抗 Hibiya Engineering,Ltd.

Earnings Announcement for the First Half of FY3/21 November 19, 2020



Financial Summary For the First Half of FY3/21

Financial Highlights (consolidated)

First half sales and earnings increased because of the completion of large projects carried over from FY3/20 and an improvement in profitability.

The FY3/21 sales and earnings forecasts have been increased because the impact of COVID-19 has been smaller than expected.

	2018/9 Actual	2019/9 Actual	2020/9 Actual	YoY	YoY (%)	2020/3 Actual	2021/3 Initial plan (Announced May 22, 2020)	2021/3 Revised plan (Announced Nov. 6, 2020)	Vs. Initial plan
Orders received	33.5	32.8	30.5	-2.3	-7.1%	78.4	62.0	72.0	+10.0
Net sales	26.9	28.5	31.8	+3.3	+11.6%	75.8	68.0	74.0	+6.0
Operating profit	-1.1	-0.3	1.1	+1.4	-	3.6	2.0	3.0	+1.0
Ordinary profit	-1.0	-0.1	1.5	+1.7	-	4.2	2.4	3.5	+1.1
Profit attributable to owners of parent	-0.8	-0.1	1.0	+1.1	-	3.5	1.5	2.0	+0.5

(Billion yen)



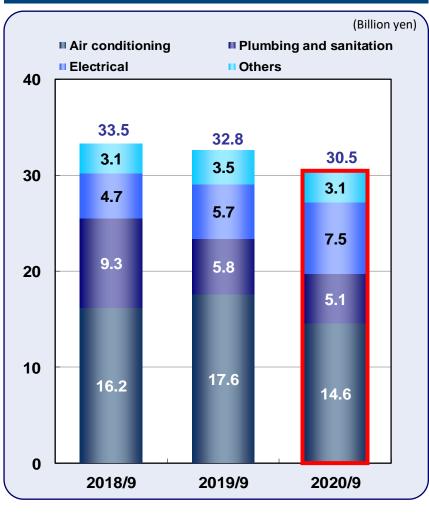
Orders Received by Category & by Customer (consolidated)



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Orders received remained above ¥30 billion even during the COVID-19 crisis.
 NTT Group orders were steady in part due to increasing 5G expenditures.

By category



(Billion yen) NTT Group Public sector Private sector Others 40 33.5 32.8 3.1 30.5 35 30 3.1 9.6 13.5 10.6 20 3.6 2.2 2.6 10 15.9 14.4 14.2 0 2018/9 2019/9 2020/9

By customer

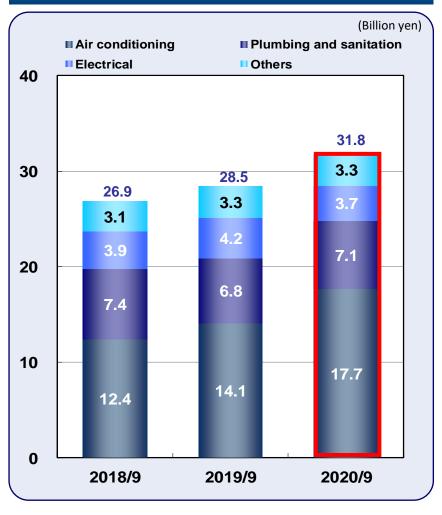


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The year-to-year growth of first half sales continued in the current fiscal year.

By customer

By category

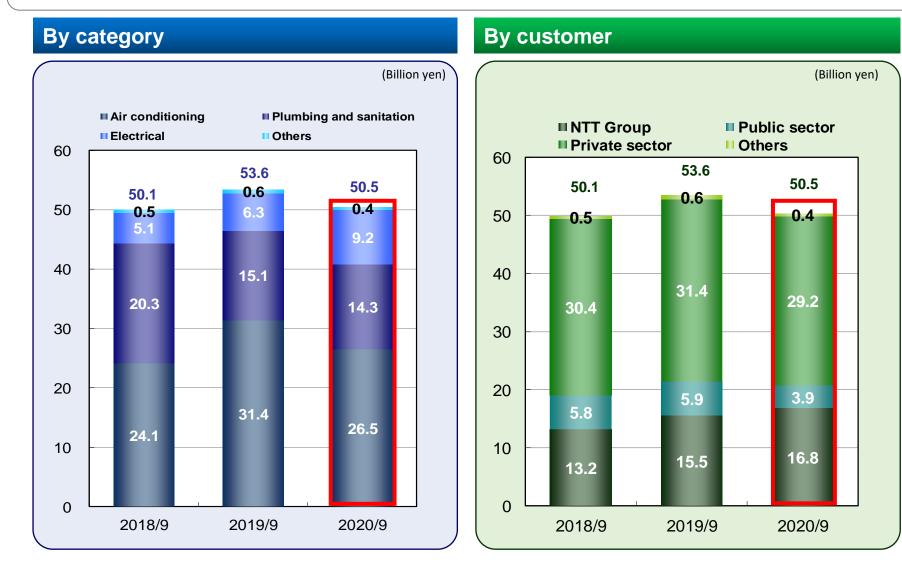


(Billion yen) ■ NTT Group Public sector Private sector Others 40 31.8 30 3.3 28.5 26.9 3.3 3.1 11.5 20 7.9 10.8 2.5 1.1 4.8 10 14.4 13.1 11.0 0 2018/9 2020/9 2019/9

Order Backlog by Category & by Customer (consolidated)



The volume of ongoing projects remained above ¥50 billion in part due to increasing 5G expenditures of the NTT Group.



■ The gross profit margin increased

(Billion yen)

	2018/9 (A)	2019/9 (A)	2020/9 (A)	YoY	YoY (%)
Net sales	26.9	28.5	31.8	+3.3	+11.6%
Cost of sales	24.2	25.0	26.9	+1.9	+7.6%
Gross profit	2.6	3.4	4.9	+1.4	+40.4%
Gross profit margin	10.0%	12.2%	15.4%	+3.2	-
SG&A expenses	3.8	3.8	3.7	0.0	-1.8%
Operating profit (loss)	(1.1)	(0.3)	1.1	+1.4	-
Non-operating income	0.0	0.1	0.4	+0.2	+142.2%
Ordinary profit (loss)	(1.0)	(0.1)	1.5	+1.7	-
Extraordinary income	_	0.0	_	0.0	-
Income taxes	(0.2)	0.0	0.5	+0.4	-
Profit (loss) attributable to owners of parent	(0.8)	(0.1)	1.0	+1.1	_



Distributions to Shareholders



Dividends

[FY3/2021]

- Total dividend is expected to be ¥80 per share as planned
- The interim dividend was ¥40

[Dividends per share]





Achievement of the First Half

Initiatives in the First Half



Expansion of "Smart WORK" Working Style Reforms



(P12)

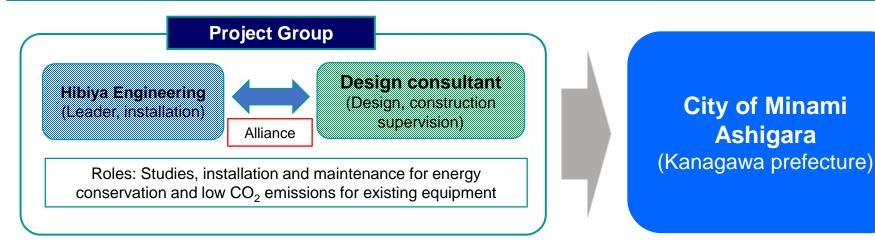


CO₂ Reduction Projects Using Alliances



Project to upgrade carbon management (Project No. 2)

Goal: Lower 2030 greenhouse gas emissions by 40.2% vs. 2013 emissions Actions: Install advanced energy conservation systems that serve as a model for others



Use of experience at prior projects

Nagano prefectural gov't buildings

CO₂ emission reduction using a bulk lease to install LED lights

Alliance partner: Leasing company

See page 31

Manazuru Information Center

Installation of self-sufficient, dispersed energy equipment

Alliance partner:

Design consultant

See page 32

Sango-cho, Nara prefecture

Carbon management reinforcement program

Alliance partner:

Design consultant

See page 33





Established the Digital Transformation (DX) Promotion Department

Goals

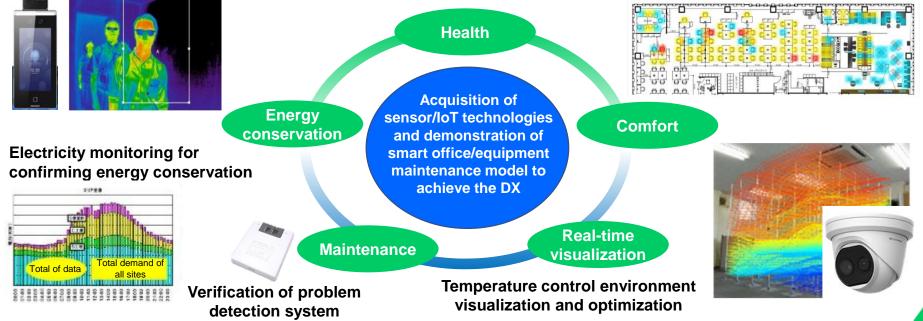
- 1) Participation in "smart" projects of NTT Group and other companies
- 2) Acquire expertise by identifying and confirming "smart" products and technologies
- 3) Stronger alliances with companies outside the Hibiya Engineering Group

More value for customers and growth of added-value business activities

Started smart technology demonstrations by installing sensors at the Tokyo Head Office

Thermal imaging cameras for COVID-19/flu detection

Verification of multi-function sensors, interior environment monitoring





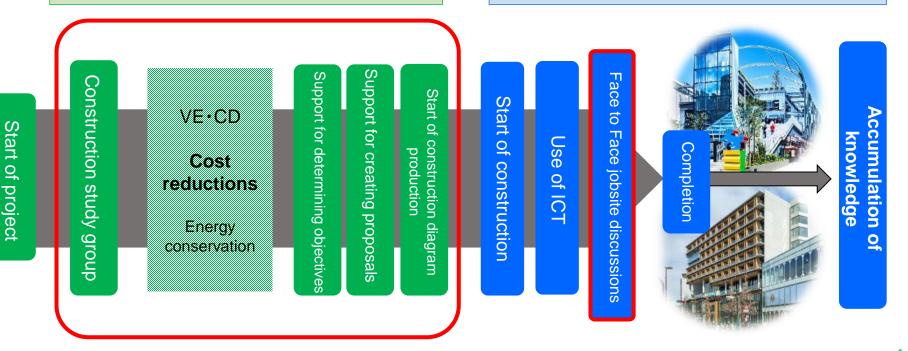
The One Team Project and Face to Face Project

One Team Project

Establishment of a team encompassing all tasks to support construction operations from the very first stage; aims for cost reductions and other benefits

Face to Face Project

Supervisors with extensive knowledge of the construction project visit the jobsite to strengthen communications and reduce the need to redo jobs and other risks



Jobsite Worker Health and Safety Management



Testing of the Work Mate vital sign sensor of Ubiteq, Inc.

- A health management tool to prevent heatstroke and other problems
- Safety management: Worker location, detection of falls, emergency notification



Goal is to start nationwide use in FY3/22



Expansion of "Smart WORK" Working Style Reforms



Higher productivity by using iPads, apps and other labor-saving tools

Working style reforms





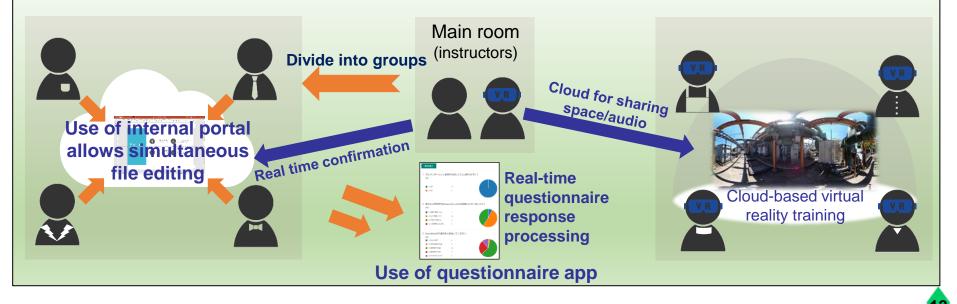
Use of internet for case study announcements

All employees received iPads in 2017

iPhones and virtual desktops for all employees in 2018

Use of telework, online meetings, etc. with no difficulties

Internal training program using meeting and questionnaire apps





Seventh Medium-term Management Plan

April 2020 - March 2023

Fundamental Goal

Core Strategies

Invest in human resources and ICT to change how people work

More advanced life cycle total solutions

03

02

Governance

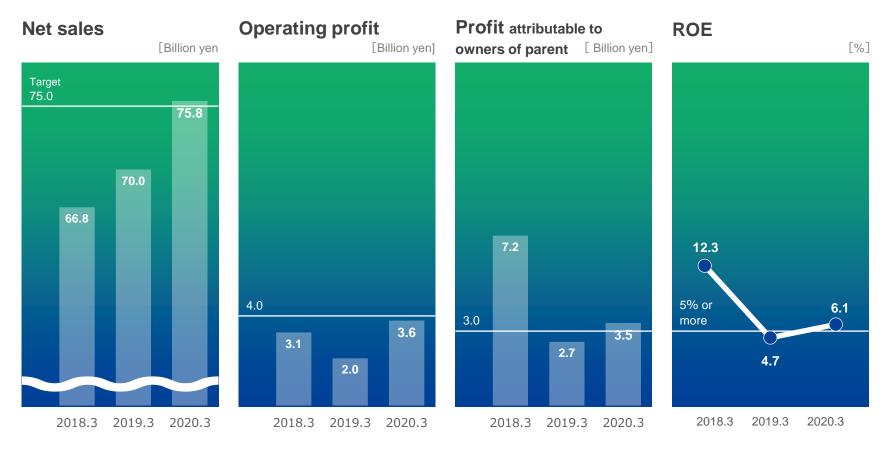
"Establish and reinforce corporate reforms" for the stable and long-term continuation and advancement of business operations

Accomplishments

- Progress with recruiting and training people and with diversity
- Improvement involving work-life balance
- Higher business process efficiency by establishing an ICT environment and using the cloud
- More renovation projects by upgrading proposals for existing facilities
 Participation in energy, CO₂ reduction and smart community projects
 Stronger frameworks for jobsite oversight and follow-up after completion
- A more powerful corporate governance structure
- A new incentive plan for directors and executive officers

Performance

• Mostly accomplished the financial goals of the Sixth Medium-term Management Plan





Business Climate



Uncertainty continues due to the need to assume COVID-19 will continue to affect the economy for the foreseeable future. However, the impact of this pandemic is small, other than in some sectors of the building construction and equipment categories.

- Companies have stopped placing new orders in some sectors (hotels, stores and others), but the demand for new buildings is strong in many sectors (data centers, logistics facilities and others). Also, demand remains strong for large redevelopment projects and renovation projects.
- The COVID-19 pandemic has revealed many social issues and is speeding up the pace of social changes.

01 Markets (Demand for building construction and equipment)				
Office buildings	Many new redevelopment projects in metropolitan areas; forecast growth of the renovation/replacement market			
Data centers	Market is growing due to the scaling out of data centers to operate more servers			
Distribution centers	More demand for warehouses/distribution centers as e-commerce grows; more large-scale and multi-tenant facilities in recent years			
Hospitals	Possibility of building expansions and other investments for the realignment/consolidation of public-sector and other hospitals in Japan			
Hotels	COVID-19 impact may increase as hotel companies delay openings and reexamine or cancel plans for new hotels			

02 Society

Digital technology	Telework and other diversification of how people do their jobs Use of resource and labor-saving i-Construction and of digital transformation technologies More rigorous measures involving risk management for information security
Sustainability	Activities to achieve a low-carbon or carbon-free society Establishment of an environment for preventing the spread of infectious diseases





01 Fundamental goals

02 Core strategies

Business Strategy

Technology Strategy

Human resources Strategy

Governance

Business and corporate value growth by making core businesses more profitable and creating new business opportunities Help create a sustainable society through the convergence of people and technologies

- More advanced life cycle total solutions that can benefit all stakeholders
- Leading-edge technologies for higher productivity
- "Smart WORK" working style reforms and workforce diversity
- An infrastructure for sound management of the Hibiya Engineering Group





More advanced life cycle total solutions that can benefit all stakeholders



- Create new core customers (gold customers)
- Cooperate with alliance partners for business domain and customer base enlargement
- Create and execute strategies for individual customers and regions

- Enlarge the renovation business domain to include decarbonization and other sectors by providing solution menus and facility services that customers need
- Supply new forms of value involving the use of the IoT, AI and other smart technologies for community creation and improvements
- Business activities that encompass all of the Hibiya Engineering Group's capabilities

Leading-edge technologies for higher productivity



- Renovation business growth by using the life cycle service center
- Create a workforce with skills in a broad range of technologies
- Training programs with target levels for technologies
- Upgrade jobsite skills by using ICT tools for laborsaving measures, horizontal expansion of technology use and other advances
- Mutual success and prosperity with partner companies

- Use of ICT for the elimination of accidents and customer complaints
- Construction that unifies jobsite and office work; higher quality of services
- Use the construction career advancement system to recruit and train engineers





"Smart WORK" working style reforms and workforce diversity



- Use many types of recruiting activities
- Upgrade specialized skill education and all training programs
- Create an environment where people of all backgrounds can realize their full potential

- Assign people based on suitability and regions
- Working styles not restricted by time and locations
- Use the digital transformation for business process reforms and higher efficiency

(Rebuild information security and reinforce the framework for this security)

- Measures to monitor and manage the health of employees
- Establish health indicators to encourage employees to stay healthy and make more improvements





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EXPLICITIE CORE

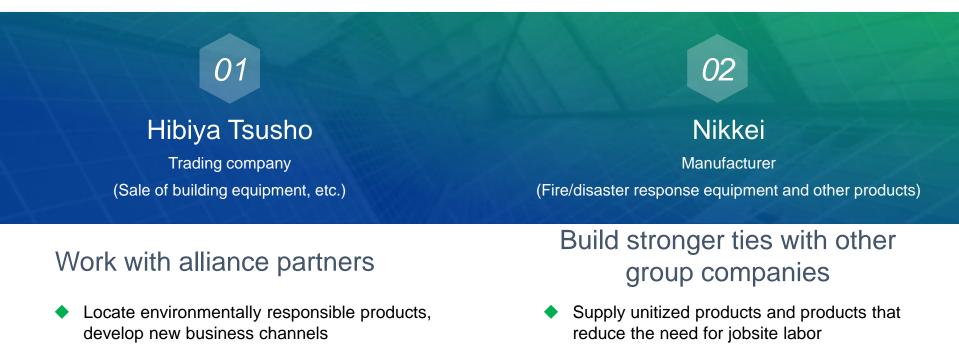
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A seamless value chain for the entire Hibiya Engineering Group



 Strengthen services for the maintenance of equipment

* Hibiya Engineering will merge with wholly owned subsidiary HIT Engineering on January 1, 2021. HIT Engineering is a construction firm for the installation of equipment. Activities include the planning, design, installation and maintenance of manufacturing, environmental and building equipment. The absorption of HIT Engineering will make it possible to consolidate resources in these business activities, improve efficiency and establish a base for more growth.



Help create a sustainable society and aim corporate value growth





Activities for a sustainable society

- Proposals to customers for conserving energy and reducing CO₂
- Collaboration with business partners for a carbon-free society
- Supply value through community creation, smart community projects, zero-energy building projects and other activities

"Smart WORK" activities

- An environment where a motivated and diverse workforce can shine
- A commitment to corporate social responsibility
- Maintain a proper work-life balance; measures to improve the health of employees
- Training programs for the next generation of engineers

A foundation for sound management

- Establish an internal control system
- Upgrade compliance programs
- Ensure the transparency of management (strengthen IR, compliance with revised Corporate Governance Code and other activities)



Hibiya Engineering is looking ahead to the future by focusing on the following themes, all based on the concept of "creating new added value by envisioning the cities and buildings of the future."



- Further increase comprehensive skills involving equipment and facilities by strengthening and enlarging the group's value chain with actions that may include alliances and M&A
- Establish the digital transformation as the group's new core value
- Establish an innovation laboratory for developing technologies in order to create the future of cities and buildings
- Become a company capable of devising solutions for entire buildings
- Promote environment-friendly projects
- Investments looking to the future for a structure for the "Hibiya method" and for the long-term maintenance of a quality workforce
- To "Create the Future of HIBIYA," use well-structured training programs to give employees advanced skills and build an organization that has speed and flexibility to enable people to realize their potential





Consistent growth by building a stronger profit structure for achieving the goals of the Seventh Medium-term Management Plan



Investments to "Create the Future of Hibiya"

Shareholder distributions

02

- Alliances, M&A and other actions to strengthen and enlarge the group's value chain
- Reinforce the base for the digital transformation to improve business processes and productivity
- Upgrade technology development, proposal creation, and human resource development capabilities
 - Earn a return on investments that exceeds the cost of capital

- Maintain and increase the dividend while using profit targets as the basis
- Repurchase stock



Seventh Medium-term Management Plan



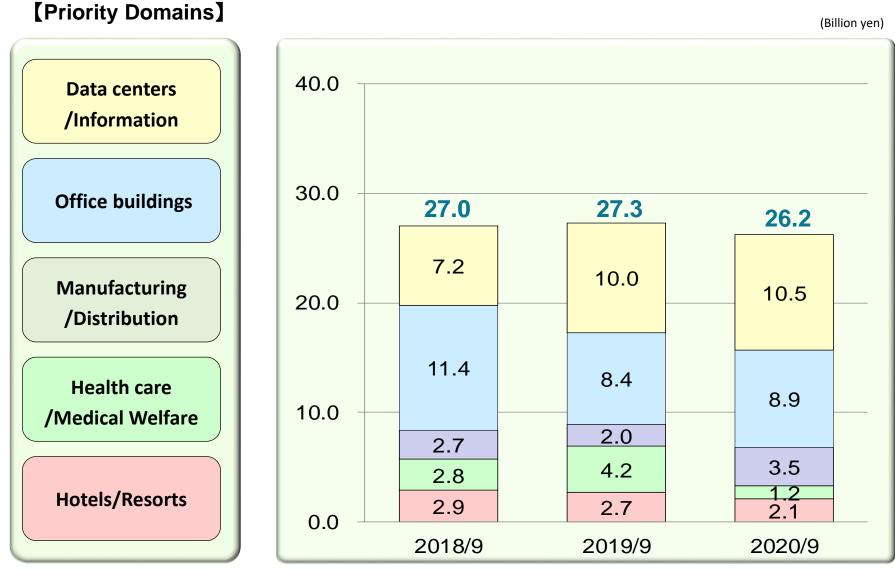
FY3/2023 (final year)	{Billion yen]
Orders received	80.0
Net sales	80.0
Operating profit	4.5
Profit attributable to owners of parent	3.5
ROE	6.0% or more





Major Completed Projects in the First Half





Complex Facilities



MIYASHITA PARK

Combines high and low-rise buildings with a shopping complex, hotel and park



Location	Shibuya-ku, Tokyo
Floor area	46,086m ²
Structure	18 stories above ground/2 stories below ground
Hibiya's work	Air conditioning

WITH HARAJUKU

TOKYO's new presentation stage that conveys culture and creativity to the world



(Photo: Yoji Watanabe)

Location	Shibuya-ku, Tokyo
Floor area	26,666m ²
Structure	10 stories above ground/3 stories below ground
Hibiya's work	Air conditioning/sanitation

Offices



Sumitomo Realty & Development Kojimachi Garden Tower

An office tower with seismic isolation that is conveniently near Kojimachi Station



Location	Chiyoda-ku, Tokyo
Floor area	47,950m ²
Structure	22 stories above ground
Hibiya's work	Air conditioning/sanitation

NTT Shin-Kuhonji Building

The NTT West Kumamoto Building serves as a base for disaster readiness



Location	Kumamoto city, Kumamoto
Floor area	6,833m ²
Structure	6 stories above ground
Hibiya's work	Air conditioning/sanitation

Hotels



Hotel Villa Fontaine Grand Tokyo Ariake

A high-end hotel in the Ariake Garden strategic development zone of Tokyo



Location	Koto-ku, Tokyo
Floor area	33,522m ²
Structure	16 stories above ground/1 stories below ground
Hibiya's work	Air conditioning/sanitation

FUJISAN MISHIMA TOKYU HOTEL

A spectacular new hotel in Mishima with a view of Mount Fuji



Location	Mishima city, Shizuoka
Floor area	10,563m ²
Structure	14 stories above ground
Hibiya's work	Sanitation

Logistics Facilities / Government Offices



ESR Amagasaki Distribution Center

One of the largest and most advanced distribution centers in Asia



Location	Amagasaki city, Hyogo
Floor area	388,570m ²
Structure	6 stories above ground
Hibiya's work	Sanitation

Ichikawa 1st Town Hall

A town hall building featuring a façade with louvers for greenery



Location	Ichikawa city, Chiba 30,480m²		
Floor area			
Structure	7 stories above ground/1 stories below ground		
Hibiya's work	Sanitation		



Reference

Distributions to Shareholders



Dividends per share



Repurchases

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Shares (thousand)	450	440	460	4,490	370	300
Amount (million yen)	720	700	750	11,020	700	560
	5th Med	lium-term Managen	nent Plan	6th Medium-term Management Plan		





Toshin

region

10.487 LED lamps were

installed at 104 locations in

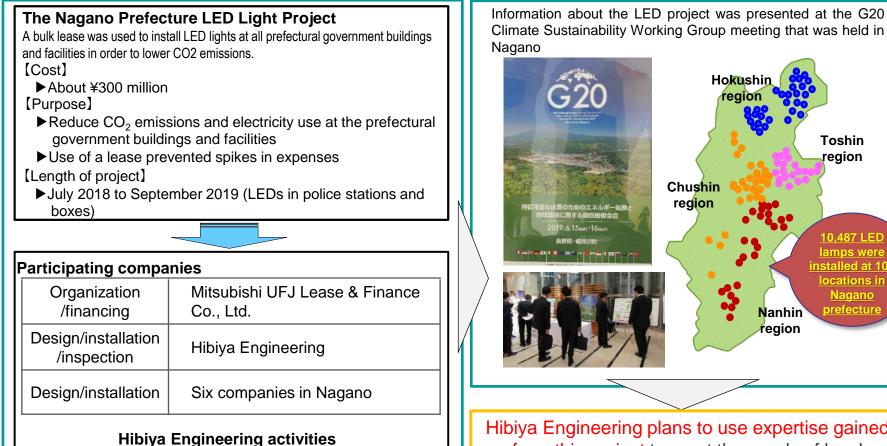
Nagano

prefecture

Nanhin region

Use of LED lights at all Nagano prefectural government buildings

The first project by a prefecture in Japan that uses a large-scale bulk lease for many buildings and facilities in order to lower CO₂ emissions



Studies, installation work and maintenance services for lowering CO₂ emissions associated with current equipment Hibiya Engineering plans to use expertise gained form this project to meet the needs of local governments throughout Japan for activities that lower CO_2 emissions.

Chushin

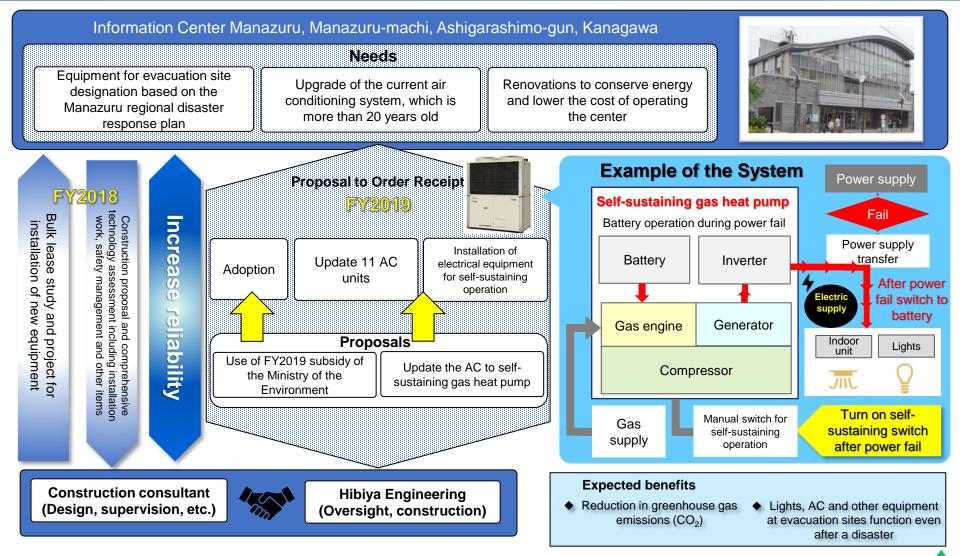
region

Hokushin

regior



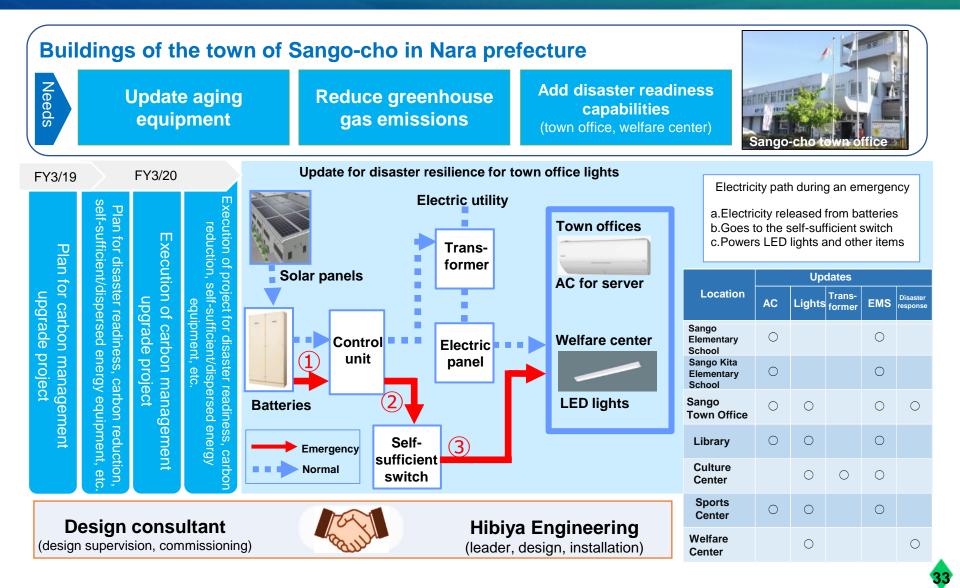
Self-sufficient and dispersed energy and other equipment for Information Center Manazuru







Project to upgrade carbon management and project for installation of self-sufficient, dispersed energy equipment



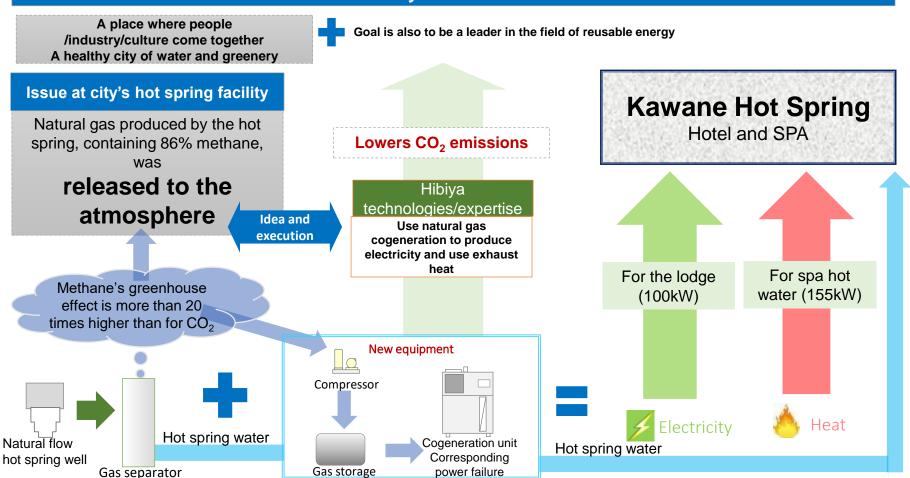
Natural Gas Cogeneration System



A local gov't used a Hibiya natural gas cogeneration system at a hot spring lodge

■ Previously unused energy is utilized to cut the cost of electricity by 60%, which lower CO₂ emissions

City of Shimada





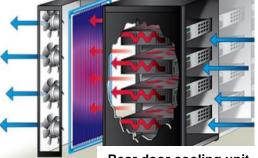
A leader in the data center building sector – 850,000 square meters

From low to high loads and even ultra-high loads

Period	1966~	2013~	2020~	
Category	The first DCs/phone equipment room	Cloud DC	Al/Supercomputer DC	
Major customers	Telecommunications companies	E-commerce sites	Automobile companies, research institutes, others	
Heat generation	Low load	High load	Ultra-high load	
Rack heat output	~5kW/rack	~10kW/rack	~50kW/rack	
Cooling method	Computer AC units	Chilled water Indirect evaporation	Rear door cooling Liquid immersion cooling	
Features	Reliable • Individual AC units • Floor blowers	Energy efficient • Wall blowers • Uses natural energy (external air/water)	Cooling for substantial heat generation • Cooling units for individual racks • Immersed in a liquid for cooling	



Indirect evaporation cooling unit



Rear door cooling unit



Liquid immersion cooling unit

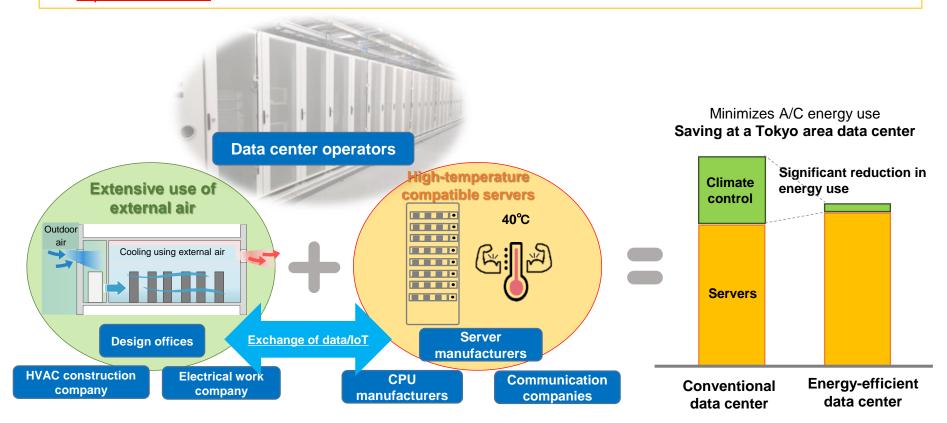
Minimizing Data Center A/C Energy Consumption



Activities for creating an energy-efficient data center for NTT Data Corporation

Used for HVAC equipment control by server internal sensors

- Data links incorporating the IoT overcome barriers between ICT equipment management and facility management
- Conventional temperature sensors to not monitor the internal temperature of servers, which is what must be held down ⇒Using data from sensors inside servers for climate control makes it possible to control temperatures in the most
 - osing data from sensors inside servers for climate control makes it possible to control temperatures in the most important locations





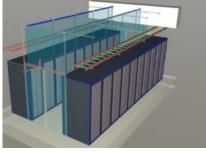
Aisle Capping for Smaller Computers in Data Centers



A flexible aisle capping system for small computer rooms

	Features	
More efficient climate control	Flexible installation to match	Low cost by using general-
Uniform temperature of rack air supply surface	environment for equipment	purpose sheets

Potential applications



Capping with ceiling

Benefits

Capping with no ceiling

Capping in use

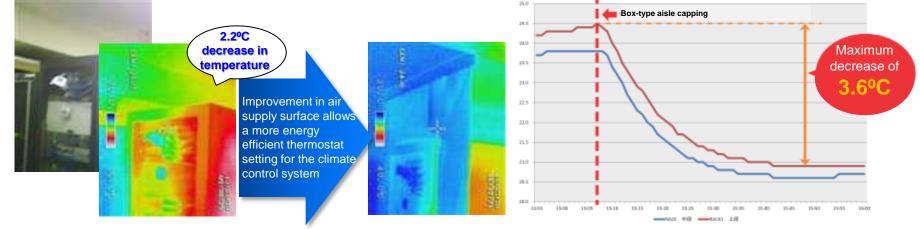


Installed under a ceiling beam





Box-type capping



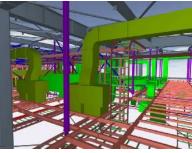


Examples of Building Information Modeling



Fully utilizing BIM raises calculation profits without any reworking

- Repeating output along with construction BIM improves the ability to create cost-reduction ideas, such as for altering pipe configurations
- 3D studies as construction proceeds for placing pipes and ducts while avoiding steel beams, braces, racks and other obstacles
- Allows giving priority to Hibiya Engineering's requests, resulting in faster progress and no need to redo any work



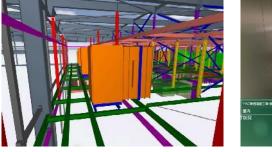


No need to repeat tasks to fix mistakes

Advantages of using BIM

<u>3D</u>

- Placement adjustments/interference checks for facility designs
- Adjustments using overall diagrams, faster decisionmaking
- > More efficient checking of confirmation applications, etc.





Construction proceeds using adjusted diagrams

Database links

- BIM-linked automatic calculations (loads, energy conservation)
- Automated equipment designs (device tables, device configurations)
- Use of information about building characteristics for maintenance operations

Building Information Modeling (BIM) is a method for constructing a building data model consisting of 3D shape information created in a computer and various characteristics of a building, such as names and floor areas of rooms, the types and properties of materials used, finishing work, and other items.



Streamlining Construction and Installation Technologies

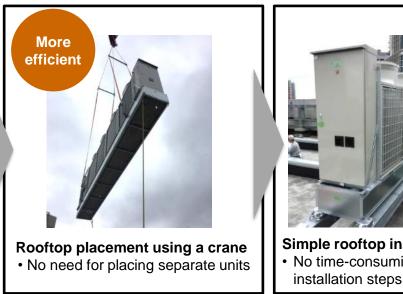
Labor-saving method for installing rooftop equipment raises efficiency

Simple installation with single unit package for exterior equipment



A single unit for exterior equipment/base /refrigerant pipes

- · Smaller amount of labor required
- Better, more uniform guality due to fabrication at a factory





Simple rooftop installation No time-consuming

Installation of pre-assembled rooftop water tank



Energy Conservation for Sanitation Equipment

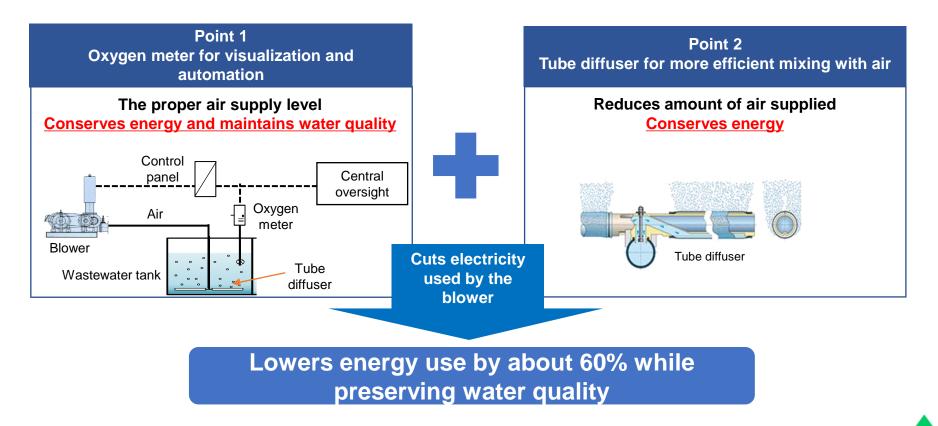


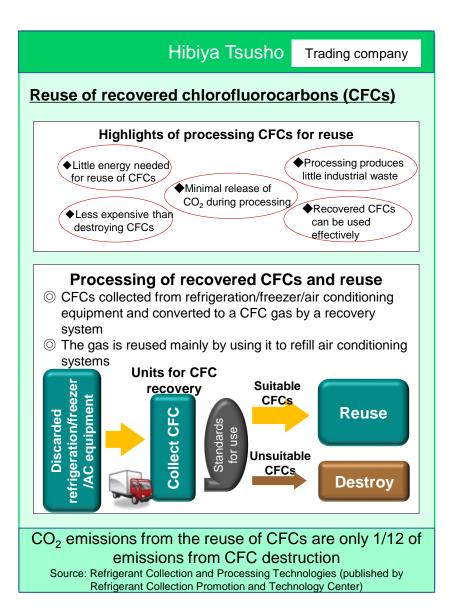
Energy conservation and water quality at wastewater treatment facilities

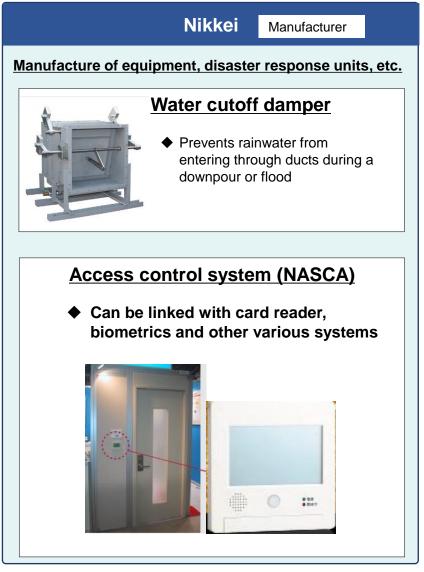
Energy-efficient climate control and electrical equipment as well as a focus on conserving energy in sanitation equipment

Wastewater treatment facilities

- Requires the supply of an enormous volume of air at a steady rate
- Required amount of air changes depending on day of the week and time of day
- Too much or too little air causes water quality to decline









時代にまっすぐ、技術にまじめです。

Earnings Announcement

November 19, 2020