

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2022 [Japan GAAP]

Company: Hibiya Engineering, Ltd.

Stock exchange listing: Tokyo Stock Exchange (First Section)

Stock code: 1982

URL: <https://www.hibiya-eng.co.jp/English>

Representative Director: Nagahiro Kuroda, President and CEO

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Date of filing of quarterly securities report: November 5, 2021 (tentative)

Date of commencement of dividend payment: December 6, 2021 (tentative)

Supplementary explanatory documents: No

Earnings presentation: Yes (For institutional investors and analysts)

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Financial results for the first half of the fiscal year ending March 2022 (April 1, 2021 – September 30, 2021)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2021	33,291	4.4	3,391	193.9	3,699	135.8	2,743	159.7
First half ended September 2020	31,891	11.6	1,153	-	1,568	-	1,056	-

Note: Comprehensive income: First half of FY3/2022: 3,059 million yen [24.8%], First half of FY3/2021: 2,452 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2021	114.87		114.38	
First half ended September 2020	44.29		44.06	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	81,160	64,523	77.6	2,644.24
As of March 31, 2021	86,138	62,593	70.9	2,556.56

Reference: Shareholders' equity

As of September 30, 2021: 62,964 million yen

As of March 31, 2021: 61,049 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2021	-	40.00	-	40.00	80.00
Fiscal year ending March 2022	-	40.00			
Fiscal year ending March 2022 (estimate)			-	40.00	80.00

Note: Change in the estimation of dividend from the latest announcement: No

3. Forecast for the fiscal year ending March 2022 (Consolidated, April 1, 2021 to March 31, 2022)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	77,000	5.3	4,500	12.6	5,000	8.8	3,500	13.8	146.99

Note: Change in the forecast from the latest announcement: Yes

* **Notes**

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No
- (3) Changes in accounting principles and estimates, and retrospective restatement
- (a) Changes due to revision of accounting standards: Yes
 - (b) Changes other than in (a): No
 - (c) Changes in accounting estimates: No
 - (d) Retrospective restatement: No

(4) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares)

As of September 30, 2021:	25,006,321	As of March 31, 2021:	25,006,321
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(b) Treasury shares

As of September 30, 2021:	1,194,496	As of March 31, 2021:	1,126,701
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(c) Average number of shares (first half)

Period ended September 30, 2021:	23,879,240	Period ended September 30, 2020:	23,847,914
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Forward-looking statements, important notes, etc.

This report is exempt from the audit review by certified public accountant or audit firm.

These materials contain forward-looking statements that are based on information available to management as of the date of this report. Actual results may be materially different from the above forecasts for a number of reasons.

This is an English translation of the captioned report. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.

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1. Results of Operations

(1) Overview on consolidated business performance

During the first half of the fiscal year, the Japanese economy remained challenging due to economic restrictions and other effects of new waves of COVID-19 in Japan and other countries. Although there were signs of a return of economic activity to normal because of the Japanese government's measures to support the economy and progress with vaccinations, the economic outlook is still uncertain because of the semiconductor shortage, the rising cost of raw materials and other sources of concern.

In Japan's construction industry, there is a large volume of public works expenditures but companies need to continue to take actions that reflect increasingly heated competition for orders.

Based on the Hibiya Engineering Group's Seventh Medium-term Management Plan, many activities are under way including to capture more orders in the decarbonization and energy conservation business through cooperation with alliance partners and to use the digital transformation for more efficient job site management. For the group's workforce, there are measures for staying healthy and encouraging people to use vacation time for reforms involving working styles and life styles. There are also efforts to achieve more progress with sales and technology strategies and revise the group's organizational structure to strengthen governance and increase corporate value. For initiatives for safety during the pandemic, group companies are continuing to use staggered working hours to avoid peak commuting times and allowing people to work from home.

In the first half, orders received increased 3.2% from one year earlier to 31,493 million yen. One reason is the decline in restrictions on sales activities because of COVID-19 compared with the first half of the previous fiscal year.

Sales increased 4.4% to 33,291 million yen mainly because of the completions during the first half of many large construction projects carried over from the previous fiscal year.

Earnings were higher not only because of the increase in sales, but also because of an improvement in profit margin as a result of cost reduction activities, an improvement in the efficiency of construction work at large projects and other reasons. Operating profit was up 193.9% to 3,391 million yen and ordinary profit increased 135.8% to 3,699 million yen. Profit attributable to owners of parent increased 159.7% to 2,743 million yen because of extraordinary income mainly due to gain on sale of cross-shareholdings.

(2) Overview of financial condition

Assets

Total assets decreased 4,977 million yen from the end of the previous fiscal year to 81,160 million yen. Current assets decreased 5,076 million yen to 57,812 million yen and noncurrent assets increased 99 million yen to 23,348 million yen. Total assets decreased mainly because of a 5,958 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities decreased 6,907 million yen to 16,637 million yen. The main reason was a decrease of 5,126 million yen in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets totaled 64,523 million yen at the end of the first half as retained earnings increased 1,749 million yen and for other reasons.

(3) Forecast for fiscal year ending in March 2022

The forecast for consolidated results of operations, announced on May 12, 2021, has been revised based on first half results of operations and other reasons. Details about this revision is in "Notice of Revision of the Consolidated Financial Forecast for the Fiscal Year ending March 2022" that was announced today (November 5, 2021).

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	Second quarter ended Sep. 2021 (As of September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	29,399	27,727
Notes receivable, accounts receivable from completed construction contracts and other	26,340	20,381
Securities	5,501	6,001
Costs on construction contracts in progress	810	1,137
Other	840	2,567
Allowance for doubtful accounts	(4)	(3)
Total current assets	62,888	57,812
Noncurrent assets		
Property, plant and equipment	590	609
Intangible assets	182	153
Investments and other assets		
Investment securities	17,751	17,839
Other	5,165	5,083
Allowance for doubtful accounts	(441)	(338)
Total investments and other assets	22,476	22,585
Total noncurrent assets	23,249	23,348
Total assets	86,138	81,160

	Fiscal year ended March 2021 (As of March 31, 2021)	Second quarter ended Sep. 2021 (As of September 30, 2021)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	13,539	8,413
Income taxes payable	1,535	687
Advances received on construction contracts in progress	532	693
Provision for bonuses	2,005	738
Provision for warranties for completed construction	153	113
Provision for loss on construction contracts	326	226
Other	3,342	2,965
Total current liabilities	<u>21,434</u>	<u>13,837</u>
Noncurrent liabilities		
Retirement benefit liability	1,244	1,204
Other	865	1,595
Total noncurrent liabilities	<u>2,110</u>	<u>2,800</u>
Total liabilities	<u>23,545</u>	<u>16,637</u>
NET ASSETS		
Shareholder's equity		
Share capital	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	46,181	47,930
Treasury shares	(2,359)	(2,461)
Total shareholder's equity	<u>55,603</u>	<u>57,250</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	5,909	6,133
Remeasurements of defined benefit plans	(463)	(420)
Total accumulated other comprehensive income	<u>5,446</u>	<u>5,713</u>
Share acquisition rights	177	144
Non-controlling interests	1,366	1,414
Total net assets	<u>62,593</u>	<u>64,523</u>
Total liabilities and net assets	<u>86,138</u>	<u>81,160</u>

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(For the first half)

(Million yen)

	First half ended September 2020 (April 1, 2020-September 30, 2020)	First half ended September 2021 (April 1, 2021-September 30, 2021)
Net sales	31,891	33,291
Cost of sales	26,987	26,030
Gross profit	4,903	7,261
Selling, general and administrative expenses	3,750	3,870
Operating profit	1,153	3,391
Non-operating income		
Interest income	17	12
Dividend income	307	199
Other	91	99
Total non-operating income	416	311
Non-operating expenses		
Interest expenses	0	1
Other	1	2
Total non-operating expenses	1	3
Ordinary profit	1,568	3,699
Extraordinary income		
Gain on sale of investment securities	-	137
Reversal of allowance for doubtful accounts	-	102
Total extraordinary income	-	240
Extraordinary losses		
Loss on valuation of investment securities	-	14
Total extraordinary losses	-	14
Profit before income taxes	1,568	3,924
Income taxes-current	66	602
Income taxes-deferred	441	568
Total income taxes	507	1,171
Profit	1,061	2,753
Profit attributable to non-controlling interests	5	10
Profit attributable to owners of parent	1,056	2,743

(Quarterly consolidated statements of comprehensive income)
(For the first half)

(Million yen)

	First half ended September 2020 (April 1, 2020-September 30, 2020)	First half ended September 2021 (April 1, 2021-September 30, 2021)
Profit	1,061	2,753
Other comprehensive income		
Valuation difference on available-for-sale securities	1,348	262
Remeasurements of defined benefit plans, net of tax	42	43
Total other comprehensive income	1,390	306
Comprehensive income	2,452	3,059
Comprehensive income attributable to owners of parent	2,336	3,010
Comprehensive income attributable to non-controlling interests	115	49

- (3) Notes to quarterly consolidated financial statements
 - (Notes on going concern assumptions)
 - No
 - (Notes on significant change in shareholders' equity)
 - No