

## Summary of Consolidated Financial Results

### For the Second 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: November 6, 2019 (tentative)

Date of commencement of dividend payment: December 2, 2019 (tentative)

Supplementary explanatory documents: No

Earnings presentation: Yes (For institutional investors and analysts)

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

**1. Financial results for the first half of the fiscal year ending March 2020 (April 1, 2019 – September 30, 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 half ended September 2019 | 28,578      | 6.2   | (326)            | - | (155)           | - | (140)                                   | - |
| First half ended September 2018 | 26,920      | (2.8) | (1,161)          | - | (1,071)         | - | (856)                                   | - |

Note: Comprehensive income: First half of FY3/2020: -724 million yen [-%], First half of FY3/2019: 45 million yen [-99.3%]

|                                 | Earnings per share |  | Earnings per share fully diluted |  |
|---------------------------------|--------------------|--|----------------------------------|--|
|                                 | Yen                |  | Yen                              |  |
| First half ended September 2019 | (5.86)             |  | -                                |  |
| First half ended September 2018 | (35.08)            |  | -                                |  |

(2) Financial Position (Consolidated)

|                          | Total assets | Net assets  | Equity ratio | Net assets per share |
|--------------------------|--------------|-------------|--------------|----------------------|
|                          | Million yen  | Million yen | %            | Yen                  |
| As of September 30, 2019 | 74,287       | 58,212      | 76.6         | 2,369.06             |
| As of March 31, 2019     | 82,396       | 60,026      | 71.3         | 2,441.23             |

Reference: Shareholders' equity

As of September 30, 2019: 56,889 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 | 5,000           | 55.6 | 3,000                                   | 10.6 | 124.71             |

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

\* **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 shares)

(a) Shares outstanding (including treasury shares)

|                           |            |                       |            |
|---------------------------|------------|-----------------------|------------|
| As of September 30, 2019: | 25,006,321 | As of March 31, 2019: | 25,006,321 |
|---------------------------|------------|-----------------------|------------|

(b) Treasury shares

|                           |         |                       |         |
|---------------------------|---------|-----------------------|---------|
| As of September 30, 2019: | 992,893 | As of March 31, 2019: | 949,918 |
|---------------------------|---------|-----------------------|---------|

(c) Average number of shares (quarterly consolidated cumulative period)

|                                  |            |                                  |            |
|----------------------------------|------------|----------------------------------|------------|
| Period ended September 30, 2019: | 24,041,813 | Period ended September 30, 2018: | 24,425,657 |
|----------------------------------|------------|----------------------------------|------------|

**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 on consolidated business performance

In the first half 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 outlook is becoming progressively unclear due to worsening of the operating environment caused by concerns about the protracted U.S.-China trade friction and slowing global economy. Moreover, sluggish personal consumption after the recent Consumption tax hike and increasingly thrifty consumers 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, which will end in March 2020. The plan's fundamental strategies are "changing how people work by making investments in human resources and ICT" and "providing customers with even more advanced life cycle total solutions" to firmly establish and strengthen measures for improving business operations

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 "Enhancement of LC 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 capture of a variety of other projects.

In the first half, orders received were 32,837 million yen, down 2.0% from one year earlier.

Sales increased 6.2% to 28,578 million yen.

There was an operating loss of 326 million yen compared with loss of 1,161 million yen one year earlier and an ordinary loss of 155 million yen compared with a 1,071 million yen loss one year earlier. The loss attributable to owners of parent was 140 million yen compared with a loss of 856 million yen one year earlier.

### (2) Overview of financial condition

#### Assets

Total assets decreased 8,108 million yen from the end of the previous fiscal year to 74,287 million yen. Current assets decreased 7,412 million yen to 41,815 million yen and noncurrent assets decreased 696 million yen to 32,472 million yen. The major reason for the decline in assets was a decrease of 10,875 in notes receivable, accounts receivable from completed construction contracts and other, although there were increases of 1,135 million yen in cash and deposits and 1,500 million yen in securities.

#### Liabilities

Liabilities decreased 6,294 million yen to 16,075 million yen. The main reason was a decrease of 6,315 million yen in notes payable, accounts payable for construction contracts and other.

#### Net assets

Net assets were 58,212 million yen at the end of the first half because of a 1,153 million yen decline in retained earnings and a 664 million yen decline in valuation differences on available-for-sales securities.

### (3) Forecast for fiscal year ending in March 2020

There is no change in the forecast for consolidated results of operations that was announced on May 10, 2019.

## 2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

|   | Fiscal year ended March 2019<br>(As of March 31, 2019) | Second quarter ended Sep.2019<br>(As of September 30, 2019) |
|---|--|---|
| <b>ASSETS</b>   |  |   |
| Current assets  |  |   |
| Cash and deposits   | 17,641   | 18,776  |
| Notes receivable, accounts receivable from completed construction contracts and other | 29,311   | 18,435  |
| Securities  | 299  | 1,800   |
| Costs on uncompleted construction contracts and other                                 | 669  | 995   |
| Other   | 1,322  | 1,808   |
| Allowance for doubtful accounts   | (16)   | (1)   |
| Total current assets  | 49,227   | 41,815  |
| Noncurrent assets   |  |   |
| Property, plant and equipment   | 681  | 665   |
| Intangible assets   | 237  | 257   |
| Investments and other assets  |  |   |
| Investment securities   | 28,878   | 27,731  |
| Other   | 3,398  | 3,855   |
| Allowance for doubtful accounts   | (28)   | (37)  |
| Total investments and other assets  | 32,249   | 31,549  |
| Total noncurrent assets   | 33,169   | 32,472  |
| Total assets  | 82,396   | 74,287  |

|  | Fiscal year ended March 2019<br>(As of March 31, 2019) | Second quarter ended Sep.2019<br>(As of September 30, 2019) |
|--|--|---|
| <b>LIABILITIES</b>   |  |   |
| Current liabilities  |  |   |
| Notes payable, accounts payable for construction contracts and other | 16,221   | 9,905   |
| Income taxes payable   | 826  | 141   |
| Advances received on uncompleted construction contracts              | 379  | 504   |
| Provision for bonuses  | 456  | 712   |
| Provision for warranties for completed construction                  | 125  | 137   |
| Provision for loss on construction contracts                         | 751  | 868   |
| Other  | 1,403  | 1,569   |
| Total current liabilities  | <u>20,163</u>  | <u>13,840</u>   |
| Noncurrent liabilities   |  |   |
| Net defined benefit liability  | 1,038  | 1,407   |
| Other  | 1,168  | 827   |
| Total noncurrent liabilities   | <u>2,206</u>   | <u>2,235</u>  |
| Total liabilities  | <u>22,370</u>  | <u>16,075</u>   |
| <b>NET ASSETS</b>  |  |   |
| Shareholder's equity   |  |   |
| Capital stock  | 5,753  | 5,753   |
| Capital surplus  | 6,028  | 6,028   |
| Retained earnings  | 43,495   | 42,341  |
| Treasury shares  | (2,055)  | (2,127)   |
| Total shareholder's equity   | <u>53,222</u>  | <u>51,995</u>   |
| Accumulated other comprehensive income                               |  |   |
| Valuation differences on available-for-sales securities              | 6,228  | 5,563   |
| Remeasurements of defined benefit plans                              | (723)  | (670)   |
| Total accumulated other comprehensive income                         | <u>5,505</u>   | <u>4,893</u>  |
| Subscription rights to shares  | 204  | 201   |
| Non-controlling interests  | 1,095  | 1,121   |
| Total net assets   | <u>60,026</u>  | <u>58,212</u>   |
| Total liabilities and net assets                                     | <u>82,396</u>  | <u>74,287</u>   |

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

(Million yen)

|   | First half ended September 2018<br>(April 1, 2018-September 30, 2018) | First half ended September 2019<br>(April 1, 2019-September 30, 2019) |
|---|---|---|
| Net sales   | 26,920  | 28,578  |
| Cost of sales   | 24,222  | 25,086  |
| Gross profit  | 2,698   | 3,491   |
| Selling, general and administrative expenses                | 3,859   | 3,818   |
| Operating profit (loss)                                     | (1,161)   | (326)   |
| Non-operating income  |   |   |
| Interest income   | 18  | 14  |
| Dividend income   | 151   | 193   |
| Other   | 94  | 99  |
| Total non-operating income                                  | 263   | 307   |
| Non-operating expenses                                      |   |   |
| Share of loss of entities accounted for using equity method | 166   | 133   |
| Other   | 7   | 2   |
| Total non-operating expenses                                | 173   | 135   |
| Ordinary profit (loss)                                      | (1,071)   | (155)   |
| Extraordinary income  |   |   |
| Gain on sales of investment securities                      | -   | 36  |
| Total extraordinary income                                  | -   | 36  |
| Profit (loss) before income taxes                           | (1,071)   | (118)   |
| Income taxes-current  | 98  | 114   |
| Income taxes-deferred                                       | (311)   | (98)  |
| Total income taxes  | (213)   | 16  |
| Profit (loss)   | (857)   | (134)   |
| Profit (loss) attributable to non-controlling interests     | (0)   | 6   |
| Profit (loss) attributable to owners of parent              | (856)   | (140)   |

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

(Million yen)

|   | First half ended September 2018<br>(April 1, 2018-September 30, 2018) | First half ended September 2019<br>(April 1, 2019-September 30, 2019) |
|---|---|---|
| Profit (loss)   | (857)   | (134)   |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities                             | 846   | (681)   |
| Remeasurements of defined benefit plans, net of tax                               | 57  | 46  |
| Share of other comprehensive income of entities accounted for using equity method | (0)   | 45  |
| Total other comprehensive income  | 903   | (589)   |
| Comprehensive income  | 45  | (724)   |
| Comprehensive income attributable to owners of parent                             | (14)  | (752)   |
| Comprehensive income attributable to non-controlling interests                    | 59  | 28  |



- (3) Notes to quarterly consolidated financial statements  
(Going concern assumptions)  
No
  
- (Notes on significant change in shareholders' equity)  
No