



Hibiya Engineering, Ltd.

(Stock code: 1982)

**Earnings Announcement for the
First Half of FY3/24**

November 20, 2023

Financial Highlights (consolidated)

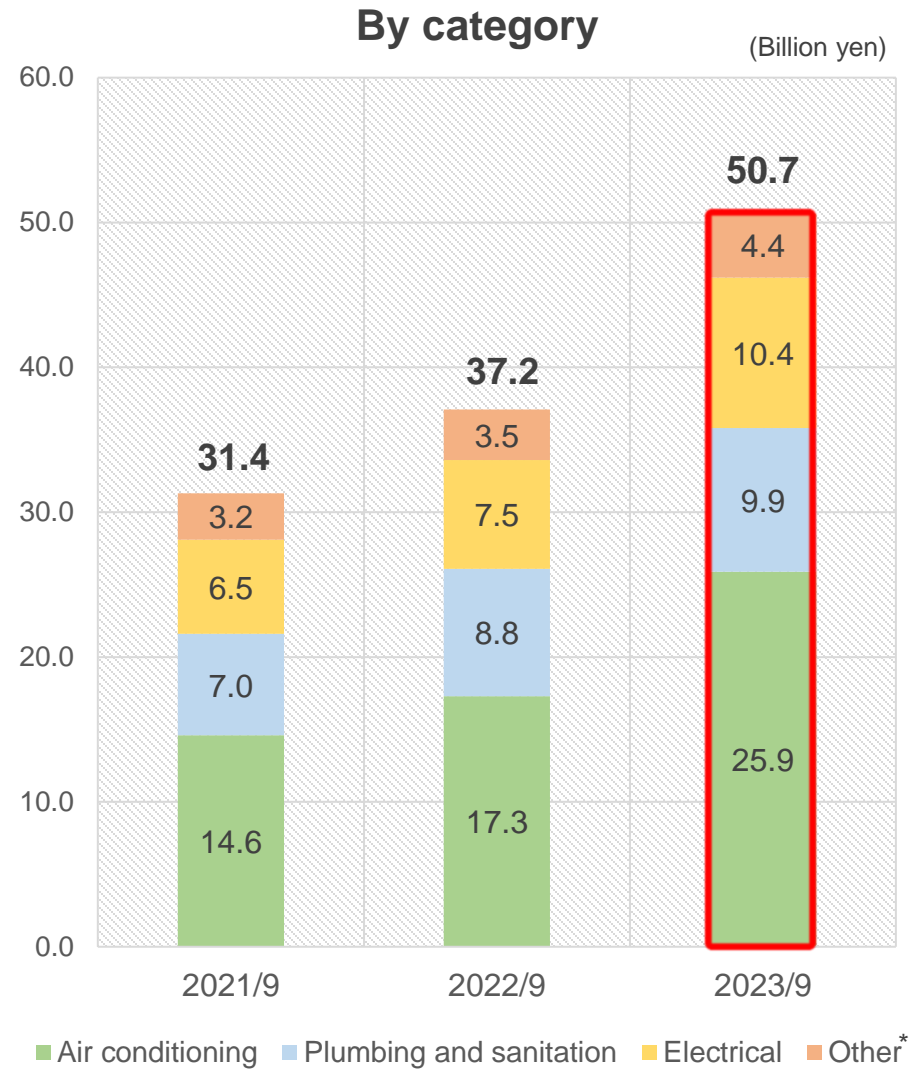
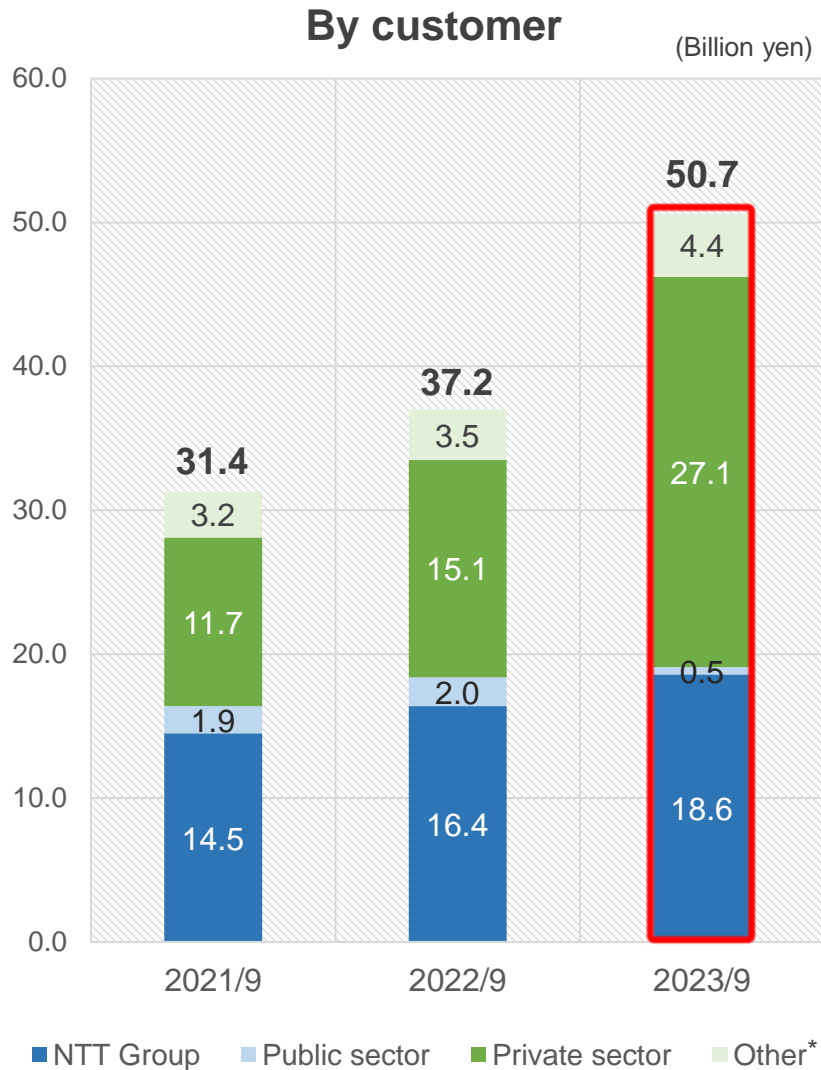
- Orders received were bullish. The Company won orders for a large data center in the private sector and for a large redevelopment project.
- Net sales rose YoY, reflecting the brisk performance of projects carried over from the previous fiscal year and those for which orders were received in the current fiscal year.
- For the current fiscal year, there were limited large, high-margin projects. However, operating profit, ordinary profit and profit attributable to owners of parent all increased.
- Results were almost as forecast at the beginning of fiscal year. Therefore, no change has been made to the forecast announced on May 11.

(Billion yen)

	2021/9	2022/9	2023/9	YoY	YoY (%)	2022/3 Actual (Full year)	2023/3 Actual (Full year)	2024/3 Forecast (Full year) <small>(Announced on May 11, 2023)</small>
Orders received	31.4	37.2	50.7	+13.4	36.2%	78.9	87.3	86.5
Net sales	33.2	28.6	33.0	+4.3	15.4%	75.4	83.9	85.0
Operating profit	3.3	0.7	0.9	+0.2	29.6%	5.6	5.9	5.0
Ordinary profit	3.6	1.1	1.4	+0.2	24.4%	6.1	6.6	5.5
Profit attributable to owners of parent	2.7	0.7	0.9	+0.2	26.7%	4.3	4.6	3.8

Orders Received (1): By Customer and By Category (consolidated)

■ Large projects in the private sector grew considerably.

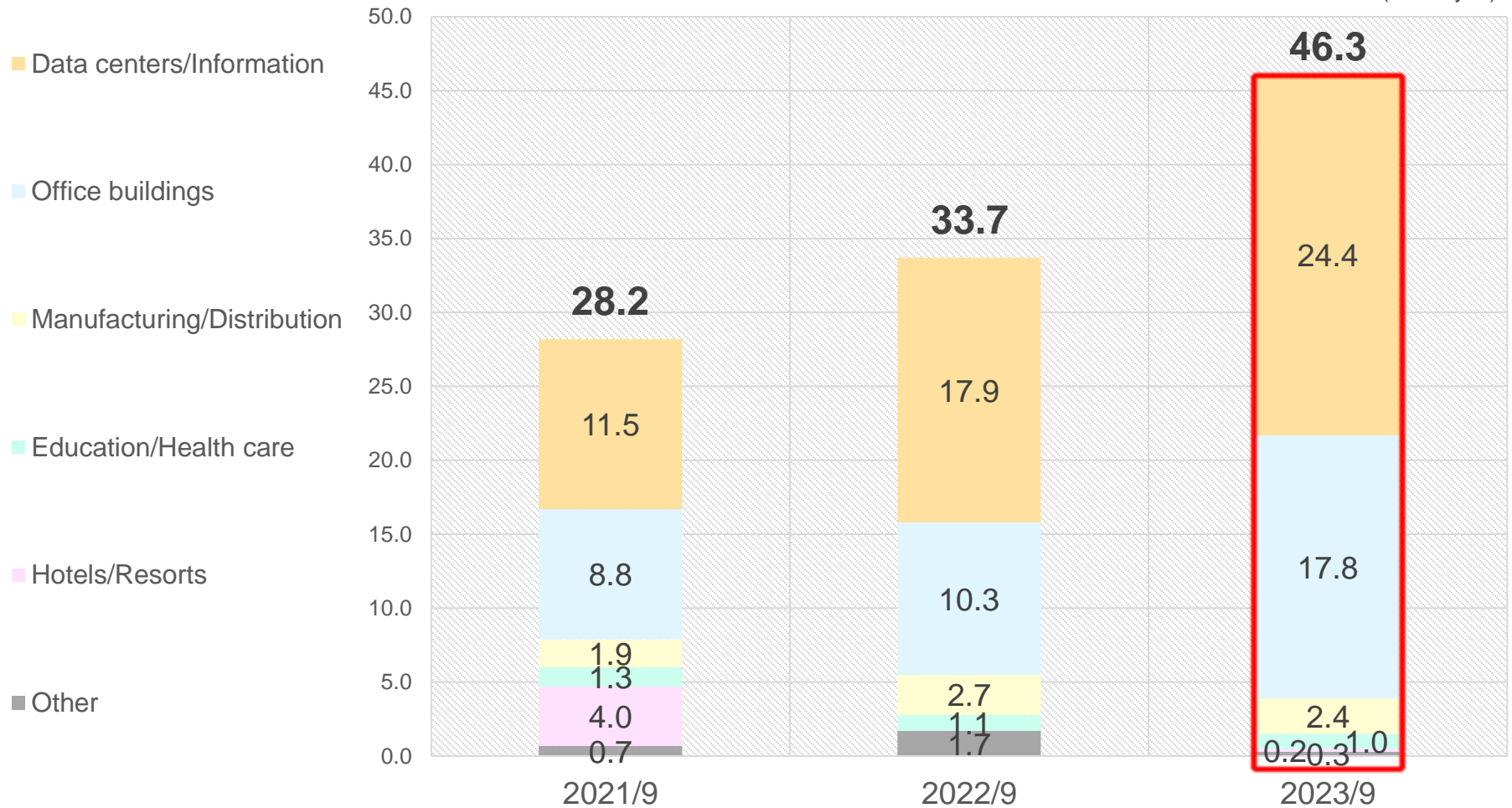


Orders Received (2): By Facility Category (non-consolidated)

- Orders for data centers and information and for office buildings increased.

Trend in orders received (non-consolidated)

(Billion yen)

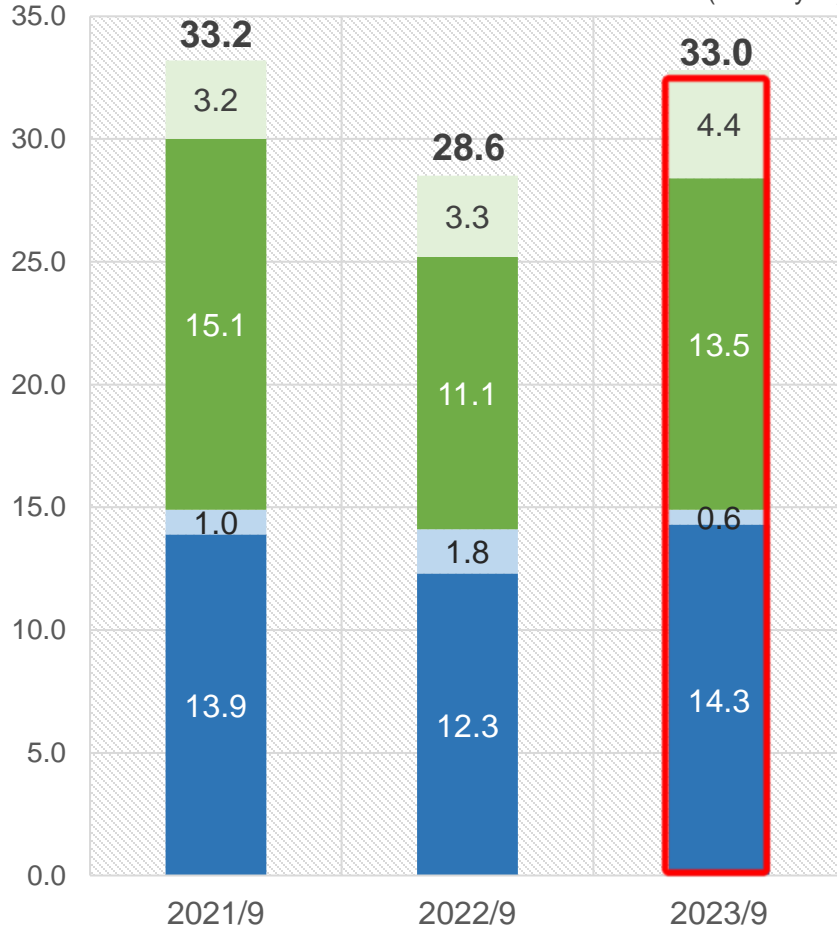


Net Sales (1): By Customer and By Category (consolidated)

■ Sales were strong both in the NTT Group and in the private sector.

Net sales by customer

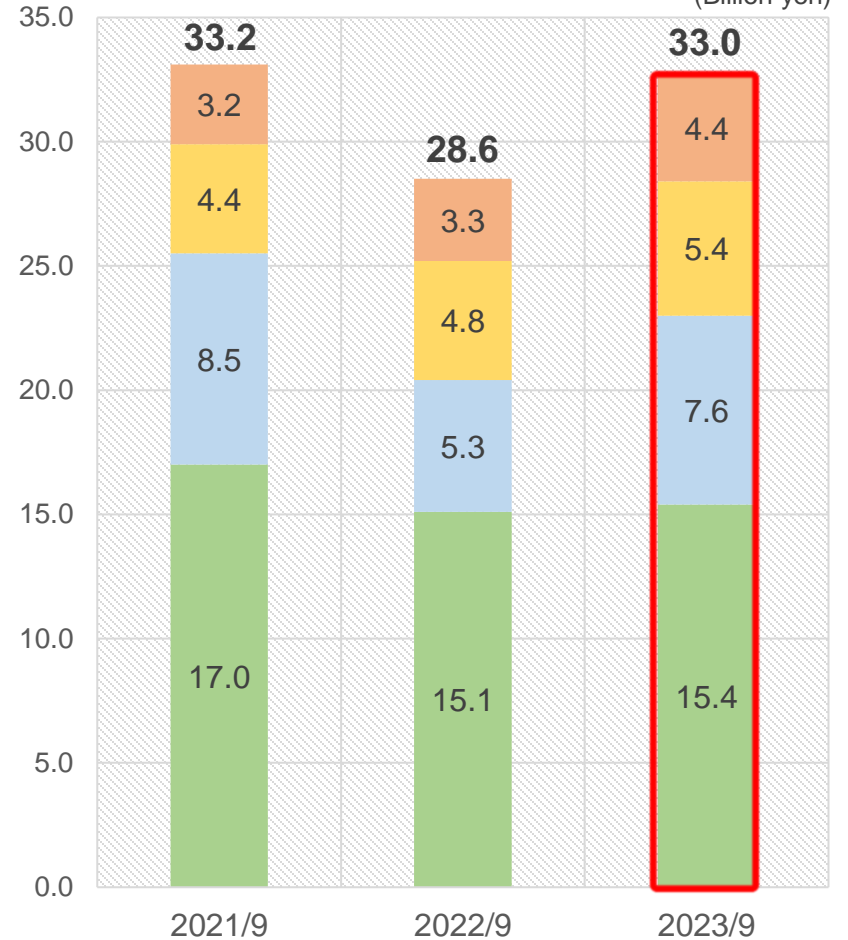
(Billion yen)



■ NTT Group ■ Public sector ■ Private sector ■ Other*

Net sales by category

(Billion yen)

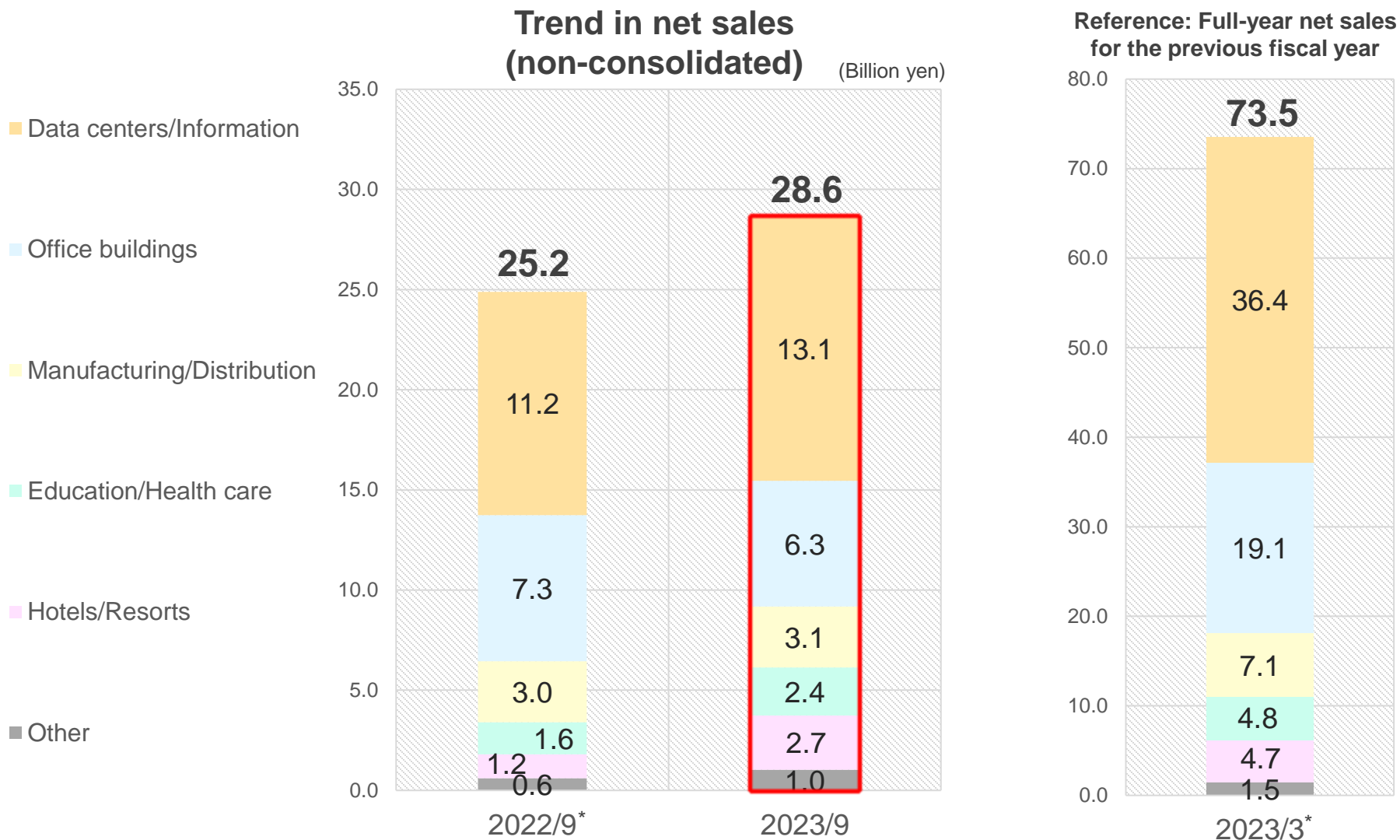


■ Air conditioning ■ Plumbing and sanitation ■ Electrical ■ Other*

* Sales earned by consolidated subsidiaries

Net Sales (2): By Facility Category (non-consolidated)

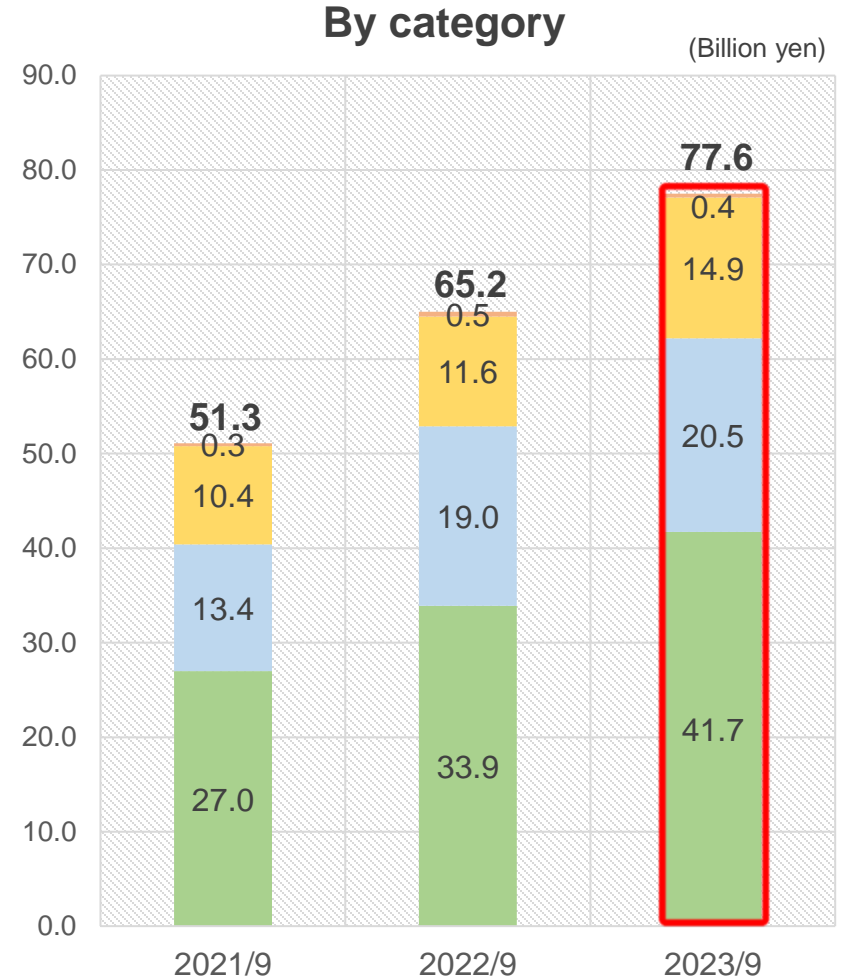
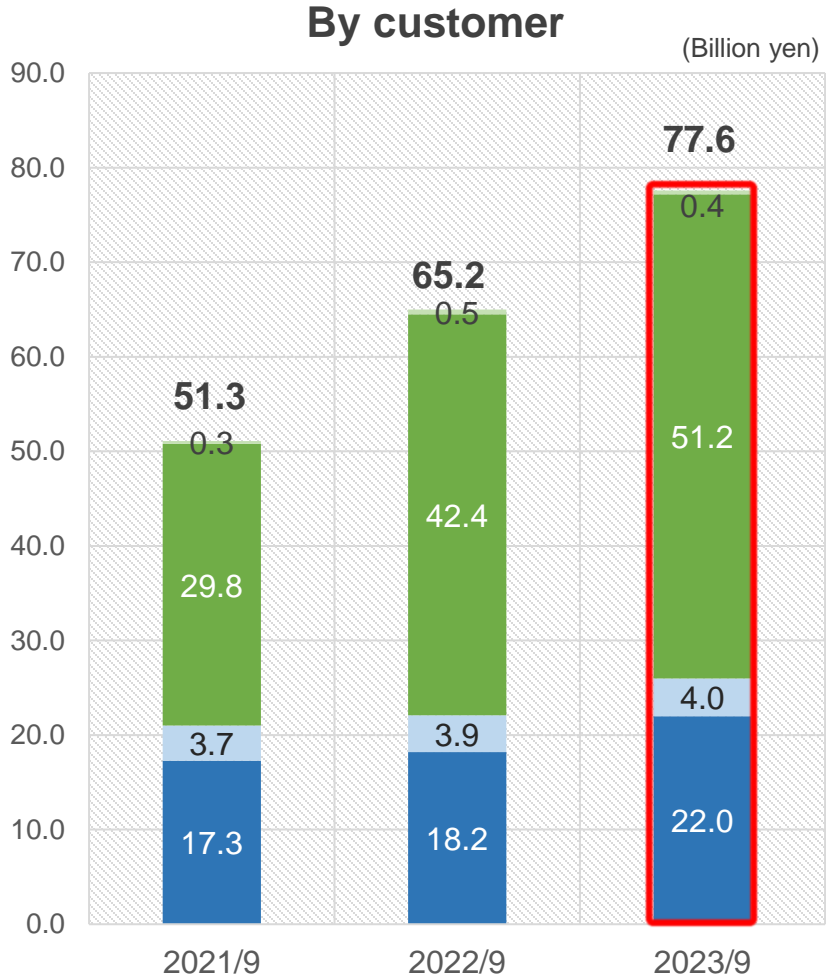
- While net sales in office buildings declined, those in other categories, namely data centers and information, manufacturing and distribution, education and health care, and hotels and resorts, grew in a well-balanced manner.



* Net sales by facility category for FY2022 reflect estimates. 6

Order Backlog by Customer and by Category (consolidated)

- The order backlog increased as projects in the private sector were larger in size than in the past.



■ NTT Group ■ Public sector ■ Private sector ■ Other*

■ Air conditioning ■ Plumbing and sanitation ■ Electrical ■ Other*

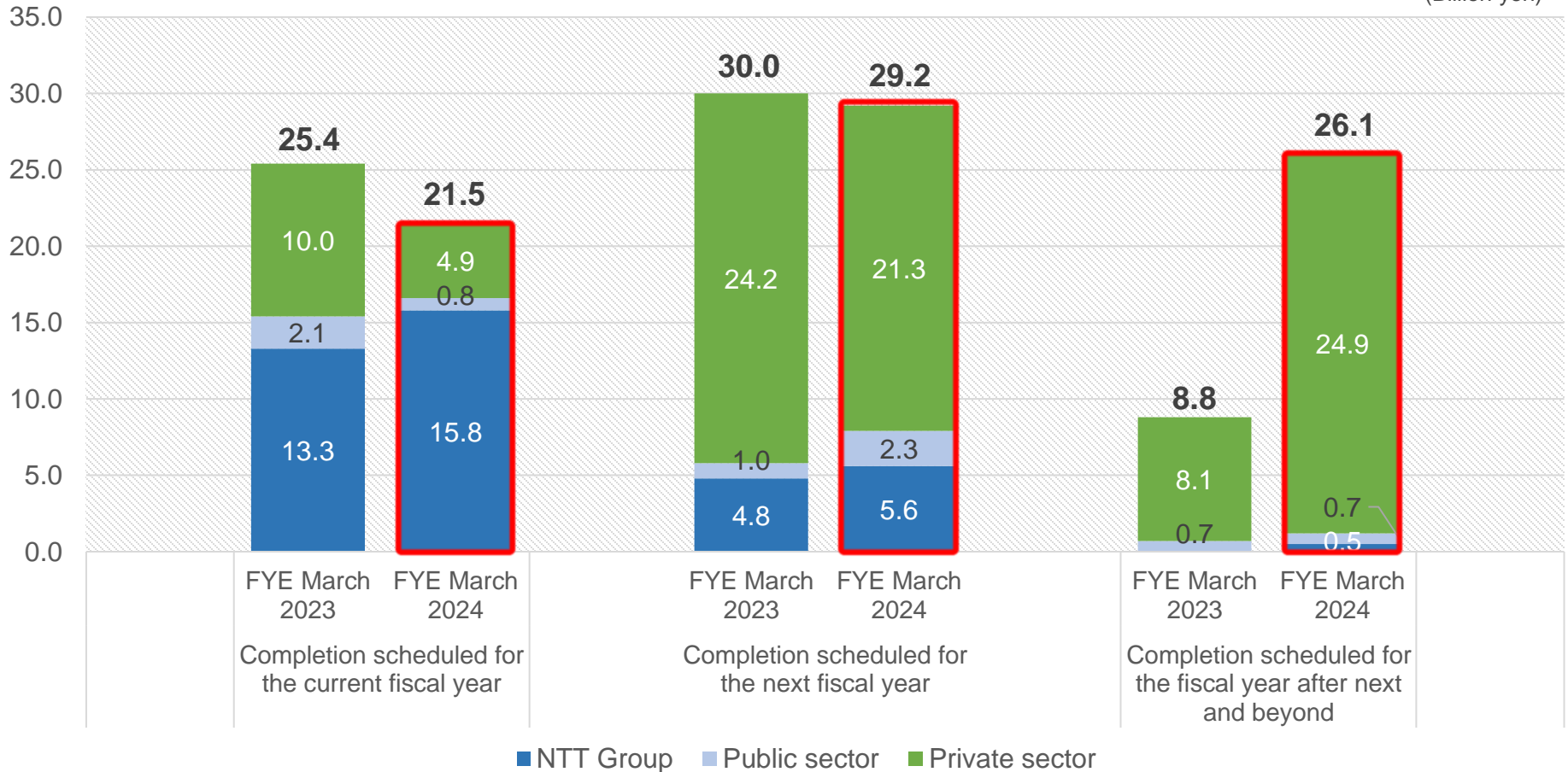
* Order backlog held by consolidated subsidiaries

Order Backlog by Year of Scheduled Completion (non-consolidated)

- Projects whose completion is scheduled for the fiscal year after next and beyond increased because of orders received for large projects in the private sector requiring long construction periods.

Order backlog by year of scheduled completion (non-consolidated)

(Billion yen)



Summary Income Statements (consolidated)

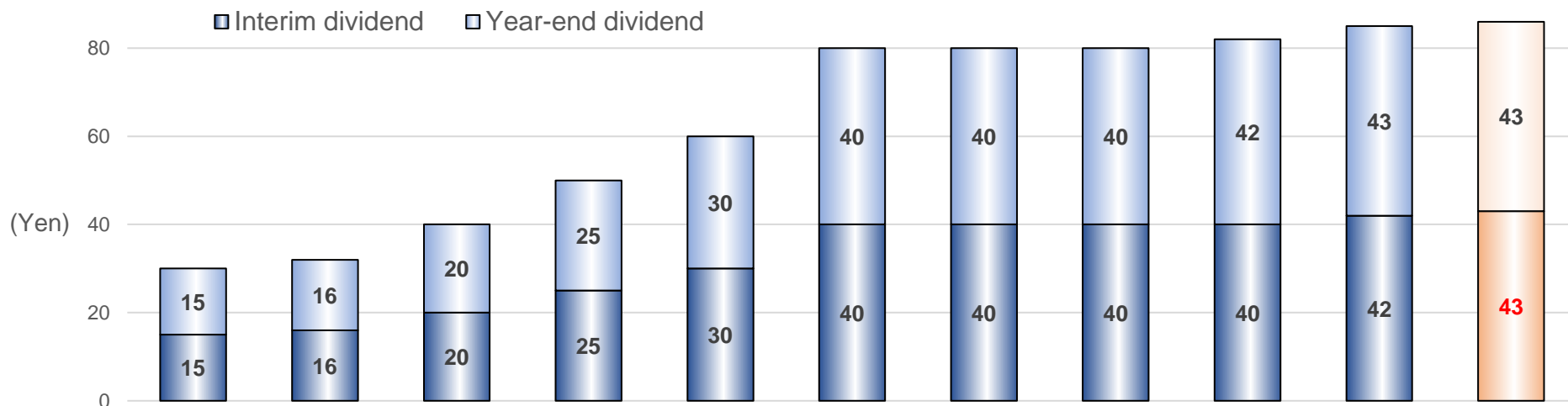
- There were a smaller number of large, high-margin projects than in the two preceding fiscal years. However, a gross margin of 14.9% was attained.
- Operating profit, ordinary profit and profit attributable to owners of parent increased YoY.

(Billion yen)

	2021/9 Actual	2022/9 Actual	2023/9 Actual	YoY	YoY (%)
Net sales	33.2	28.6	33.0	+4.3	15.4%
Cost of sales	26.0	23.9	28.0	+4.1	17.5%
Gross profit	7.2	4.7	4.9	+0.2	4.5%
Gross profit ratio	21.8%	16.4%	14.9%	—	-1.5%
SG&A expenses	3.8	3.9	3.9	-0.0	-0.3%
Operating profit	3.3	0.7	0.9	+0.2	29.6%
Non-operating income	0.3	0.3	0.4	0.0	14.6%
Ordinary profit	3.6	1.1	1.4	+0.2	24.4%
Extraordinary income (losses)	0.2	—	0.0	0.0	—
Income taxes	1.1	0.3	0.4	0.0	21.5%
Profit attributable to owners of parent	2.7	0.7	0.9	+0.2	26.7%

Shareholder Return (Trend in Dividend per Share)

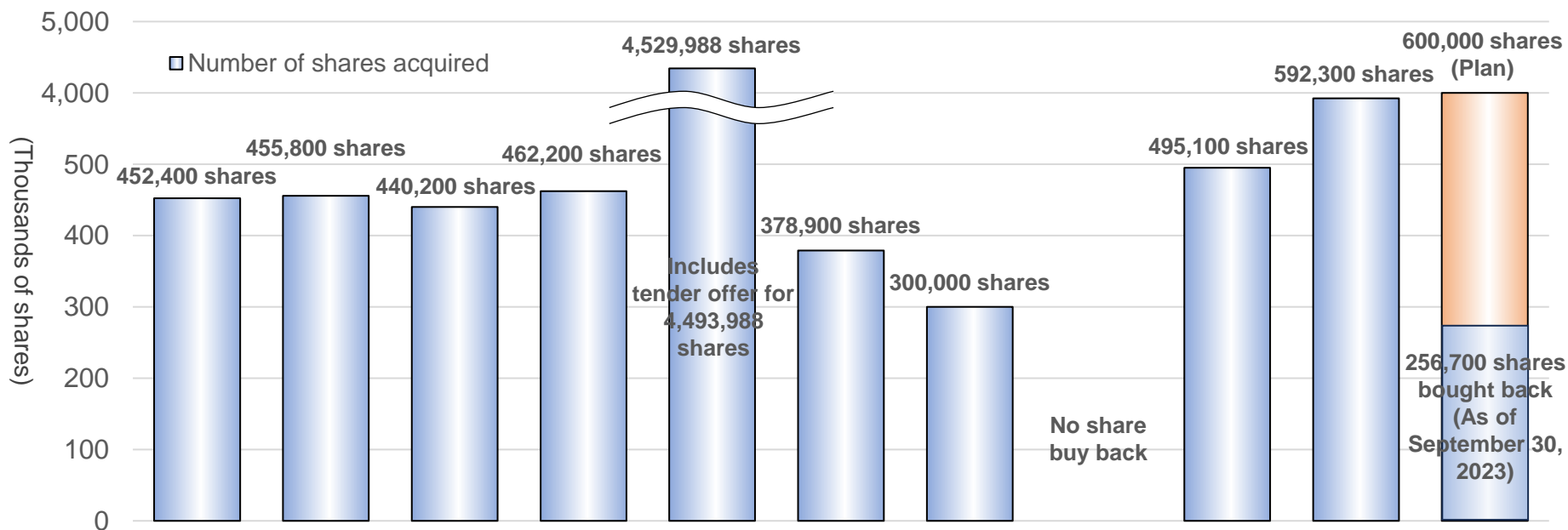
- Dividend** The interim dividend will be increased by 1 yen per share from the previous fiscal year, to 43 yen per share. (The annual dividend will be 86 yen per share.)
 (Previous fiscal year: 42 yen for interim dividend and 43 yen for year-end dividend --> This fiscal year: 43 yen for both interim and year-end dividends)



FYE	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3 (Forecast)
Interim dividend	15	16	20	25	30	40	40	40	40	42	43
Year-end dividend	15	16	20	25	30	40	40	40	42	43	43
Payout ratio (consolidated)	41.2%	36.5%	25.5%	28.0%	22.9%	71.9%	54.3%	62.1%	44.6%	42.4%	51.9%
	-	Period of the Fifth Medium-term Management Plan (average) 30.0%			Period of the Sixth Medium-term Management Plan (average) 49.7%			Period of the Seventh Medium-term Management Plan (average) 49.7%			-
DOE	1.7%	1.7%	2.1%	2.5%	2.7%	3.3%	3.3%	3.2%	3.2%	3.1%	-

Shareholder Returns (Trend in Share Buy Backs)

■ Treasury shares	Plan	600,000 shares	1.5 billion yen	(Upper limit)
	Result	256,700 shares	0.59 billion yen	} * As of September 30, 2023
	Progress	42.78%	39.97%	



FYE	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3 (Plan)
Buyback amount (Billion yen)	0.49	0.72	0.70	0.75	11.09	0.70	0.56	—	0.94	1.13	1.5

Eighth Medium-term Management Plan Initiatives

Eighth Medium-term Management Plan Basic Policies

Deepening Core Business

- Initiatives regarding the Company's data centers
- Expansion of the data center market
- Data center technologies available from the Company

Expanding Business Areas

- Achievements and potential of ZEB technologies

Strengthening Management Foundation

ESG Management

- Workstyle reform and increase of communication
- Initiatives regarding the environment and governance

Expertise Cultivated through NTT Group Facility Projects

Building
life cycle




High quality

- Provide services aligned with the life cycle of buildings
 - Carry out renovations without the suspension of customers' operations and communication equipment

- High quality technologies cultivated in the construction of telecommunications station buildings
 - Build resilient high-performance equipment and systems

Long history of high reliability in the area of telecommunications



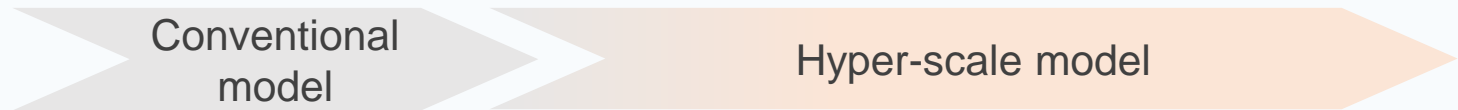
Receive more orders related to data centers
(new construction and on-demand processes*)

Expansion of the Data Center Market

Need for high-capacity data communication processing due to the advancement of cloud, AI and other technologies

Trend towards high-density and hyper-scale* data centers

- Significant increase in power consumption
- Expansion of floor area



Use	<ul style="list-style-type: none">• Network services• Colocation services	<ul style="list-style-type: none">• Cloud services• E-commerce sites, etc.	<ul style="list-style-type: none">• Generative AI and other new business domains (e.g. ChatGPT)
Power consumption (Rack heat generation)	Up to 5 kW per rack (Low load)	Up to 10 kW per rack (High load)	Up to 80 kW per rack (Very high load)
Floor area	Approx. 500 m ²	Approx. 5,000 m ² ~	Expect to vary considerably depending on the scale of generative AI

* A hyper-scale data center is any data center with a server room floor area of 5,000 m² or more and a power capacity of 6 kVA per rack or more.

Data Center Technologies Available from the Company

Technologies related to data centers

Side-wall air supply air conditioning

... See page 24 of the reference material.

Supplying cool air from all the outlets of the air conditioner installed on the indoor wall surface
(An air conditioning method for high capacity cooling)

Air conditioning using outdoor air

... See page 25 of the reference material.

Cooling servers and other devices with the use of cool outdoor air in winter and in mild-temperature seasons*
(A high energy efficiency air conditioning method)

* Spring and fall seasons when people can feel comfortable to some extent without cooling or heating

Heat load test

... See page 26 of the reference material.

A test simulating heat generation to check that cooling is properly performed
e.g., verifying the function of the installed air conditioning system, optimizing temperatures in server rooms and rack air inlet temperatures and verifying the function of backup systems used in the event of an air conditioning failure

Immersion cooling systems

... See page 27 of the reference material.

Servers and devices are directly immersed and cooled in a liquid tank filled with liquid coolant*
(A next-generation cooling method)

Achievements and Prospect of ZEB Technologies



ZEB Ready acquired
Kamigori-cho Town Hall
Main Building



ZEB Ready acquired
Miyagi Daihatsu Sales
Ogawara Store



Acquisition of ZEB
Second Experiment Building,
TOA Development and
Research Center



Acquisition of ZEB
New Kurasawa Construction
architect office building

2030

CO2 emissions
-46%

2025

Future aspirations

- Establish a firm position as a ZEB planner
- Strengthen actions for local governments' ZEB projects
- Strengthen actions for ZEB projects in the private sector

2023

2023: ZEB certification acquired

Design and construction of the Second Experiment Building at TOA Development and Research Center
Consulting on a new Kurasawa Construction office building

2022: ZEB Ready certification acquired

Consulting on the Miyagi Daihatsu Sales Ogawara Store

2020

2021: ZEB Ready certification acquired

Design and construction of Kamigori-cho Town Hall

2018: ZEB planner registration acquired
ZEB29P-00083-PGC

◇ Feasibility study operations

- 2022: ZEB Ready
Project planning on the resilience-type ZEB renovation of the Obuse-machi Town Hall building
- 2023: Consulting on ZEB Ready certification acquisition
Feasibility study on the conversion of three existing Nishinomiya City government public buildings to ZEBs
- Consulting on the potential ZEB Ready certification an archeological museum in a city
- Many other studies on the conversion of stores to ZEBs

Seventh Medium-term
Management Plan

Eighth Medium-term
Management Plan

Nineth Medium-term
Management Plan

Tenth Medium-term
Management Plan

Workstyle Reform and Increase of Communication

Encourage the active participation of women

Career design project for women activities

- Round-table talk involving female managers (May 2023)
- Meetings to encourage women to actively participate at small branches (Sep. 2023)
- Seminar and inspection tour by the Society of Female Construction Equipment Engineers* (Oct. 2023)

* Organized by the Japanese Association of Building Mechanical and Electrical Engineers



Eruboshi (two-star) certification
acquired in May 2019



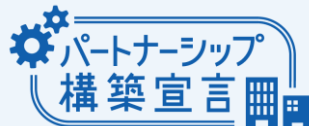
Communication with business partners

Sharing quality and safety awareness

- Online collaboration association portal
- Opinion exchange meetings
- Safety conferences
- Safety training
- Mastery recognition program



Partnership Building Declaration
(announced in Sep. 2023)



Office upgrades

Introduce diverse workstyles and improve work efficiency, productivity and engagement

Status of implementation

Medium-Term Management Plan	Location	Status
Eighth plan	Tokyo Main Office	Underway
	Kyushu Branch	Finished in Sep. 2023
Seventh plan	Toyama Sales Office	Finished in Mar. 2022
	Okinawa Branch	Finished in Mar. 2022
	Kansai Branch	Finished in Jun. 2021

Kyushu Branch after renovation finished in Sep. 2023



Communication area



Internet conference booth

Initiatives Regarding the Environment and Governance

■ Initiatives regarding carbon-free management

Extension of scope for calculating greenhouse gas emissions (from FYE March 2023)

- Extension of scope for calculating Scope 1 and 2 emissions
Added gasoline consumed by employees of business partners during commuting and power consumption at on-site offices
- Calculation and disclosure of Scope 3 emissions started

Name	Targets for calculating greenhouse gas emissions
Scope 1	Direct greenhouse gas emissions from the Company
Scope 2	Indirect greenhouse gas emissions associated with the consumption of electricity, heat and steam supplied from other companies
Scope 3	Indirect greenhouse gas emissions that do not fall under Scope 1 or 2 (Emissions from other companies in connection with activities of the Company)

■ Strengthening of risk management

- Risk Management Committee established (Apr. 2023)
- Ensure a balance between growth through sound risk-taking and risk management

Risk Map

- Identify risks affecting the Group
- Determine departments in charge of individual risks

Strategic risks

Operational risks

Compliance risks

Accounting and financial risks


Risk Management Committee (meetings to be held at least once a year)

- Identify risks and evaluate their significance
- Review measures for addressing the risks

Major completed projects in the first half

Major completed projects in the first half

Use	Name of Property
Data centers/ Information	<ul style="list-style-type: none"> • Data center A (Chiba) • Data center B (Tokyo) • Data center C (Tokyo)
Office buildings	<ul style="list-style-type: none"> • Sumitomo Fudosan Kachidoki Building (renovation)
Production and logistics facilities	<ul style="list-style-type: none"> • Mitsui Link Lab Shinkiba 2 • GLP ALFALINK Sagamihara II
Education/ Health care	<ul style="list-style-type: none"> • Nanzan University Building A (renovation)
Hotels/Resorts	<ul style="list-style-type: none"> • Mercure Tokyo Haneda Airport

Mitsui Link Lab Shinkiba 2	
[Production and logistics facilities]	
	
Location	Koto-ku, Tokyo
Floor area	18,204 m ²
Scale	Four aboveground stories with a single-story penthouse
Our work	Air conditioning and sanitation

Major completed projects in the first half

GLP ALFALINK Sagamihara II

Production and logistics facilities



Mercure Tokyo Haneda Airport

Hotels and Resorts



Location Sagamihara-shi, Kanagawa

Floor area 90,470 m²

Scale 6 stories above ground

Our work Air conditioning and sanitation

Location Ota-ku, Tokyo

Floor area 13,814 m²

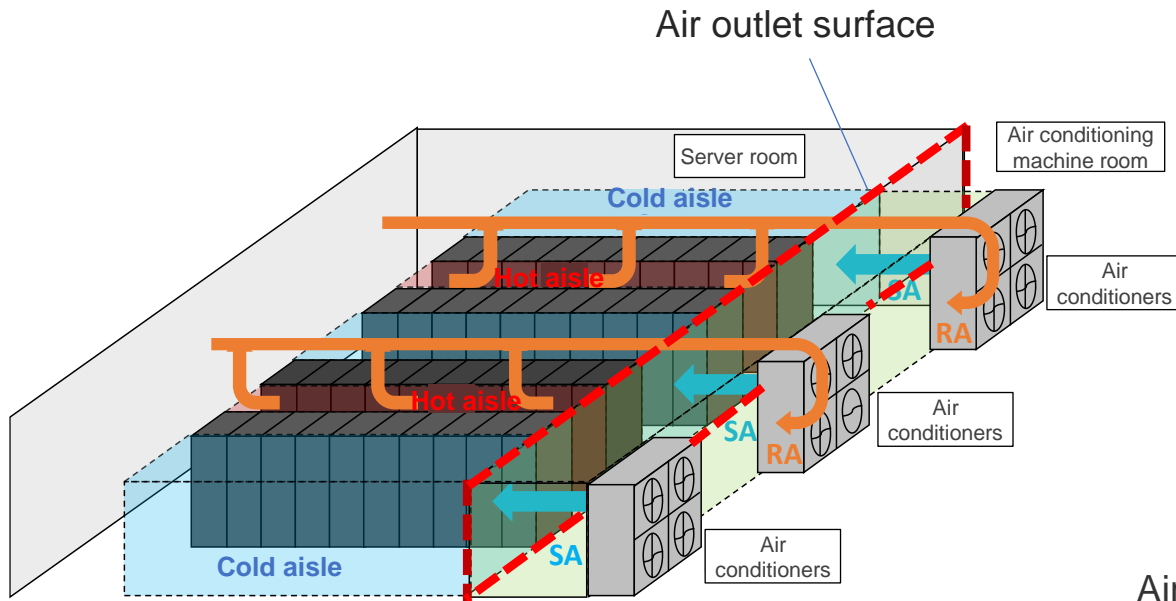
Scale 11 stories above ground

Our work Air conditioning and sanitation

References

Side-wall air supply air conditioning

- An air conditioning method that blows cool air from the entire surface of the interior walls into cold aisles* to address excessive heat generation
 - The air required for air conditioning increases significantly in line with the increase in the heat generated by servers.
 - An air conditioning method pushing a large volume of air to servers while controlling the speed of the air



Air for air conditioning is supplied from the entire wall surface to servers.

* A path of cold air that servers take in

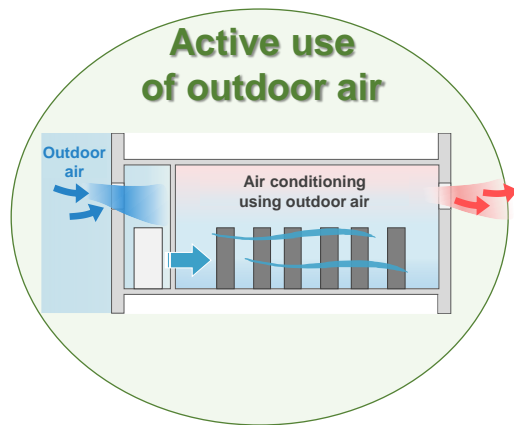
Air conditioning using outdoor air

- An air conditioning method that uses outdoor air to cool servers and devices

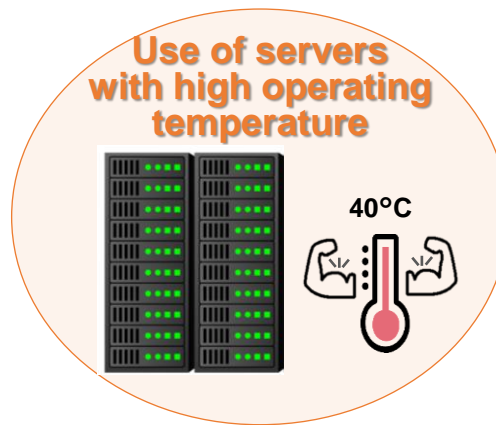
The operation of heat sources that consume huge amounts of electricity is **reduced to the minimum necessary level.**



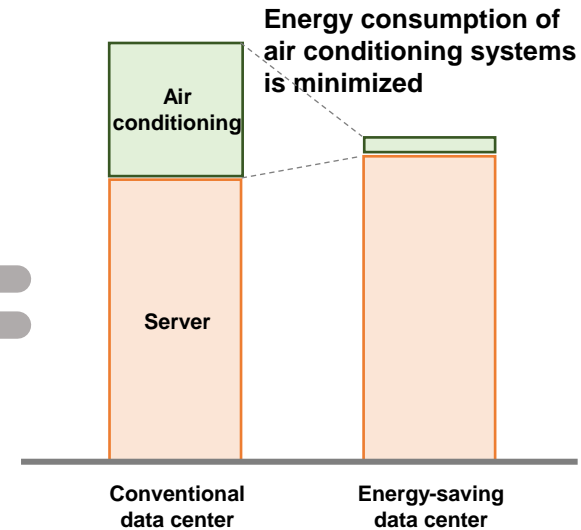
Environmentally-friendly data centers that minimize the energy consumed for air conditioning are **built.**



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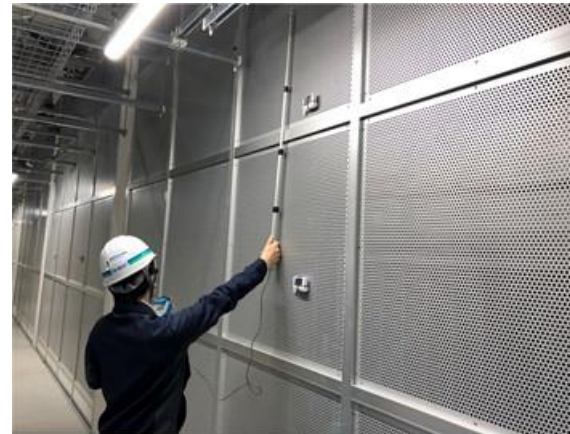
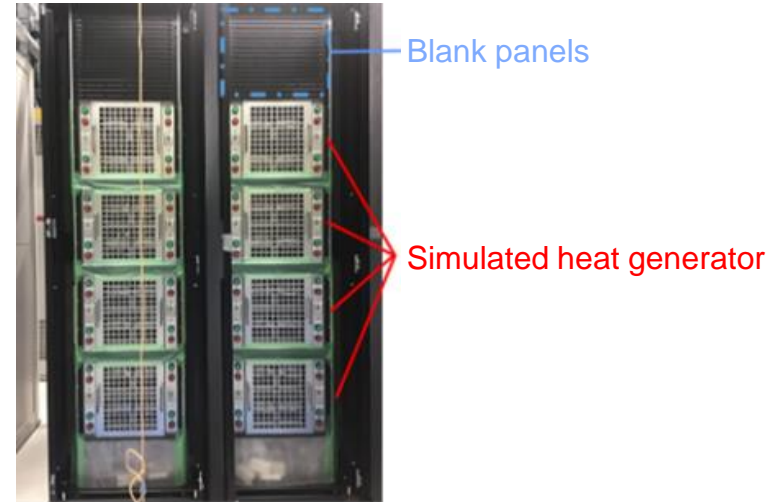


Make active and maximum use

of outdoor air suitable for cooling servers

Heat load test

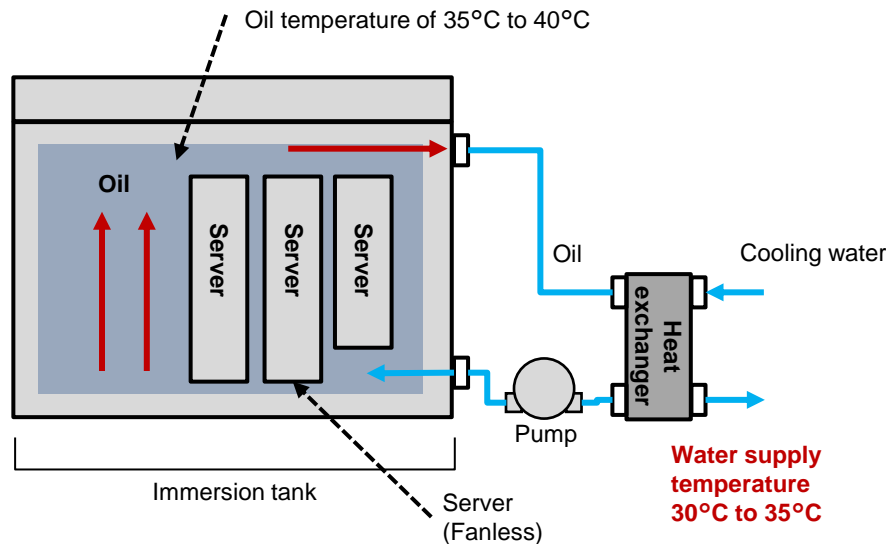
- A test simulating the heat generated by servers to check that cooling is properly performed



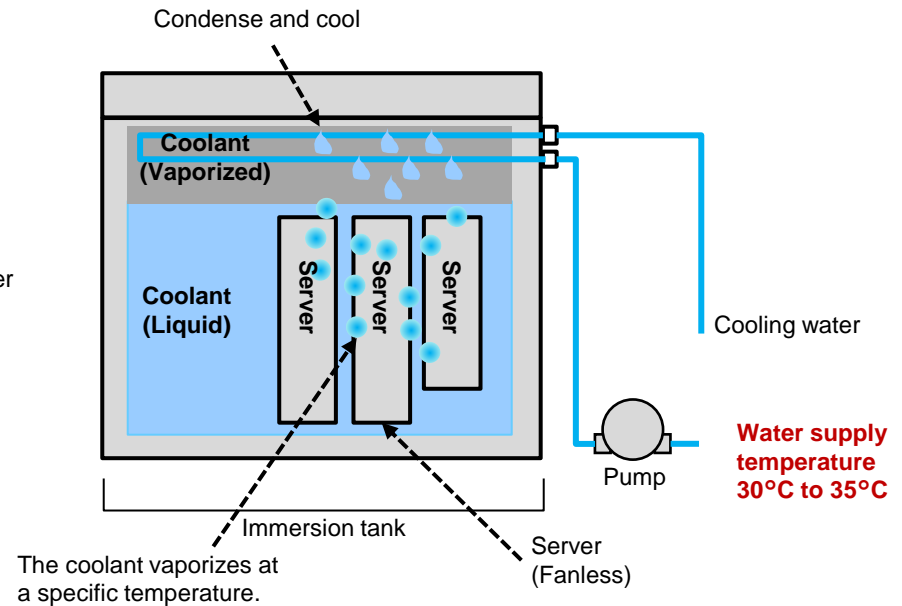
Immersion cooling systems

- A cooling system in which servers are directly immersed in a liquid tank filled with liquid coolants
The system is being tested as a next-generation cooling system.

Single-phase immersion cooling system



Two-phase immersion cooling system



Initiatives Aimed at Decarbonization and Energy Conservation Projects

Decarbonization/energy conservation using alliances

Project Group

Consultant, others

Alliance

Hibiya
Engineering, Ltd.

Roles: Survey of existing equipment for energy conservation/
CO₂ reduction, installation/maintenance of equipment,
Use of local companies to support the local economy

Accomplishments (examples)

Nagano prefecture government buildings

Used bulk lease for LED lights
to reduce CO₂ emissions

Local government building of Kamigori-cho, Ako-gun, Hyogo

A ZEB Ready* project involving an
upgrade to a total heat exchanger and
LED lighting installation



* ZEB Ready: An architectural structure with energy consumption reduced by at least 50%

Use accomplishments of prior years

Public facility run by a local government in Nagano

Survey project for
LED lighting installation

Local government building in Nagano

Survey project for
conversion into ZEB

Local government museum in Mie

ZEB demonstration project
for increasing resilience

A Stronger Jobsite Oversight System

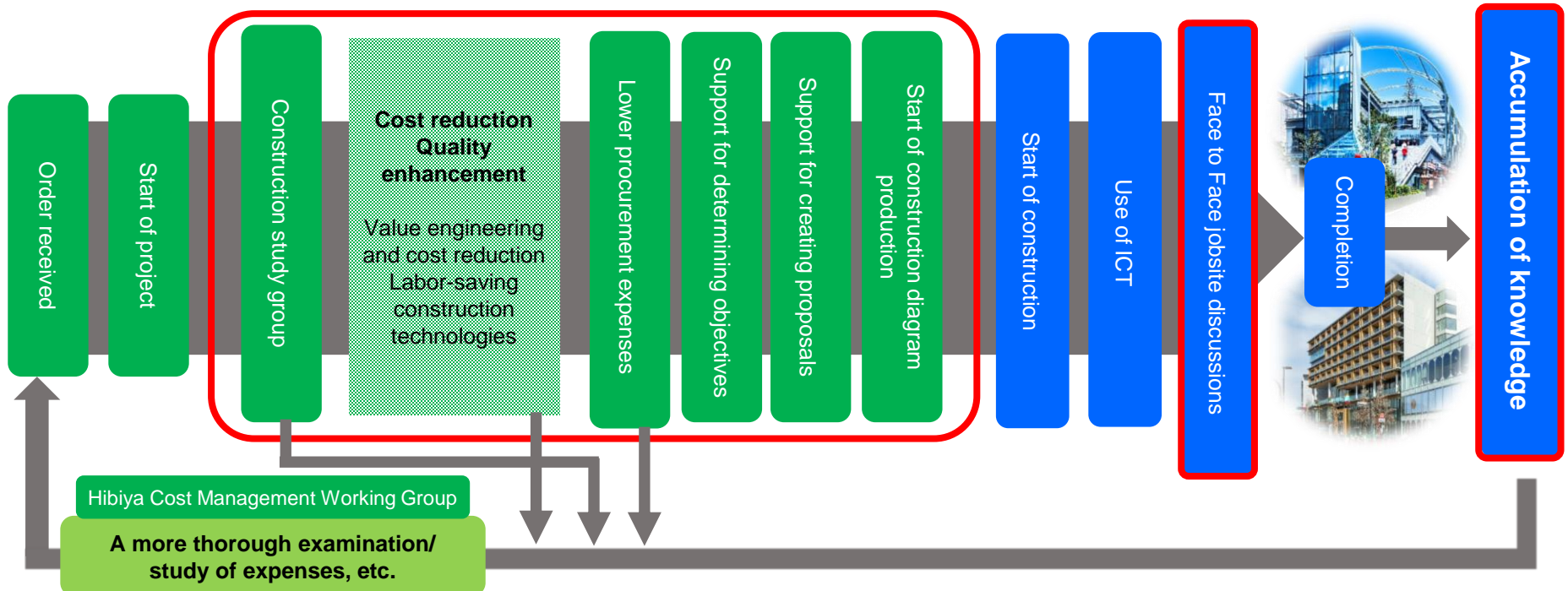
ONE TEAM/Face to Face activities

ONE TEAM Project

Established a team encompassing all tasks to support construction operations from the very first stage, aiming for cost reduction, quality improvement, and other benefits

Face to Face Project

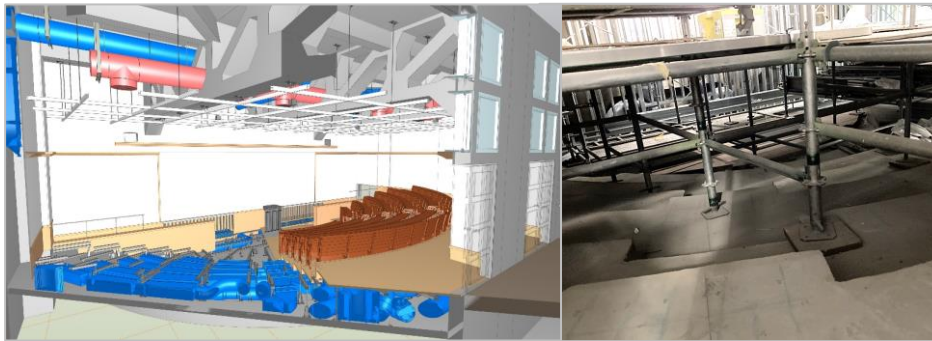
Supervisors with extensive knowledge of the construction project visit the jobsite to strengthen communications and reduce the need to redo jobs and other risks



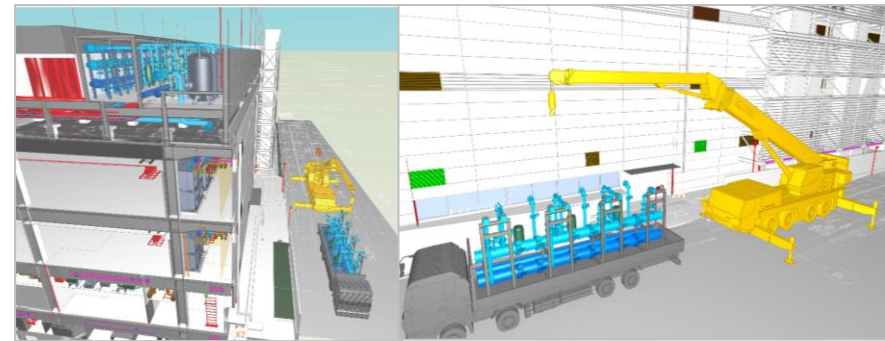
Examples of Building Information Modeling

BIM for constructing a 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
- Initiatives for front-loading, such as the use of BIM for considering unitization and construction planning



▶ Use of BIM with the integration of architecture (customer) and equipment



▶ Simulated deliveries using a BIM model

Features of BIM software (Rebro/Revit) and initiatives for the future

Rebro (NYK Systems Inc.: Japan)

- To be used in [the on-site construction stage](#) in response to the on-site [needs of customers](#)
- User-friendly software featuring superior [operability](#) demonstrated in [3D drawing](#), such as the creation of a construction diagram
- It is expected that this software will continued to be used as 3D drawing software which will replace CAD software for building construction equipment

Revit (Autodesk, Inc.: US)

- At present, this software is used mainly in the architectural design stage.
- Excelling in [functional linkage and expandability](#), as a design automation tool and for automatic computation, simulation, etc.
- Promising software that is likely to be used more widely in the equipment industry if standardization progresses

- Position them as **strategic tools** for the future and enhance initiatives for **human resource development** and tool **improvement**.
- Make maximum use of BIM information through **database integration** in an attempt to **improve business efficiency**.

Thank you for your attention.

[Note]

This material contains information that constitutes forward-looking statements. These statements do not constitute a guarantee of future achievements. They are subject to risk and uncertainty.

Future results may differ from the forecast values stated in this material due to changes in the business environment and other factors.

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November 20, 2023**