Hibiya Engineering,Ltd.

Earnings Announcement for the First Half of FY3/22

November 22, 2021

Financial Summary
For the First Half of FY3/22

Financial Highlights (consolidated)

- Sales increased due to the completion of large-scale projects carried over from the previous year
- Significant increase in profit due to implementation of cost reduction measures and improvement in construction efficiency of several large-scale projects
- Considering the first half results, the full-year forecast has been revised upwards.

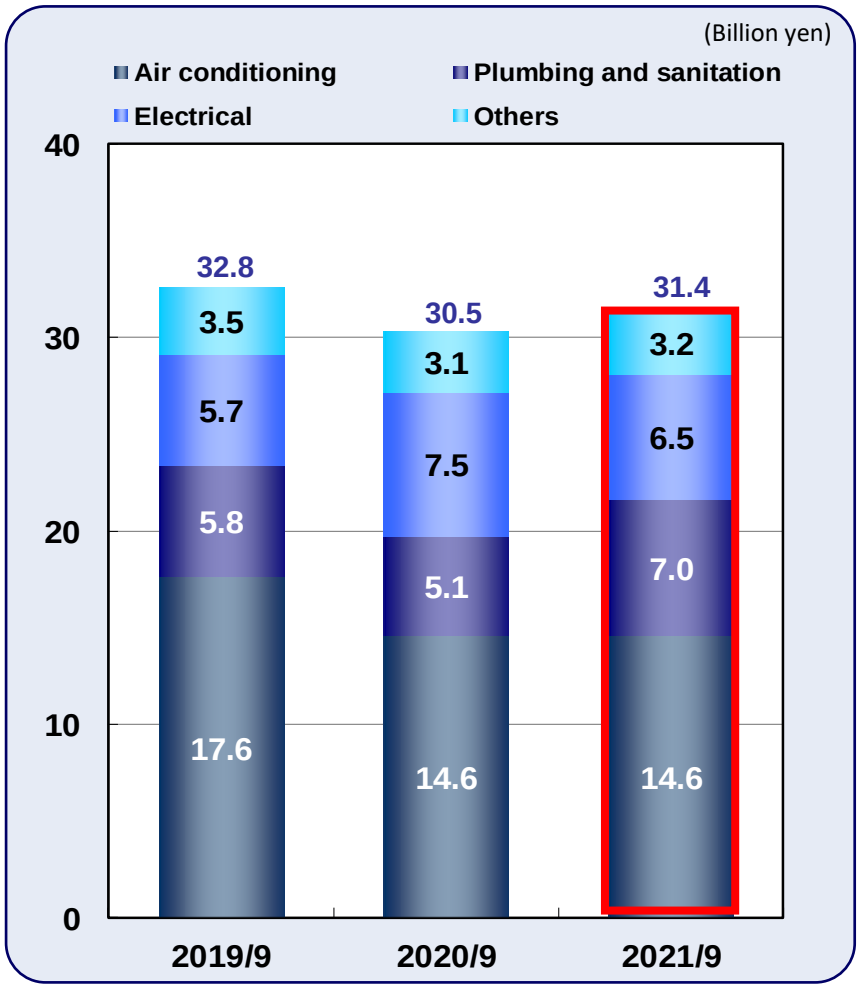
(Billion yen)

	2019/9 Actual	2020/9 Actual	2021/9 Actual	YoY	YoY (%)	2021/3 Actual	2022/3 Initial plan (Announced May 12, 2021)	**2022/3 Revised plan** (Announced Nov. 5, 2021)	**Vs. Initial plan**
Orders received	32.8	30.5	**314**	**+9**	**+3.2%**	74.3	77.5	**77.5**	**–**
Net sales	28.5	31.8	**332**	**+13**	**+4.4%**	73.1	77.0	**77.0**	**–**
Operating profit	-0.3	1.1	**33**	**+22**	**+193%**	3.9	4.0	**4.5**	**+5**
Ordinary profit	-0.1	1.5	**36**	**+21**	**+135%**	4.5	4.5	**5.0**	**+5**
Profit attributable to owners of parent	-0.1	1.0	**27**	**+16**	**+159%**	3.0	3.0	**3.5**	**+5**

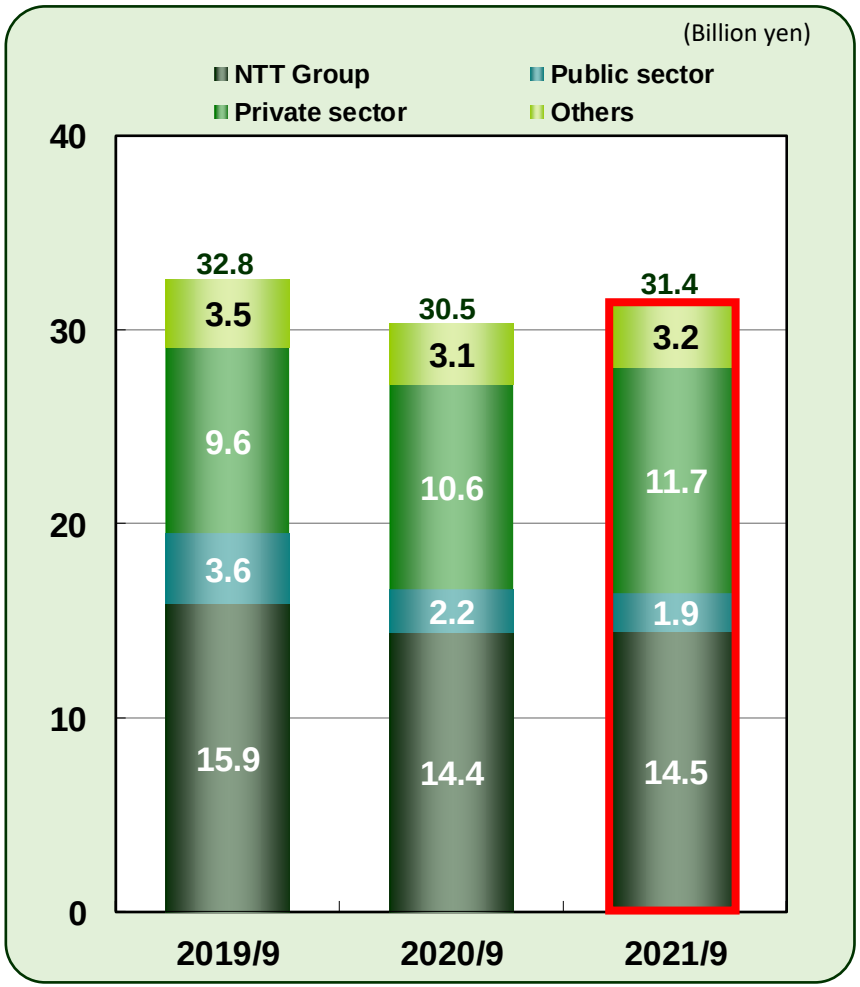
Orders Received by Category & by Customer (consolidated)

■ Orders received increased year-on-year as the impact of the COVID was reduced compared to the previous year.

By category



By customer

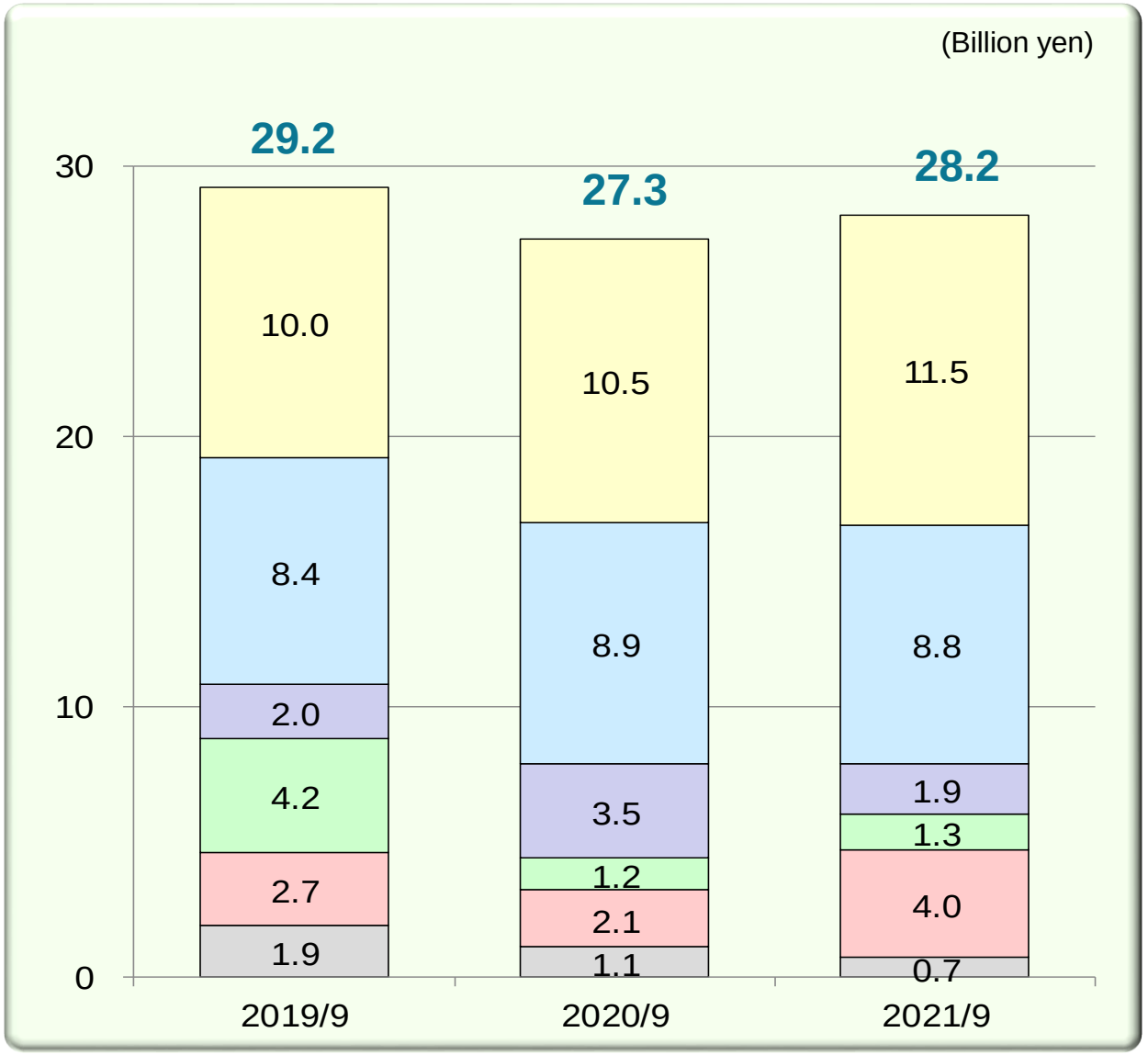


Orders Received of the Priority Domains (Non-consolidated)

【Priority Domains】

- Data centers /Information
- Office buildings
- Manufacturing /Distribution
- Education/ Health care
- Hotels/Resorts

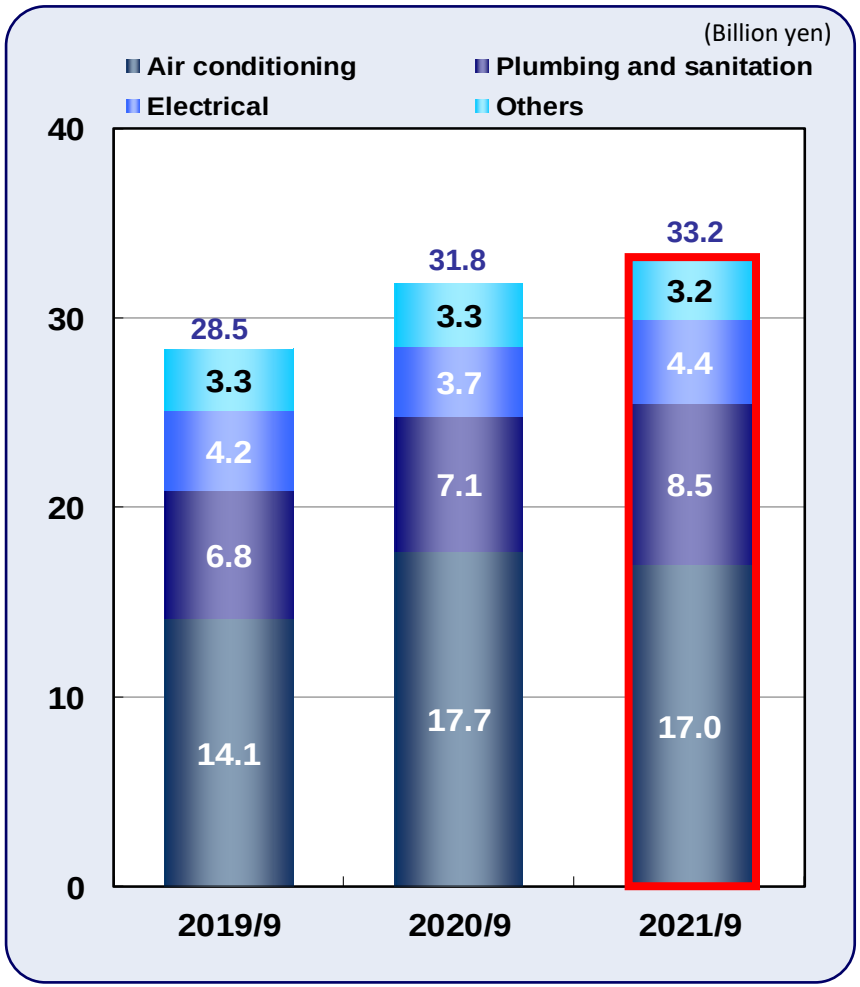
Others



Sales by Category & by Customer (consolidated)

■ Increased sales year-on-year, led by the private sector

By category



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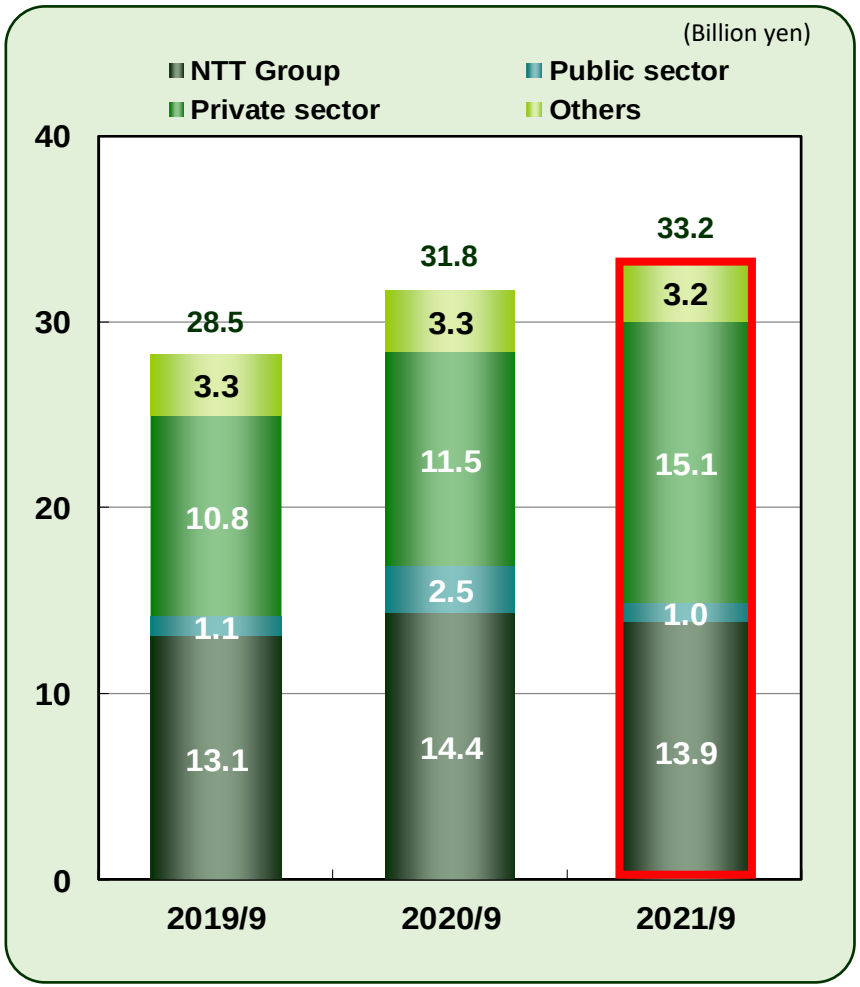
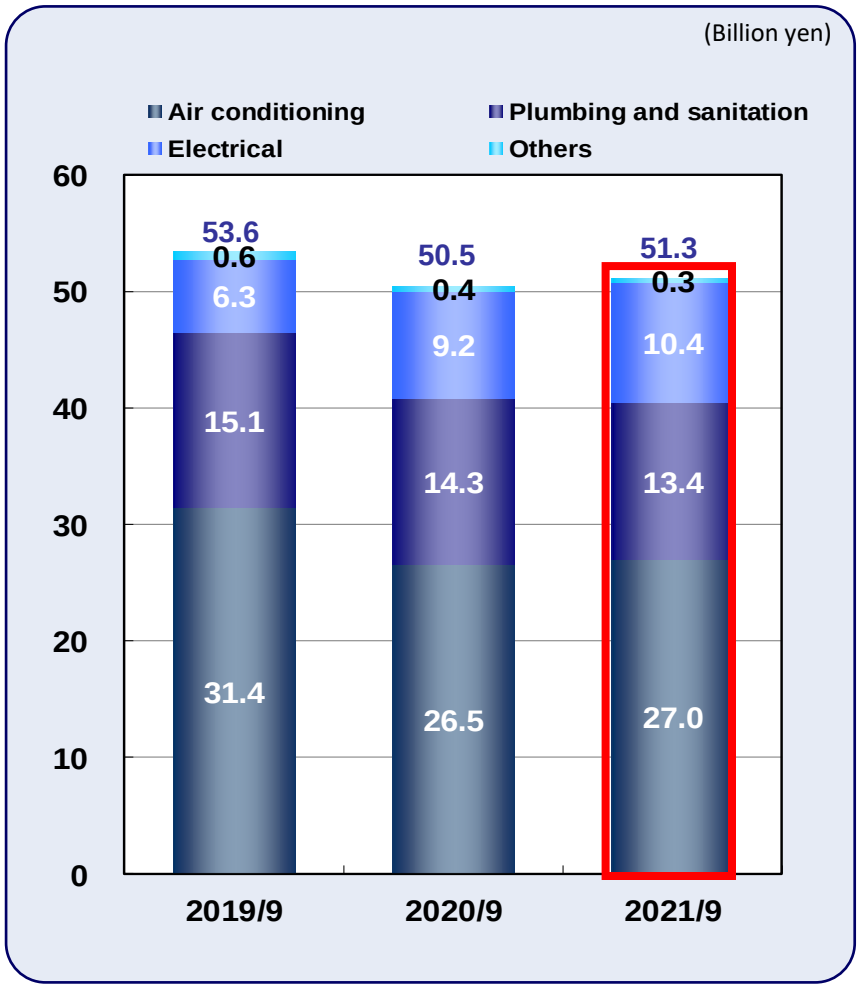


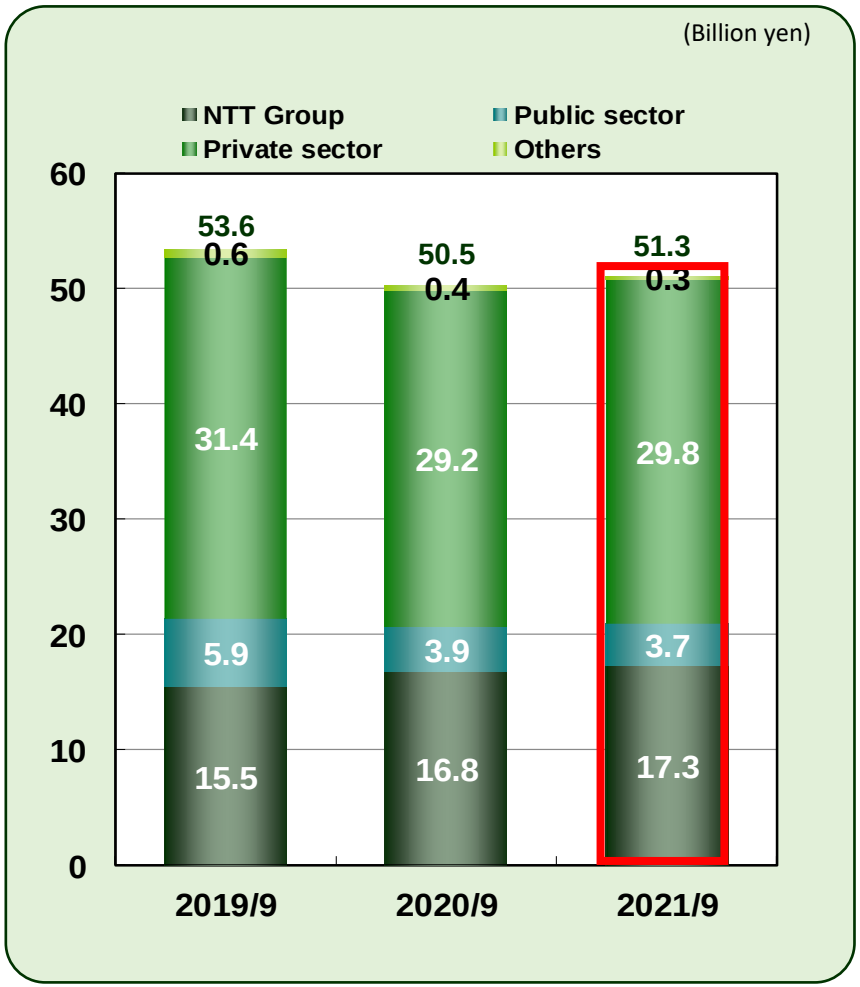
Order Backlog by Category & by Customer (consolidated)

■ 50-billion-yen level secured on solid orders received

By category



By customer



Summary Income Statements (consolidated)

- The gross profit margin improved significantly as the result of cost reduction measures and greater efficiency in the construction of several large projects.

(Billion yen)

	2019/9 (A)	2020/9 (A)	2021/9 (A)	YoY	YoY (%)
Net sales	28.5	31.8	**33.2**	**+1.3**	**+4.4**
Cost of sales	25.0	26.9	**26.0**	**-0.9**	**-3.5**
Gross profit	3.4	4.9	**7.2**	**+2.3**	**+48.1**
Gross profit margin	12.2%	15. 4 %	**21.8%**	**+6.4**	**–**
SG&A expenses	3.8	3.7	**3.8**	**+0.1**	**+3.2**
Operating profit (loss)	-0.3	1.1	**3.3**	**+2.2**	**+193.9**
Non-operating income	0. 1	0.4	**0.3**	**-0.1**	**-25.9**
Ordinary profit (loss)	-0.1	1.5	**3.6**	**+2.1**	**+135.8**
Extraordinary income	0.0	–	**0.2**	**+0.2**	**–**
Income taxes	0 .0	0.5	**1.1**	**+0.6**	**+130.7**
Profit (loss) attributable to owners of parent	-0.1	1.0	**2.7**	**+1.6**	**+159.7**

Distributions to Shareholders

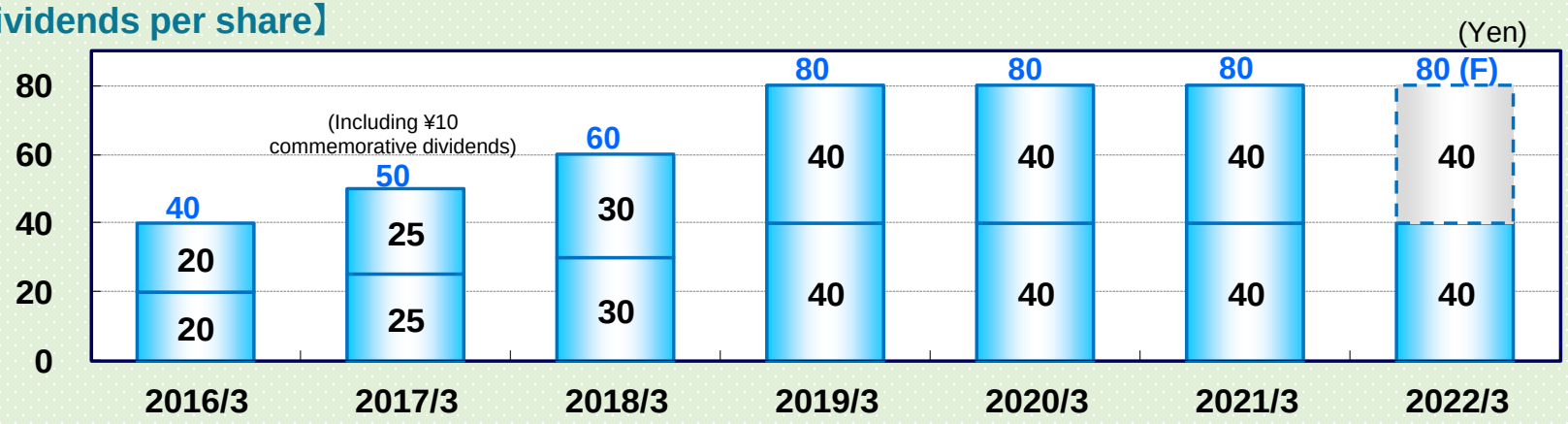
"Stable dividends" and "flexible share buybacks"

[Dividends] An interim dividend of ¥40 per share and an annual dividend of ¥80 per share are planned (as originally scheduled).

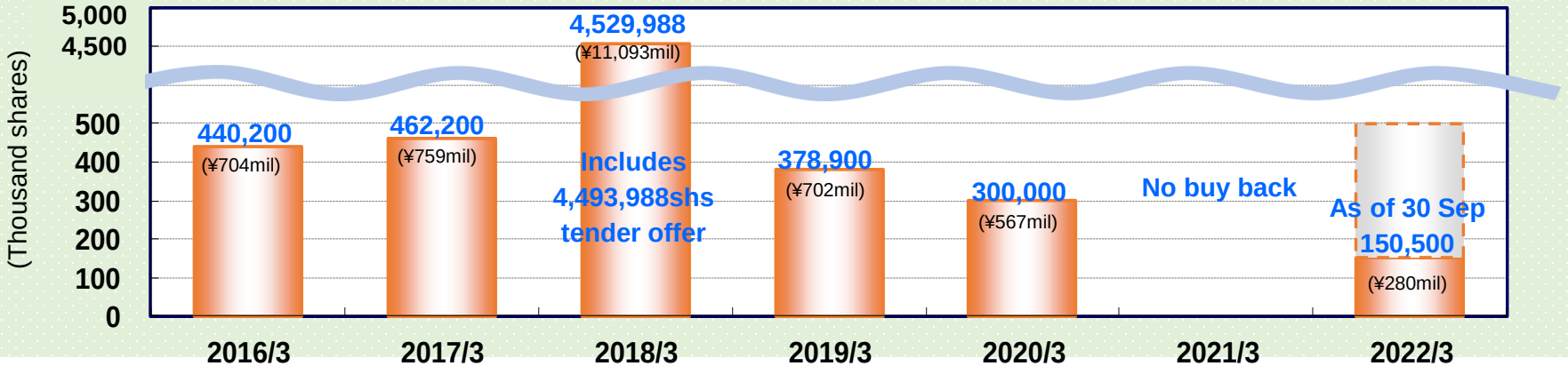
[Treasury shares] Annual buyback limit for the fiscal year ending March 2022 (upper limit): 500,000 shares/1,000 million yen
As of 30 September: 150,500 shares / 280 million yen

* On 8 November 2021, HIBIYA acquired additional 131,100 shares of ¥256 million through off-hours trading.

【Dividends per share】



【Treasury shares buy back】



Seventh Medium-term Management Plan
and
Focus Areas

Seventh Medium-term Management Plan

Fundamental Goals and Core Strategies

(April 2020 - March 2023)

HIBIYA

Fundamental goals

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

Core strategies

Business strategy

More advanced life cycle total solutions that can benefit all stakeholders

Technology strategy

Leading-edge technologies for higher productivity

Human resources strategy

“Smart WORK” working style reforms and workforce diversity

ESG

Contribute to a sustainable society and Increase our corporate value

Focus Areas

Create the Future of Hibiya

Focusing on decarbonization and low-carbon technologies in renovation projects, and aiming to grow into a green engineering company

The Digital Transformation The Digital

Building DX as a new core value to expand the solutions business and transform work styles.

Seventh Medium-term Management Plan Progress Report

■ **Business strategy**
(1) Creating a new customer base
(2) Increase high value-added business
(P13~14)

■ **Technology Strategy**
(1) Developing an on-site support system using ICT technology
(2) Improving efficiency of construction management by digital technology and promoting BIM*
(P15~16)

■ **Human resources strategy**
"Smart WORK" working style reforms and diversity
(P17)

■ **ESG initiatives**
Contribution to a sustainable society and increase corporate value
(P18)

* BIM is an abbreviation for Building Information Modelling, a method for building virtual buildings and other structures on a virtual platform, and for integrating and utilizing information related to planning, design, construction, and maintenance management.
BIM is used by the Company because it improves design and construction efficiency, reduces person-hours, and improves quality.

Business Strategy (1)

Creating a new customer base

- **Increase alliance partners (double the number of partners from 10 in FY2020)**
- **Strengthen initiatives in the decarbonization business, ZEB[*1] business, and energy service business**

Alliance partners	Proposals and other initiatives and orders received
NTT Group	Surveys and proposals for energy-saving and renewable energy projects for public libraries and other public facilities
	Development and implementation of gateways to connect sensors and equipment to realize the creation of smart buildings
Leasing company	Lease project for toilet facilities for 56 elementary and junior high schools in Matsudo City (including support for infectious diseases prevention and evacuation centers.)
	Research and proposal for LED installation leasing project for local government
Equipment manufacturer	Research and proposal for heat source renovation work in hospitals and hotels (partly using subsidies)
Consultant company	Proposal for ZEB renovation for museums and town halls (municipalities)
	Site survey and verification of ZEBs in private offices, laboratories, and business sites, etc.
Energy supply company	Strengthening sales activities to capture orders for ESP (Energy Service Provider) business[*2]

*1. ZEB: Net Zero Energy Building. It refers to a building that aims to reduce the annual primary energy balance of the building to zero while achieving a comfortable indoor environment.

*2. ESP business: A business that undertakes all energy-related work for companies.

Business Strategy (2)

Increase high value-added business

Collaborate with energy service providers

Propose energy services with technical support to develop energy independence, decentralization, smart cities, etc.

Collaboration with energy supply companies

Optimisation of local energy

Energy centers

Energy supply companies

Heat source supply

Power

Heat

HIBIYA

Installation of heat source equipment
Equipment supply
Building equipment construction

EMS*

Public facilities

Factories

Hospitals

Schools

Spa bath hotels

Initiatives for ZEB projects

Strengthen private sector ZEB initiatives by leveraging our track record with local governments

Collaboration schemes

Hibiya
ZEB planner (consultation, review, basic plan)

Company A
(ZEB basic plan and basic design of facilities)

Company B
(Planning and proposal of next generation stores, ZEB renovation agent)

ZEB proposals for offices, stores, etc.

Expansion of ZEB business

EMS is an abbreviation for Energy Management System, which is a system to support activities to achieve optimal energy use based on an understanding of energy consumption in facilities such as factories and buildings.

Technology Strategy (1)

Developing an on-site support system using ICT technology

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

1H FY3/22 Accomplishments

▶ Used One Team at **9 job sites** (5 previous year)

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

1H FY3/22 Accomplishments

▶ Used Face to Face at **19 job sites** (29 previous year)

Site patrols | **Safety quality patrols** | **Hazardous process monitoring**

ICT technology allows remote checks and follow-ups from the office desk.

Cost reduction

Preventative measures against defects and poor workmanship

Slashed travel time

Safety quality improvement

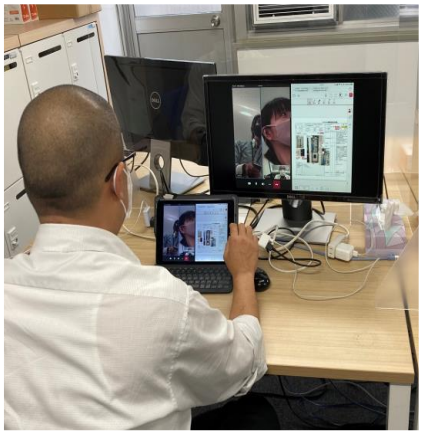
Increase the number of patrols

Train and support younger employees

Expanding to construction sections of all offices

✓ Camera systems

✓ File-sharing software for the construction industry

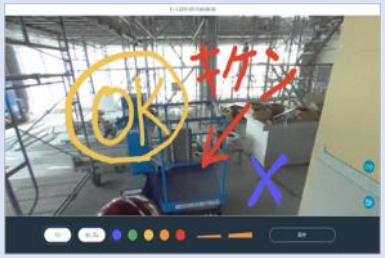


Technology Strategy (2)

Improving efficiency of construction management by digital technology and promoting BIM

Improving efficiency of construction management with camera systems and applications software

360-degree cameras



- ✓Visualization of work progress by time-series comparisons while remotely providing a real life feeling of the site
- ✓Precise instructions and remarks by writing function

Wearable camera

- ✓ Sharing the viewpoint and know-how of skilled workers with younger workers
- ✓ Human resource training and safety management

Remote surveillance camera

- ✓ Long-time remote monitoring at fixed point
- ✓ Developed and manufactured by Nikkei our group company

Sharing application (Metamoji) for the construction industry

- ✓ Real-time entry and sharing of documents/drawings for more efficient discussions.

Spider Plus: Drawing/construction management application

- ✓ Utilize test records by linking photos/ instructions/ drawings

Promoting BIM*

In response to the increasing needs for BIM support from the NTT Group and from general contractors, we are promoting the use of BIM field data to improve work efficiency.

- ➢ The BIM Promotion Office was established in July 2021 to strengthen BIM initiatives.
- ➢ To expand the range of BIM software available, develop human resources, and improve the know-how of our employees, we established a base in our Gotanda office to hold training sessions.

Training sessions are held regularly

* **Building Information Modeling (BIM)** is a method for constructing a building data model consisting of virtual 3D information and unified information utilized for planning/construction/maintenance. We promote the utilization aiming to upgrade quality and raise the efficiency of planning/construction as well as workload reduction.

Human Resources Strategy

“Smart WORK” working style reforms and diversity

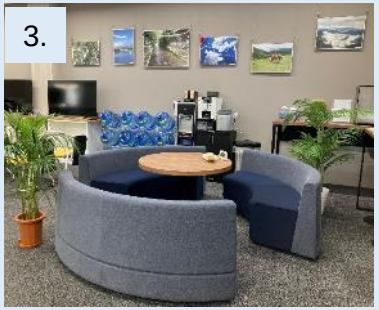
Work style reforms

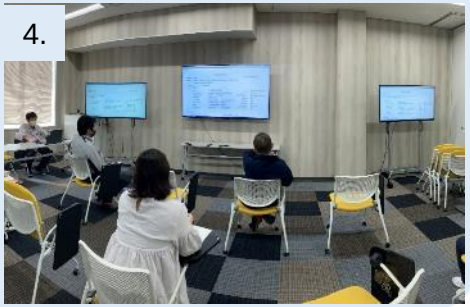
System reform

- ✓ Promotion of taking childcare leave for male employees
- ✓ Revision of the refresh leave for childcare, nursing, and long-term care.
- ✓ Consideration of systems for utilizing senior employees

Renewal of Kansai Branch Office

- ✓ New layout for better communication and collaboration between departments
  1. Free address system
  2. Refreshment corner
  3. Concentration booth (individual concentration seat)
  4. Conference room with multiple monitors for presentation





Diversity

Hibiya Group Action Plan

	Previous 5-year plan 2016.4～2021.3		**New 5-year plan 2021.4～2026.3**
Target Items	2016.4	2021.3	5 years Target
Ratio of women in hiring	20% or more for 5 years		20%+
% of women in management	1.5%	4.6%	6%+
% of male taking childcare leave	2 employees in the 5-year period		15%+

Women's Career Design Project

- ✓ Enable females to continue working while maintaining work-life balance
- ✓ Career model for administrative and technical staff members

Dialogue meeting with supervisors

ESG initiatives

Contribution to a sustainable society and increase corporate value

■ **Established ESG Promotion Office in June 2021 to contribute to a sustainable society**

: Current initiatives　Initiatives to be strengthened

E Commitment to the environment

■ **Environmental management**

ISO 14001 (all divisions in September 2009)
- Operation of environmental management system

Improve "quality" and "scope" in environmental activities
- Measures consistent with the revised Corporate Governance Code

S Commitment to society

■ **Investment in human capital**

Diversity (Please refer to page 17)

Health and wellbeing
- Actions to increase medical check-up rates
- Health promotion: exercise, seminar training, awareness raising, etc.
- Mental training

■ **Quality management**

Quality management based on ISO9001 (extended to all offices in December 2009)

■ **Contribution to society**

- Strengthen measures to contribute to a sustainable society and regions

G Approach to governance

■ **Response to the Corporate Governance Code revision**

- Prepare for listing on the Prime Market

■ **Data security**

ISO27001 (acquired in June 2014)
- Continuing the operation of the Information Security Management System

■ **Assure management transparency**

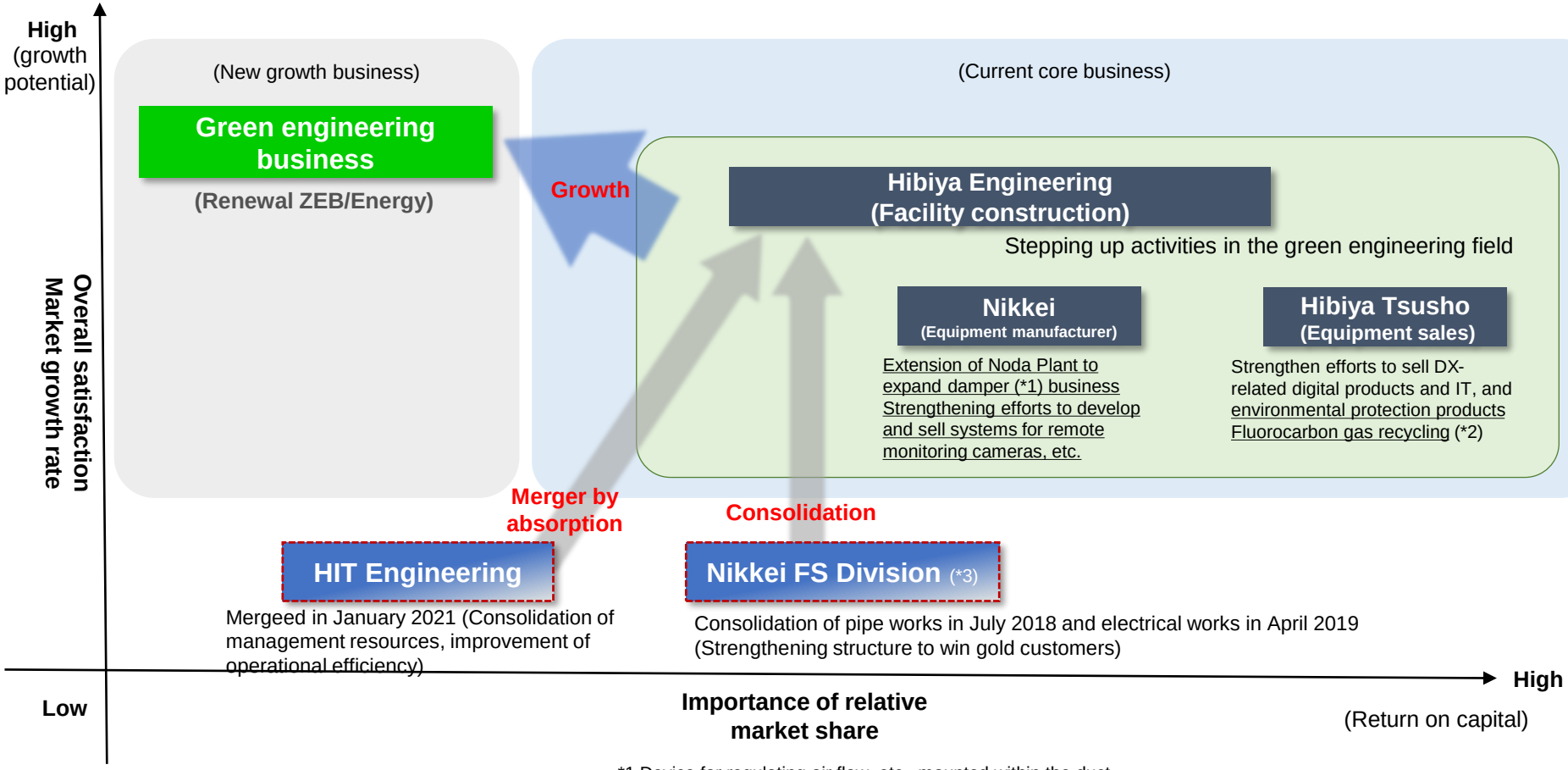
Improve quality of IR

- August 2021: Renewed the corporate website site and improved information disclosure

Group Growth Strategy

Organically develop the Group's value chain

Enhance the functions of each Group company, achieve growth in each segment, and leverage synergies to become a green engineering company



*1 Device for regulating air flow, etc., mounted within the duct
*2 CFC reclamation projects with lower CO2 emissions compared to destruction processes
*3 The Facility Services Department responsible for the installation of equipment and post-completion services, etc.

Major completed projects in the first half

Completed Projects (1)

Category	Name	
Data centers /Information	Data center A	(New: Air conditioning /sanitation / electrical)
	Data center B	(Renovation: Air conditioning)
Office buildings	**KAWASAKI DELTA office building**	(New: Sanitation)
	AP Eltage Gusukuma	(New: Air conditioning /sanitation / electrical)
	Kanda Izumu-cho Plan (tentative name)	(New: Air conditioning /sanitation)
Manufacturing /Distribution	**Murayama factory Asadaame Co., Ltd.**	(New: Electrical)
	Haneda Chrono Gate	(Renovation: Sanitation)
Education	Ohkagakuen Highschool	(Renovation: Air conditioning)
Hotels	Hotel Chinzanso Tokyo	(Maintenance: Air conditioning)

KAWASAKI DELTA office building

Largest office building in Kawasaki area

Location	Kawasaki city, Kanagawa
Floor area	134,673m^2
Structure	29 stories above ground/2 stories below ground
Hibiya's work	Sanitation

Completed Projects (2)

AP Eltage Gusukuma

New office space
along the major trunk road

Location	Orasoe city, Okinawa
Floor area	11,369m^2
Structure	7 stories above ground
Hibiya's work	Air conditioning/sanitation

Murayama factory Asadaame Co., Ltd.

Pharma factory of a long-established company

Location	Higashimurayama, Tokyo
Floor area	3,819m^2
Structure	2 stories above ground
Hibiya's work	Electrical

Reference

Create the Future of Hibiya (1)

◆ Needs involving buildings are likely to shift from new construction to the utilization of existing buildings in response to the rising public interest in climate change and sustainability. Create the Future of Hibiya aims for growth along with a focus on decarbonization and low-carbon technologies at renovation projects.

【Goals of Create the Future of Hibiya】

Opportunities	● Needs involving zero emissions building (ZEB) technologies for decarbonization, low carbon and resource recycling ● Growth of the renovation market reflecting structural issues for buildings and cities ● Creation of smart cities based on self-sufficient, dispersed energy
Actions	● Use renovations for ZEB and “Re-ZEB” for energy efficiency plus people-friendly properties (pleasant work spaces, health, etc.) ● “Beyond ZEB” for increasing real estate value ● “Composite ZEB” for recycling regional heat, electricity and water ● Build a new business model that matches changes to the profit structure due to using “Composite ZEB” for an energy management business and other actions
Our reputation	● Incorporate Create the Future of Hibiya activities in ESG measures to contribute to society ● Earn recognition as a green engineering company with technologies for a sustainable society ● Create businesses with substantial added value by using ZEB technologies targeting mainly the renovation market ● A new stage of growth as an engineering company for smart cities
Progress	● Develop technologies, strengthen the technology development infrastructure ● Establish strategic task forces for human resources, technologies and other resources and for construction experience ● Investments for business alliances, M&A and other activities ● Sales channels (switch from local governments to public-sector companies)

Create the Future of Hibiya (2)

【Roadmap for “green engineering”】

	Next 3 years Model construction and trials	3 to 7 years Trials and implementation	7 to 10 years Implementation and establishment
Market outlook	ZEB renovation needs mainly for local government	ZEB needs expand to the private sector	Emergence of self-sufficient, dispersed cities with local production and consumption
New technologies	Create Re-ZEB technologies	Establish Hibiya ZEB	
	Storage battery/heat storage systems Research for reused energy and unused energy	Create composite energy use technologies	
	Cloud open building automation system (BAS) partnerships/automatic control	Acquire our own instrumentation know-how	
	Gray water treatment technologies	Gray water facility installation technology	
Strategies	◆Establish project teams for specific strategic objectives ◆Human resources (establish academy, give people advanced know-how) ◆Capital (seek alliances and partners, M&A)		

Become a green engineering company

- Re-ZEB
- Composite ZEB (Smart cities)
- Grid technologies (heat/electricity/water)
- Digital transformation (DX)
- Energy management

Use Composite ZEB and other recycling technologies for zero-emission cities

More progress and growth by using technology and information assets

The Digital Transformation (1)

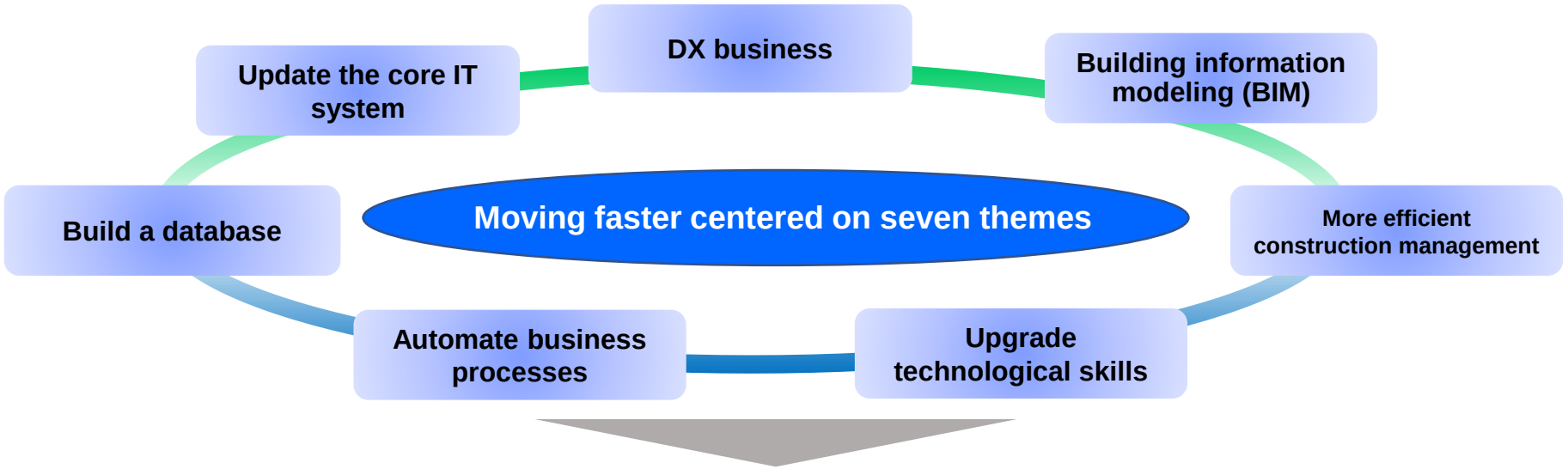
- **New services backed by equipment using smart office and other ICT/digital technologies**
- **Proposals and construction for value-added systems for growth of the solutions business**

Business strategy

Assemble a framework for DX business activities to expand to new market sectors, develop and acquire new technologies, proposals using new technologies, demonstrations of benefits of new technologies

Working style reforms

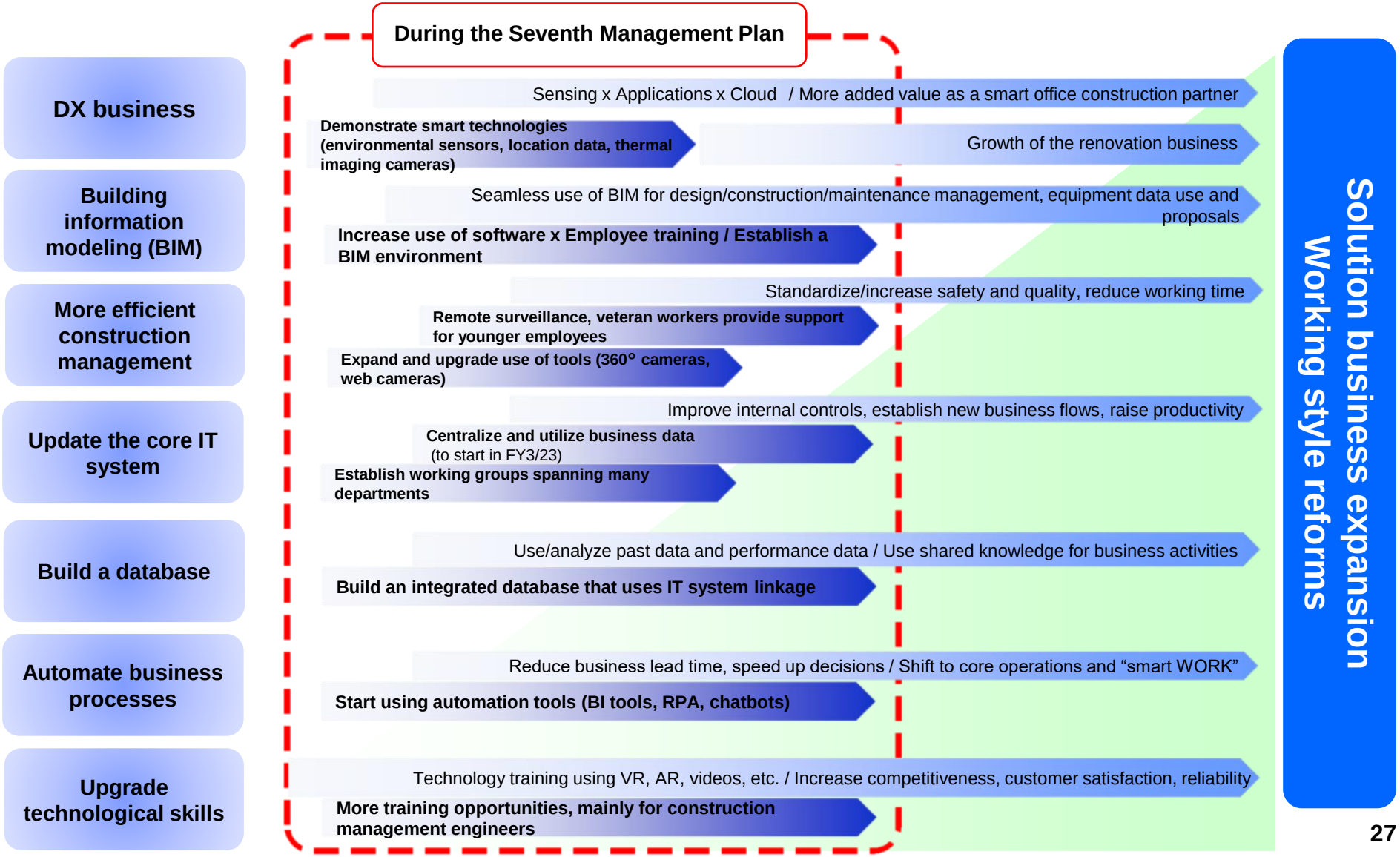
Use the DX for more efficient working styles and the use of many ways of doing jobs that are not restricted by time of day or locations (telework, shifts, etc.)



Use these measures for standardizing business processes and DX progress

The Digital Transformation (2)

Hibiya Engineering Group activities based on the Seventh Management Plan



Initiatives in Decarbonisation and Energy-saving Business

Alliance-based decarbonisation and energy saving projects

Needs

- **Maintaining power supply in case of power failure**
- **Measures against infectious diseases and for reducing CO_2emissions**
- **Improvement of evacuation facilities and hygiene**

Equipment installed
(Power supply, environmental measures, and CO_2 reduction)

(Solar power + battery)

(Cogeneration, GHP with independent operation functions)

(Toilets renovated)

(Air conditioning installed)

(LED lighting)

Business groups

HIBIYA ⇔ Alliance ⇔ **Consultancies, etc.**

Role: Investigation, installation, and maintenance of existing facilities to conserve energy and reduce CO2 emissions
Partner with local companies to support regional revitalisation

Equipment installation

Matsudo City Elementary and Middle School: Renovation of toilets (installation of western-style toilets, automatic plumbing, and LED lighting, and the replacement of air-conditioning equipment)
Refurbishment of the building into a barrier-free disaster prevention and evacuation center with infection control facilities

Manazurucho Funeral Hall: GHP renewal, LED lighting, Disaster resilience
Refurbishment of disaster prevention and evacuation center with power supply and environmental measures.

Leverage previous experience

Prefectural facilities in Nagano
LED lighting on bulk-lease basis to reduce CO_2 emissions

Manazurucho, Kanagawa
Self-supporting and decentralized energy equipment project

Sango-cho, Nara
Strengthening carbon management and other projects

Strengthen the on-site follow-up system

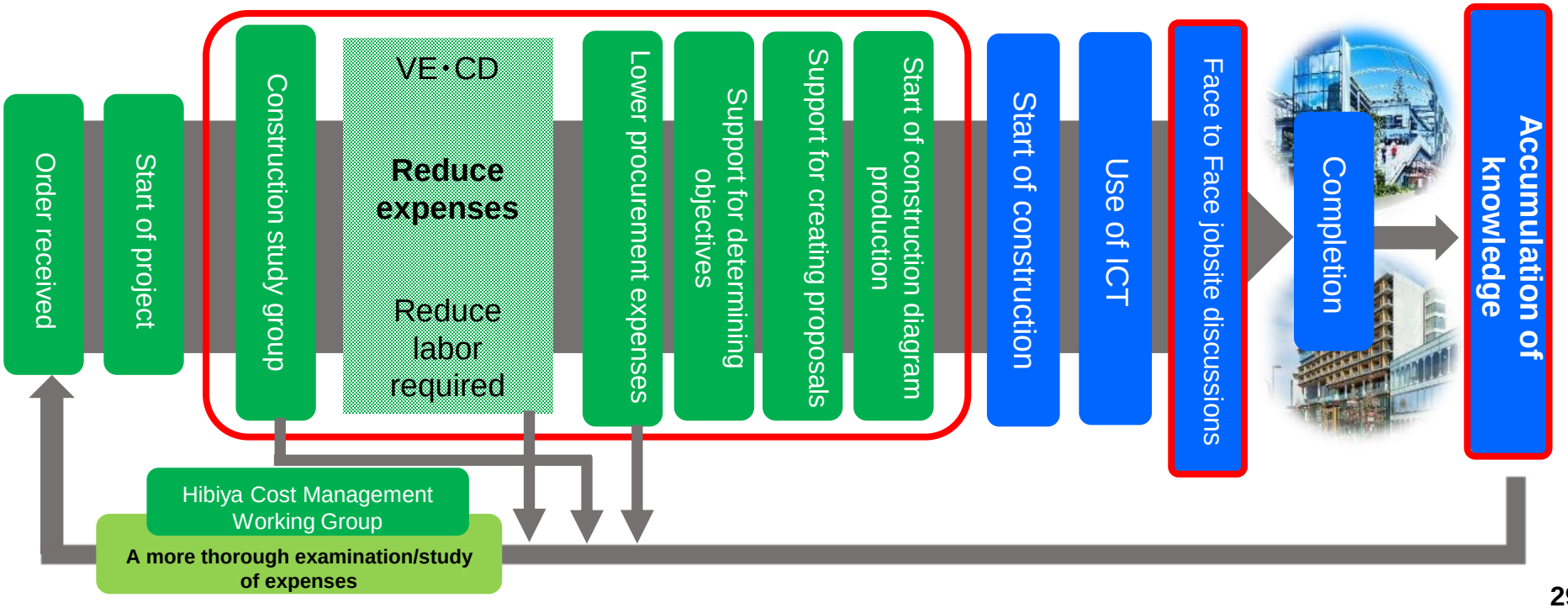
ONE TEAM Project and Face to Face Project

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

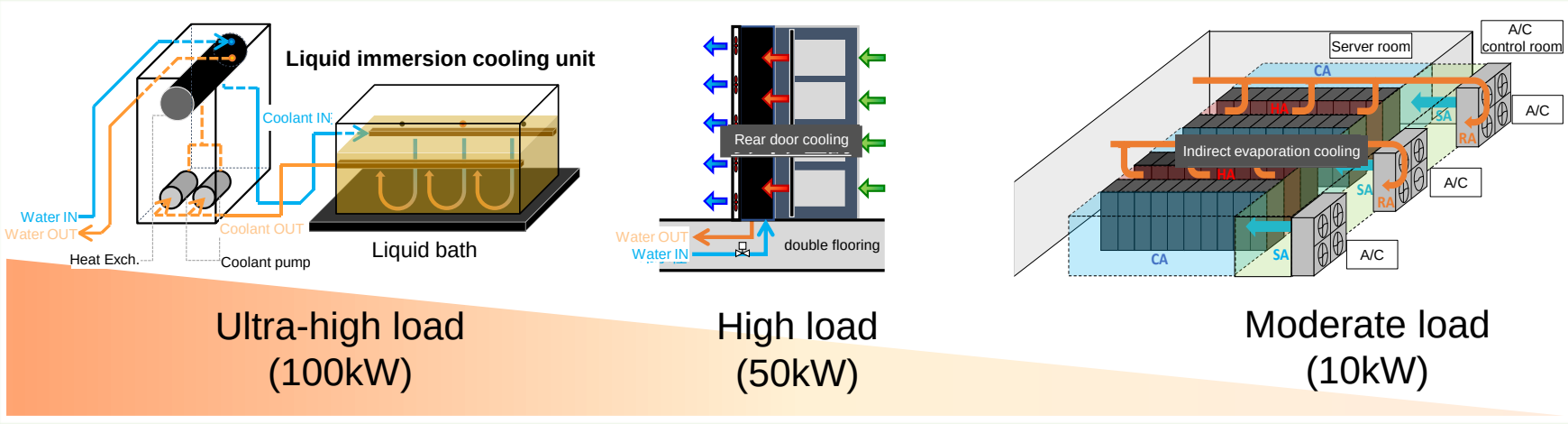


Initiatives in Data Center

Capabilities for all data center cooling needs, from new construction to updates

■ Expertise for installing ultra-high-load cooling systems and verifying performance

Installation and verification of new cooling systems



Ultra-high load (100kW)

High load (50kW)

Moderate load (10kW)

Cooling System Renovation (cooling capability)

3/2021	41MW	>1,500 units
3/2020	51MW	>1,600 units
3/2019	40MW	>1,100 units

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 important locations

Data center operators

Extensive use of external air

Outdoor air

Cooling using external air

Design offices

HVAC construction company

Electrical work company

Exchange of data/IoT

High-temperature compatible servers

40℃

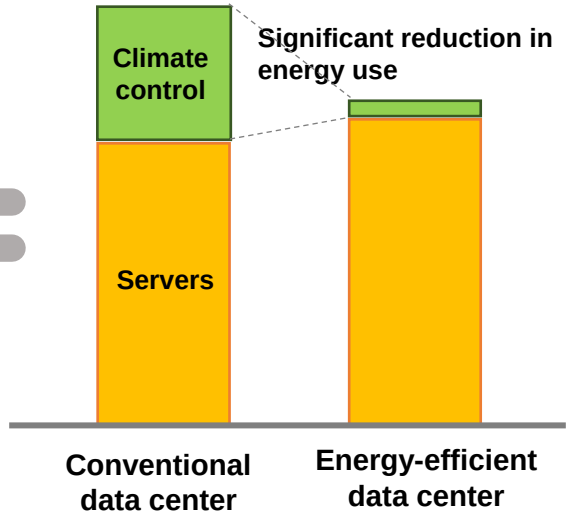
Server manufacturers

CPU manufacturers

Communication companies

Minimizes A/C energy use

Saving at a Tokyo area data center



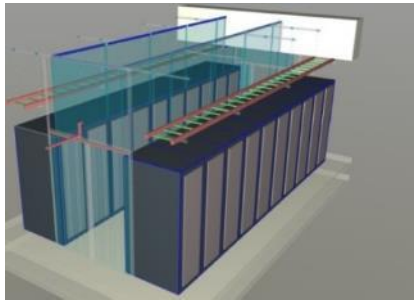
Aisle Capping for Smaller Computers in Data Centers

A flexible aisle capping system for small computer rooms

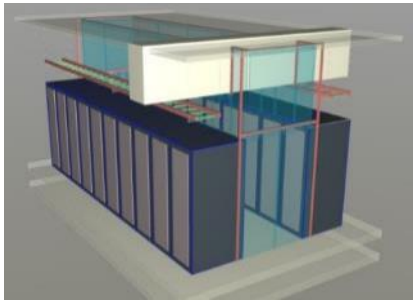
Features

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

Potential applications



Capping with ceiling



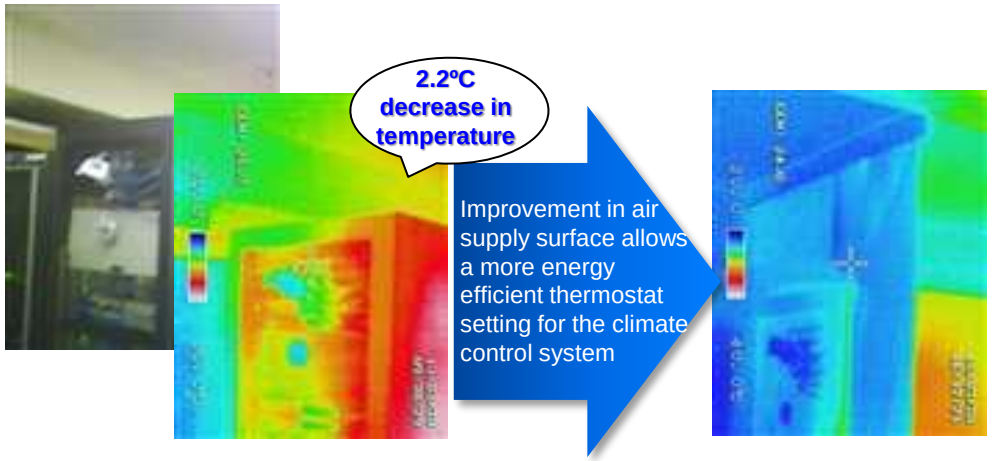
Capping with no ceiling

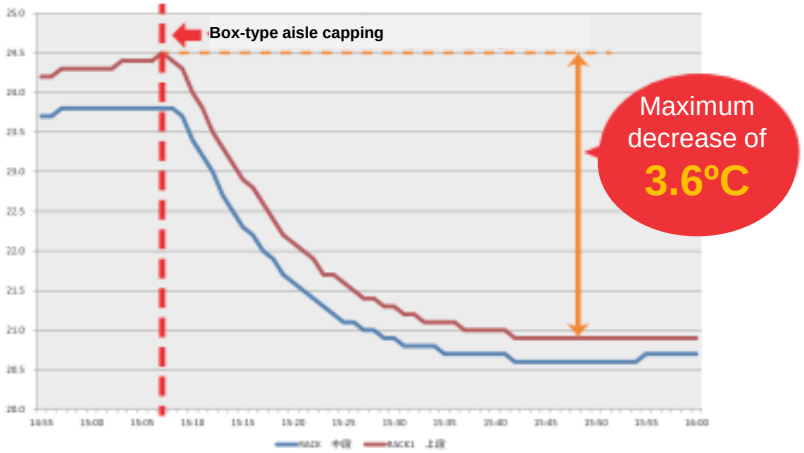
Capping in use

Installed under a ceiling beam

Box-type capping

Benefits

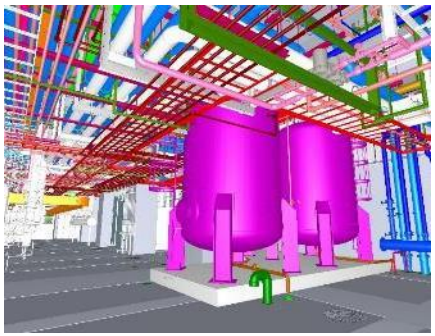
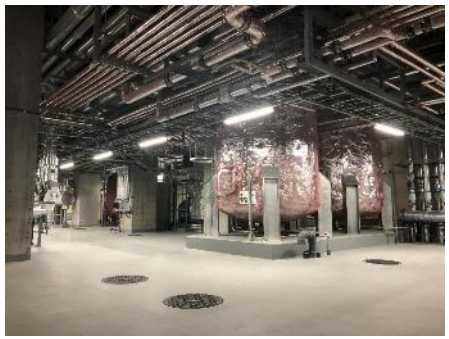




Examples of Building Information Modeling

BIM for constructing a new building with greater efficiency

- 3D imaging for determining placements of pipes and ducts relative to steel beams, braces and many other obstacles eliminates the risk of needing to redo a job.
- 3D presentations of the locations of equipment ensure trouble-free agreements between designers and project owners; customer response is very positive
- Using BIM for pipe processing orders, simulated deliveries and other items makes all tasks efficient and trouble-free

► No need to repeat tasks to fix mistakes


► Construction proceeds using adjusted diagrams

Advantages of using BIM

3D

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

Database links

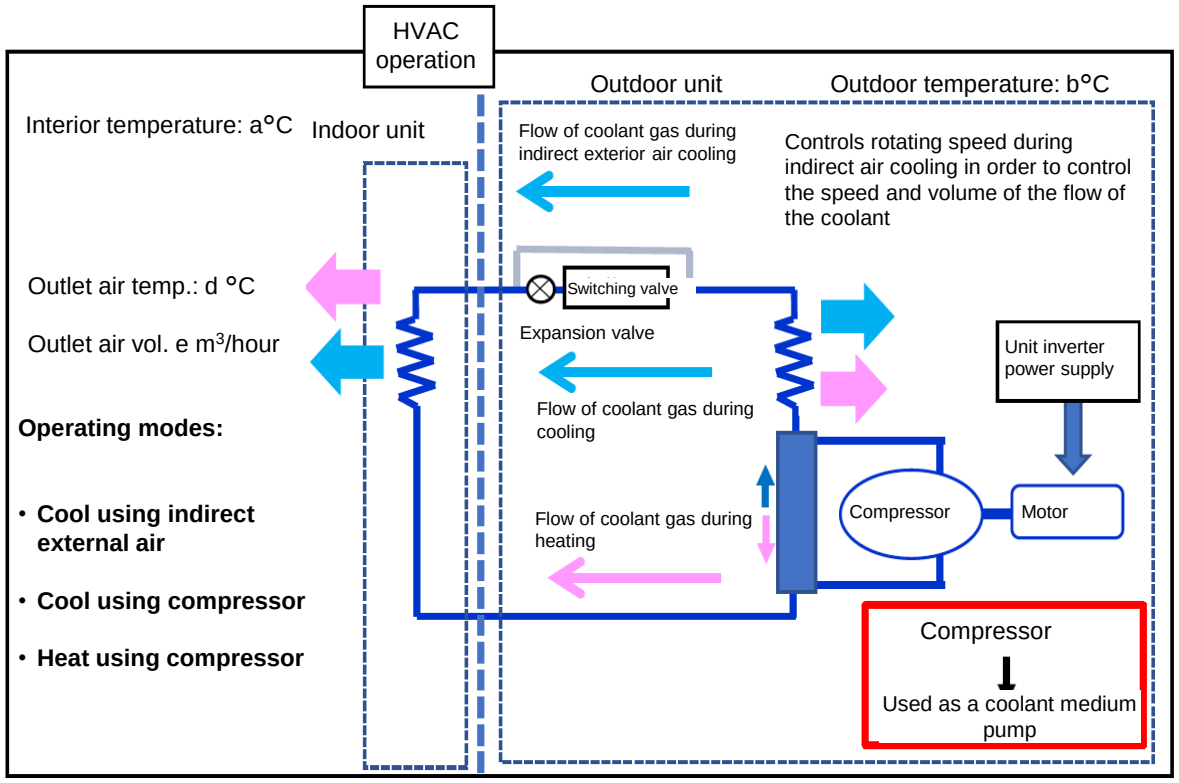
- **BIM-linked automatic calculations (loads, energy conservation)**
- **Automated equipment designs (device tables, device configurations)**
- **Use of information about building characteristics for maintenance operations**

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.

Major Patents and Patents Pending (1)

Patent for reusable energy use for carbon neutrality and decarbonization

New patent — Air balance unit* (Indirect external air heater/cooler)



*Patent no. 6800283 (Registered November 26, 2020)

Features

- **Automatic selection of operating mode** based on the thermostat setting and outdoor temperature
- When the outdoor temperature is low, the compressor is used as a **coolant pump**

Benefits

- **Energy-efficient heating and cooling** by reducing power required to operate the compressor
- **Eliminates wasted energy use** by quickly switching to a different operating mode as needed

Major Patents and Patents Pending (2)

Patent for reusable energy use for carbon neutrality and decarbonization

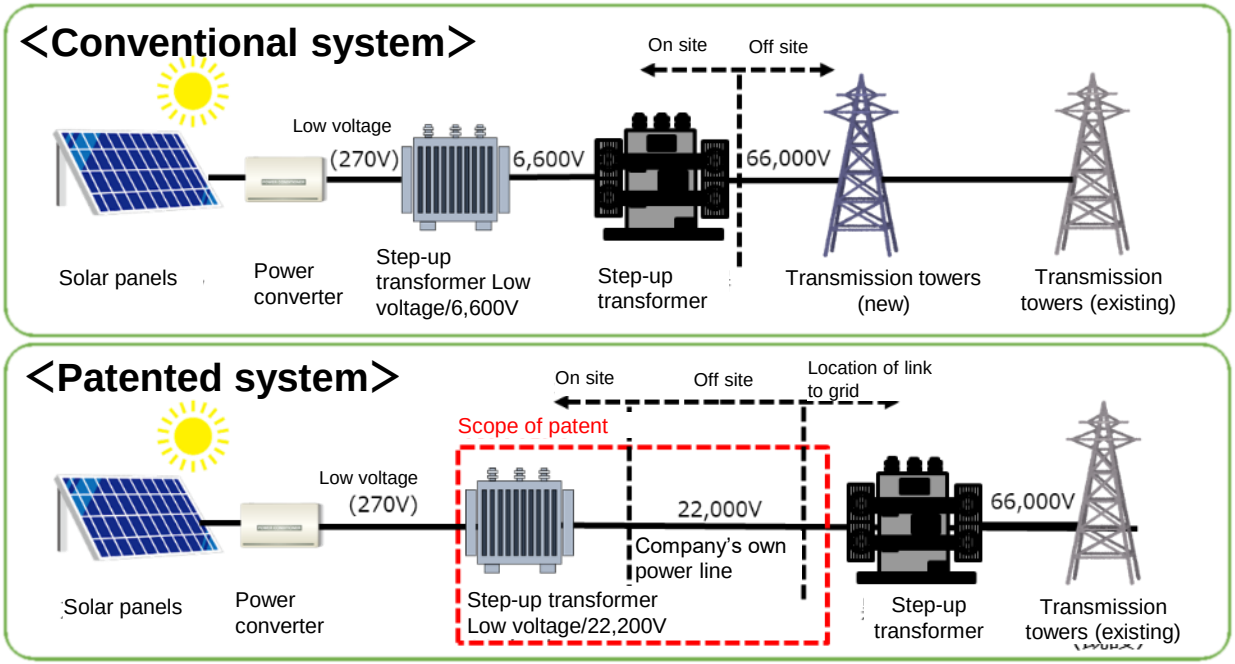
Patent pending — Extra-high voltage transmission system linkage for reusable energy[1]

1. Application 2021-009543 (January 25, 2021)

Applied for a patent for a reusable energy utilization system for energy sources other than solar power, a revised version of the existing patent for solar power utilization

Existing patent — Solar power electricity generation system[2]

2. Patent no. 6411114 (Registered October 5, 2018)



Feature

- The use of a company's own power line outside the company's business site simplifies the equipment needed for an extra-high voltage link with a utility

Benefit

- The system can be installed at a low cost and with a plan that is easy to implement

時代にまっすぐ、技術にまじめです。

Earnings Announcement

Hibiya Engineering,Ltd.

November 22, 2021