecture. Adding the company to the Group is expected to accelerate the business to local governments.

(3) Date of business combination

November 12, 2024

(4) Legal form of the business combination

Share acquisition with cash consideration

(5) Company name after the business combination

HIROKEN CONSULTANTS Co., Ltd.

(6) Number of shares acquired and the percentage of voting rights

Number of shares:	8,400 shares
Percentage of voting rights:	100%

(7) Main basis for determining the acquired company

The Company acquired the shares in exchange for cash.

2. Amount of goodwill incurred, its reason, and method and period of amortization

Not confirmed at this point in time.

3. Breakdown of assets acquired and liabilities assumed on the date of business combination

Not confirmed at this point in time.

4. Method of raising funds for payment and the payment method

The Company plans to allocate its own funds.

(Stock split and partial amendments to the Articles of Incorporation associated with the stock split)

The Company resolved at a meeting of the Board of Directors held on November 12, 2024 to conduct a stock split and partial amendments of its Articles of Incorporation associated with the stock split.

(1) Purpose of the stock split

By reducing the investment unit price of the Company's shares, the stock split is intended to create an environment where it is easier to invest for investors, expand its investor base, and increase the liquidity of its shares.

(2) Outline of the stock split

1) Method

The Company will implement a 2-for-1 stock split of its common shares owned by shareholders listed or recorded in the shareholder registry at the closing on the record date of Tuesday, December 31, 2024 (Since the shareholder registry administrator is closed on the record date, the practical record date will be Monday, December 30, 2024).

2) Increase in the number of shares due to the stock split

Total number of issued shares before the stock split	14,159,086 shares
Number of shares to be increased by the stock split	14,159,086 shares
Total number of issued shares after the stock split	28,318,172 shares
Total number of authorized shares after the stock split	80,000,000 shares

3) Schedule of the stock split

Date of public notice of the record date	December 16, 2024 (planned)
Record date	December 31, 2024 (planned)
Effective date	January 1, 2025 (planned)

4) Impact on per share information

Per share information on the premise that the stock split was conducted at the beginning of the previous fiscal year is as follows.

	Nine Months Ended September 30, 2023 (from January 1, 2023 to September 30, 2023)	Nine Months Ended September 30, 2024 (from January 1, 2024 to September 30, 2024)
Net income per share	220.08 yen	189.82 yen
Net income per share after adjustment of potential shares	-	-

(3) Partial amendments to the Articles of Incorporation associated with the stock split

1) Reason for amendments to the Articles of Incorporation

In conjunction with the stock split, the Company's Articles of Incorporation will be partially amended as of January 1, 2025 to change the total number of authorized shares in Article 5, in accordance with the provisions in Article 184, Paragraph 2 of the Companies Act.

2) Details of the amendments to the Articles of Incorporation

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendments
Article 5. (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>forty</u> million (<u>40,000,000</u>) shares.	Article 5. (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>eighty</u> million (<u>80,000,000</u>) shares.

3) Schedule of the amendments to the Articles of Incorporation

Date of resolution by the Board of Directors	November 12, 2024
Effective date	January 1, 2025

(4) Other

1) Change in the amount of capital

The amount of capital will not change as a result of the stock split.

2) Year-end dividend for the fiscal year ending December 31, 2024

Since the effective date of the stock split is January 1, 2025, the year-end dividend for the fiscal year ending December 31, 2024 with a record date of December 31, 2024 is based on the number of shares before the stock split.