

Summary of Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2020 [Japan GAAP]

Company: Hibiya Engineering, Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1982
 URL: <http://www.hibiya-eng.co.jp/English>
 Representative Director: Yoshiharu Nishimura, President
 Contact: Mitsuyoshi Suwa, Senior Executive Officer, Manager of IR and PR Office, Administration Division
 Tel: 03-3454-2720
 Date of filing of quarterly securities report: February 5, 2020 (tentative)
 Date of commencement of dividend payment: –
 Supplementary explanatory documents: No
 Earnings presentation: No

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

1. Financial results for the first three quarters of the fiscal year ending March 2020 (April 1, 2019 – December 31, 2019)

(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 three quarters ended Dec. 2019	47,028	6.6	32	–	549	–	599	–
First three quarters ended Dec. 2018	44,128	2.2	(1,134)	–	(565)	–	(56)	–

Note: Comprehensive income: First three quarters of FY3/2020: 124 million yen (-%)
 First three quarters of FY3/2019: (619) million yen (-%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Dec. 2019	24.95		24.81	
First three quarters ended Dec. 2018	(2.31)		–	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	76,984	58,055	73.7	2,363.03
As of March 31, 2019	82,396	60,026	71.3	2,441.23

Notes: Shareholders' equity

As of December 31, 2019: 56,702 million yen As of March 31, 2019: 58,727 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2019	–	40.00	–	40.00	80.00
Fiscal year ending March 2020	–	40.00	–		
Fiscal year ending March 2020 (estimate)				40.00	80.00

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

3. Forecast for the fiscal year ending March 2020 (Consolidated, April 1, 2019 to March 31, 2020)

(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	75,000	7.1	4,000	95.2	4,400	36.9	3,600	32.8	150.03

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

* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: No

(b) Changes other than in (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2019:	25,006,321	As of March 31, 2019:	25,006,321
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(b) Treasury shares

As of December 31, 2019:	1,010,823	As of March 31, 2019:	949,918
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2019:	24,031,539	Period ended December 31, 2018:	24,414,158
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Forward-looking statements, important Notes, etc.

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

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

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

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1. Results of Operations

(1) Overview of consolidated business performance

In the first three quarters of the fiscal year ending March 2020, the slow recovery of the Japanese economy continued along with improvements in the labor market and personal income, and the effects of various measures by the government and the Bank of Japan. However, the worsening of the operating environment caused by concerns about the protracted U.S.-China trade friction and slowing global economy, in addition to personal consumption trends after the recent Consumption tax hike do not call for optimism.

In Japan's construction industry, public-sector expenditures seem to be slowing as the Olympic-related demand has run its course. Business climate is still challenging because of the continuing increase in the cost of raw materials and labor due to the tight labor demand-supply situation.

The company launched the Sixth Medium-term Management Plan, in fiscal 2017. The plan's fundamental strategies are "Invest in human resources and ICT to change how people work" and "providing more advanced life cycle total solutions" to firmly establish and strengthen measures for improving business operations.

In "invest in human resources and ICT to change how people work," the use of cloud services has enabled a system whereby work can be performed anywhere at any time, and information sharing applications used at construction sites have led to greater efficiency. We also improved communications with cooperating companies and promoted the active participation of women. These measures accomplished favorable results. In consequence, we obtained "Two-star" certification under the "Act on Promotion of Achievement in Women's Professional Life.

In "providing more advanced life cycle total solutions" we strengthened post-construction follow-up systems, sought out renovation business for renewal of ageing building facilities, made use of subsidies for CO₂ reduction at local governments, and reinforced a variety of other initiatives that leverage our group's strength.

In the first three quarters, orders received were 50,922 million yen, down 2.8% from one year earlier.

Sales increased 6.6% to 47,028 million yen.

There was an operating profit of 32 million yen compared with loss of 1,134 million yen one year earlier and an ordinary profit of 549 million yen compared with a 565 million yen loss one year earlier. The profit attributable to owners of parent was 599 million yen compared with a loss of 56 million yen one year earlier.

(2) Overview of financial condition

Assets

Total assets decreased 5,412 million yen from the end of the previous fiscal year to 76,984 million yen. Current assets decreased 4,680 million yen to 44,546 million yen and noncurrent assets decreased 731 million yen to 32,437 million yen. The major reason for the decline in assets was a decrease of 4,145 million yen in cash and deposits.

Liabilities

Liabilities decreased 3,441 million yen to 18,928 million yen. The main reason was a decrease of 5,199 million yen in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets were 58,055 million yen at the end of the first three quarters because of a 1,382 million yen decline in retained earnings and a 613 million yen decline in valuation differences on available-for-sales securities.

(3) Forecast for fiscal year ending in March 2020

The forecast for consolidated results of operations that was announced on May 10, 2019 has been revised in view of the recent business trends.

For further details, refer to "Notice Regarding Recording of Extraordinary Income (Gain on Sale of Shares in Affiliate) and Revision of Full-Year Business Forecast" announced today (February 5, 2020).

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Third quarter ended Dec. 2019 (As of December 31, 2019)
ASSETS		
Current assets		
Cash and deposits	17,641	13,495
Notes receivable, accounts receivable from completed construction contracts and other	29,311	25,520
Securities	299	2,605
Costs on uncompleted construction contracts and other	669	1,033
Other	1,322	1,894
Allowance for doubtful accounts	(16)	(2)
Total current assets	49,227	44,546
Noncurrent assets		
Property, plant and equipment	681	646
Intangible assets	237	246
Investments and other assets		
Investment securities	28,878	27,703
Other	3,398	3,879
Allowance for doubtful accounts	(28)	(37)
Total investments and other assets	32,249	31,544
Total noncurrent assets	33,169	32,437
Total assets	82,396	76,984

	Fiscal year ended March 2019 (As of March 31, 2019)	Third quarter ended Dec. 2019 (As of December 31, 2019)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	16,221	11,021
Income taxes payable	826	258
Advances received on uncompleted construction contracts	379	1,351
Provision for bonuses	456	829
Provision for warranties for completed construction	125	158
Provision for loss on construction contracts	751	565
Other	1,403	2,487
Total current liabilities	20,163	16,672
Noncurrent liabilities		
Net defined benefit liability	1,038	1,388
Other	1,168	867
Total noncurrent liabilities	2,206	2,256
Total liabilities	22,370	18,928
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	43,495	42,113
Treasury shares	(2,055)	(2,163)
Total shareholder's equity	53,222	51,731
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	6,228	5,614
Remeasurements of defined benefit plans	(723)	(643)
Total accumulated other comprehensive income	5,505	4,971
Subscription rights to shares	204	201
Non-controlling interests	1,095	1,152
Total net assets	60,026	58,055
Total liabilities and net assets	82,396	76,984

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

(million yen)

	First three quarters ended December 2018 (April 1, 2018 – December 31, 2018)	First three quarters ended December 2019 (April 1, 2019 – December 31, 2019)
Net sales	44,128	47,028
Cost of sales	39,453	41,083
Gross profit	4,675	5,944
Selling, general and administrative expenses	5,809	5,911
Operating profit (loss)	(1,134)	32
Non-operating income		
Interest income	25	22
Dividend income	245	298
Share of profit of entities accounted for using equity method	168	69
Other	140	130
Total non-operating income	578	521
Non-operating expenses		
Interest expense	2	0
Other	7	4
Total non-operating expenses	9	4
Ordinary profit (loss)	(565)	549
Extraordinary income		
Gain on sales of investment securities	553	339
Total extraordinary income	553	339
Profit (loss) before income taxes	(11)	888
Income taxes-current	108	362
Income taxes-deferred	(65)	(87)
Total income taxes	43	274
Profit (loss)	(55)	613
Profit attributable to non-controlling interests	0	14
Profit (loss) attributable to owners of parent	(56)	599

(Quarterly consolidated statements of comprehensive income)
(For the first three quarters)

(million yen)

	First three quarters ended December 2018 (April 1, 2018 – December 31, 2018)	First three quarters ended December 2019 (April 1, 2019 – December 31, 2019)
Profit (loss)	(55)	613
Other comprehensive income		
Valuation difference on available-for-sale securities	(507)	(625)
Remeasurements of defined benefit plans, net of tax	67	68
Share of other comprehensive income of entities accounted for using equity method	(123)	67
Total other comprehensive income	(563)	(489)
Comprehensive income	(619)	124
Comprehensive income attributable to owners of parent	(619)	65
Comprehensive income attributable to non-controlling interests	(0)	58

(3) Notes to consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Significant subsequent events)

Hibiya Engineering sold all of its shares in NIHON MECCS Co., Ltd., an equity-method affiliate, to NIHON MECCS on January 1, 2020.

Due to the sale of the shares, the NIHON MECCS will be excluded from the scope of application of the equity method in the fourth quarter.

1. Reason for sale

NIHON MECCS Co., Ltd. resolved to buy back its shares at the extraordinary general meeting of shareholders held on December 16, 2019. Hibiya Engineering sold its shares to the NIHON MECCS based on the resolution of the NIHON MECCS's Extraordinary General Meeting of Shareholders.

2. Name of affiliated company, transactions with Hibiya Engineering

Name of company: NIHON MECCS Co., Ltd.

Business: Building and building system maintenance and management, building construction, and equipment installation

Transactions with the Company: Subcontracting for equipment installation

3. Number of shares sold, amount of the proceed and gain on sales of the shares

Number of shares sold 20,000 shares

Amount of the proceed 1.12 billion yen

Gain on sales of the shares 0.9 billion yen

February 5, 2020

Name of Company: Hibiya Engineering, Ltd.
 Representative President & Representative Director Yoshiharu Nishimura
 (Tokyo Stock Exchange, First Section Stock code: 1982)
 Contact Person Senior Executive Officer,
 Manager of IR and PR Office,
 Administration Division Mitsuyoshi Suwa
 (Phone: +81-(0)3-3454-2720)

**Notice Regarding Recording of Extraordinary Income (Gain on Sale of Shares in Affiliate)
 and Revision of Full-Year Business Forecast**

Hibiya Engineering, Ltd. has revised the forecast announced on May 10, 2019 for the fiscal year ending on March 31, 2020 following the confirmation of the information announced on December 13, 2019 in a press release titled “Announcement of Sale of Related Company Shares.”

1. Reason for extraordinary income and forecast revision

Hibiya Engineering sold shares of equity-method affiliate Nihon Meccs Co., Ltd. to this company on January 1, 2020 in response to the decision of Nihon Meccs to repurchase of its shares. Due to this sale, Hibiya Engineering will record in the fourth quarter of the current fiscal year as extraordinary income a gain of 900 million yen on the sale of investment securities in the consolidated income statement and a gain of 11.1 billion yen on the sale of related company shares in the non-consolidated income statement.

Hibiya Engineering expects that the sale of this shares will reduce consolidated non-operating income by 600 million yen because Nihon Meccs is no longer an equity-method affiliate following this sale.

2. Revision of forecast

(1) Revision of the consolidated forecast for the fiscal year ending March 2020 (April 1, 2019 - March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	75,000	4,000	5,000	3,000	124.71
Revised forecast (B)	75,000	4,000	4,400	3,600	150.03
Amount of change (B-A)	-	-	(600)	600	-
Percent of change (%)			(12.0)	20.0	-
(Reference) Actual results of previous fiscal year ended March 2019	70,035	2,048	3,212	2,711	111.34

(2) Revision of the non-consolidated forecast for the fiscal year ending March 2020 (April 1, 2019 - March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	65,000	3,500	3,900	3,900	103.92
Revised forecast (B)	65,000	3,500	3,900	13,900	579.28
Amount of change (B-A)	-	-	-	11,400	-
Percent of change (%)	-	-	-	456.0	-
(Reference) Actual results of previous fiscal year ended March 2019	61,016	1,696	2,190	1,864	76.56

(Note) Forecasts above are based on information available to management at the time this document was prepared and assumptions that management believes are reasonable. Actual results may differ from these forecasts for a number of reasons.