

Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 [Japan GAAP]

Company: Hibiya Engineering, Ltd.

Stock exchange listing: Tokyo Stock Exchange (Prime Market)

Stock code: 1982

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

Representative Director: Nagahiro Kuroda, President and CEO

Contact: Akira Domon, Executive Officer, Manager of IR and PR Office, Administration Division

Tel: 03-3454-2720

Date of filing of quarterly securities report: November 9, 2022 (tentative)

Date of commencement of dividend payment: December 5, 2022

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 2023 (April 1, 2022 – September 30, 2022)

(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 2022	28,614	(14.1)	753	(77.8)	1,149	(68.9)	754	(72.5)
September 2021	33,291	4.4	3,391	193.9	3,699	135.8	2,743	159.7

Note: Comprehensive income: First half of FY3/2023: 728 million yen [-76.2%], First half of FY3/2022: 3,059 million yen [24.8%]

First half ended	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
September 2022	32.32		32.19	
September 2021	114.87		114.38	

(2) Financial position (Consolidated)

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2022	78,446	62,259	77.3	2,640.20
March 31, 2022	87,466	63,409	70.7	2,635.31

Reference: Shareholders' equity: As of September 30, 2022: 60,678 million yen, As of March 31, 2022: 61,843 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY3/22	–	40.00	–	42.00	82.00
FY3/23	–	42.00	–	–	–
FY3/23 (Estimate)	–	–	–	42.00	84.00

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

3. Forecast for the fiscal year ending March 2023 (Consolidated, April 1, 2022 – March 31, 2023)

(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	80,000	6.0	4,500	(20.5)	5,000	(18.9)	3,500	(20.0)	149.14

Note: Change in the forecast from the latest announcement: No

Index for Supplementary Information

1. Results of Operations	2
(1) Overview of consolidated business performance	2
(2) Overview of financial condition	2
(3) Forecast for the fiscal year ending March 2023	2
2. Quarterly Consolidated Financial Statements and Important Notes	3
(1) Quarterly consolidated balance sheet	3
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	5
(Quarterly consolidated statement of income)	5
(Quarterly consolidated statement of comprehensive income)	6
(3) Notes to quarterly consolidated financial statements	7
(Notes on going concern assumptions)	7
(Notes on significant change in shareholders' equity)	7
(Change in accounting principle)	7

1. Results of Operations

(1) Overview of consolidated business performance

During the first half of the fiscal year ending March 31, 2023, the Japanese economy showed signs of recovery largely thanks to deregulation and government economic policies, including a review of measures against COVID-19 in Japan. However, the outlook remained uncertain given concerns about a downturn in the economy due to soaring prices and other factors, against the backdrop of the protracted situation in Ukraine and the sharp depreciation of the yen.

In Japan's construction industry, public investment was firm and showed signs of recovery, but the industry still needed to respond appropriately to rising raw material prices and supply-side constraints.

Under these circumstances, we focused on various initiatives in accordance with the basic strategy of our Seventh Medium-term Management Plan, including expanding operations through cooperation with alliance partners and proposing ZEB renovation for museums and town halls to local governments with a view to expanding high added value business. On the operational front, the Hibiya Engineering Group has promoted the use and application of ICT and digital technologies and introduced a workflow system to coincide with the renewal of the core system to optimize operations and improve efficiency.

As a result of the efforts above, orders increased by 18.4% year on year, to 37,272 million yen, reflecting the strong performance of orders, including new orders for large redevelopment and new construction projects.

Net sales fell by 14.1% year on year, to 28,614 million yen, mainly because the completion of work in hand, including work carried over from the previous fiscal year, would be concentrated in the second half of the fiscal year or later.

In terms of profits, the Group posted gross profit of 4,702 million yen (down 35.2% year on year), operating profit of 753 million yen (down 77.8% year on year) and ordinary profit of 1,149 million yen (down 68.9% year on year) mainly due to a year-on-year decline in large profitable projects reflecting improved construction efficiency and other factors, in addition to decreased sales. Profit attributable to owners of parent decreased 754 million yen (down 72.5% year on year).

(2) Overview of financial condition

Assets

The Group's total assets at the end of the second quarter of the consolidated fiscal year under review stood at 78,446 million yen, a decrease of 9,019 million yen from the end of the previous consolidated fiscal year. Current assets decreased 9,222 million yen to 55,809 million yen and noncurrent assets increased 202 million yen to 22,636 million yen.

A major factor for the decrease in total assets was a decline in notes receivable, accounts receivable from completed construction contracts and other of 10,719 million yen from the end of the previous fiscal year.

Liabilities

At the end of the consolidated second quarter under review, the Group's total liabilities amounted to 16,186 million yen, down 7,870 million yen from the end of the previous fiscal year.

The decline in liabilities is primarily due to a decrease of 3,877 million yen in notes payable - trade and accounts payable for construction contracts from the end of the previous fiscal year.

Net assets

The Group's net assets totaled 62,259 million yen at the end of the second quarter under review, including a contribution from profit attributable to owners of parent of 754 million yen.

(3) Forecast for the fiscal year ending March 2023

There is no change in the forecast for consolidated results of operations that was announced on May 12, 2022.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	First half ended September 2022 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	27,965	26,695
Notes receivable, accounts receivable from completed construction contracts and other	29,779	19,059
Securities	5,999	6,999
Costs on construction contracts in progress	873	1,789
Other	417	1,269
Allowance for doubtful accounts	(4)	(3)
Total current assets	65,031	55,809
Noncurrent assets		
Property, plant and equipment	598	734
Intangible assets	118	275
Investments and other assets		
Investment securities	16,228	16,647
Other	5,827	5,309
Allowance for doubtful accounts	(339)	(330)
Total investments and other assets	21,717	21,626
Total noncurrent assets	22,434	22,636
Total assets	87,466	78,446

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	First half ended September 2022 (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	12,862	8,985
Income taxes payable	1,823	120
Advances received on construction contracts in progress	1,343	1,375
Provision for bonuses	2,974	746
Provision for warranties for completed construction	553	529
Provision for loss on construction contracts	166	106
Other	2,463	2,497
Total current liabilities	22,186	14,360
Noncurrent liabilities		
Retirement benefit liability	1,052	989
Other	819	836
Total noncurrent liabilities	1,871	1,826
Total liabilities	24,057	16,186
Net assets		
Shareholders' equity		
Share capital	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	48,602	48,356
Treasury shares	(3,123)	(4,006)
Total shareholders' equity	57,261	56,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,939	4,862
Remeasurements of defined benefit plans	(357)	(315)
Total accumulated other comprehensive income	4,581	4,547
Share acquisition rights	144	153
Non-controlling interests	1,421	1,427
Total net assets	63,409	62,259
Total liabilities and net assets	87,466	78,446

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

(Million yen)

	First half ended September 2021 (April 1, 2021- September 30, 2021)	First half ended September 2022 (April 1, 2022- September 30, 2022)
Net sales	33,291	28,614
Cost of sales	26,030	23,911
Gross profit	7,261	4,702
Selling, general and administrative expenses	3,870	3,949
Operating profit	3,391	753
Non-operating income		
Interest income	12	11
Dividend income	199	204
Insurance income	–	72
Other	99	113
Total non-operating income	311	402
Non-operating expenses		
Interest expenses	1	0
Other	2	5
Total non-operating expenses	3	5
Ordinary profit	3,699	1,149
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	3,924	1,149
Income taxes - current	602	26
Income taxes - deferred	568	358
Total income taxes	1,171	384
Profit	2,753	765
Profit attributable to non-controlling interests	10	10
Profit attributable to owners of parent	2,743	754

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

(Million yen)

	First half ended September 2021 (April 1, 2021- September 30, 2021)	First half ended September 2022 (April 1, 2022- September 30, 2022)
Profit	2,753	765
Other comprehensive income		
Valuation difference on available-for-sale securities	262	(79)
Remeasurements of defined benefit plans, net of tax	43	42
Total other comprehensive income	306	(36)
Comprehensive income	3,059	728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,010	719
Comprehensive income attributable to non-controlling interests	49	8

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

No

(Notes on significant change in shareholders' equity)

No

(Change in accounting principle)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) began to be applied from the beginning of the first quarter of the fiscal year under review. It was decided that the new accounting principle prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied into the future in accordance with the transitional treatment provided for in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This implementation guidance has no effect on the first half consolidated financial statements.