

Summary of Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2022 [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: Nagahiro Kuroda, President and CEO
 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 3, 2022 (tentative)
 Date of commencement of dividend payment: –
 Supplementary explanatory documents: No
 Earnings presentation: No

(Yen in millions, rounded down)

1. Financial results for the first three quarters of the fiscal year ending March 2022 (April 1, 2021 – December 31, 2021)

(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. 2021	51,846	5.9	4,383	121.8	4,864	91.8	3,524	108.0
First three quarters ended Dec. 2020	48,955	4.1	1,976	–	2,535	361.8	1,694	182.5

Note: Comprehensive income: First three quarters of FY3/2022: 2,949 million yen [-19.3%]
 First three quarters of FY3/2021: 3,656 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Dec. 2021	147.88		147.26	
First three quarters ended Dec. 2020	71.00		70.64	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	81,424	63,197	75.6	2,601.03
As of March 31, 2021	86,138	62,593	70.9	2,556.56

Notes: Shareholders' equity

As of December 31, 2021: 61,594 million yen As of March 31, 2021: 61,049 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 2021	–	40.00	–	40.00	80.00
Fiscal year ending March 2022	–	40.00	–		
Fiscal year ending March 2022 (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 2022 (Consolidated, April 1, 2021 to March 31, 2022)

(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	77,000	5.3	5,000	25.1	5,500	19.7	4,000	30.0	168.91

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: Yes

(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, 2021:	25,006,321	As of March 31, 2021:	25,006,321
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(b) Treasury shares

As of December 31, 2021:	1,325,651	As of March 31, 2021:	1,126,701
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(c) Average number of shares (first three quarters)

Period ended December 31, 2021:	23,830,925	Period ended December 31, 2020:	23,858,614
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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.

Index for Supplementary Information

1. Results of Operations	2
(1) Overview of consolidated business performance	2
(2) Overview of financial condition.....	2
(3) Forecast for fiscal year ending in March 2022.....	2
2. Quarterly Consolidated Financial Statements and Important Notes	3
(1) Quarterly consolidated balance sheet	3
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	5
(Quarterly consolidated statements of income)	
(For the first three quarters)	5
(Quarterly consolidated statements of comprehensive income)	
(For the first three quarters)	6
(3) Notes to quarterly consolidated financial statements	7
(Notes on going concern assumptions).....	7
(Notes on significant change in shareholders' equity).....	7

1. Results of Operations

(1) Overview of consolidated business performance

In the first three quarters of the fiscal year ending March 2022, the Japanese economy remained challenging due to economic restrictions because of resurgent increases in COVID-19 cases in Japan and other countries and other factors. Although those situations have been eased gradually because of the Japanese government's measures to support the economy and progress with vaccinations and there were signs of recovery in economic activity, the economic outlook is still uncertain because of the semiconductor shortage, the rising cost of raw materials and other sources of concern.

In Japan's construction industry, there is a large volume of public works expenditures, but recovery in capital investment seems to have stalled and competition for orders is heating up.

Based on the Hibiya Engineering Group's Seventh Medium-term Management Plan, many activities are under way including to capture more orders in the decarbonization and energy conservation business through cooperation with alliance partners and to promote the digital transformation for more efficient job site management. For the group's workforce, there are measures for encouraging employees to stay healthy and take paid leave and for reforms involving working styles and lifestyles. There are also efforts to achieve more progress with sales and technology strategies and revise the group's organizational structure to strengthen governance and increase corporate value. For initiatives for protection against COVID-19, group companies are continuing to use staggered working hours to avoid peak commuting times, encourage employees to work from home and take thorough measures to prevent infections at workplaces.

As a result of the above actions and reduced impact of the COVID-19 pandemic on sales activities, orders received in the first three quarters were 54,775 million yen, up 8.1% from one year earlier.

Sales increased 5.9% to 51,846 million yen mainly because the projects carried over from previous fiscal year as well as orders received in current fiscal year have progressed smoothly.

Earnings were higher not only because of the increase in sales, but also because of an improvement in profit margin with cost reduction activities, an improvement in the efficiency of construction work at large projects and other reasons. Operating profit was up 121.8% to 4,383 million yen and ordinary profit increased 91.8% to 4,864 million yen. Profit attributable to owners of parent increased 108.0% to 3,524 million yen.

(2) Overview of financial condition

Assets

Total assets decreased 4,713 million yen from the end of the previous fiscal year to 81,424 million yen. Current assets declined 3,642 million yen to 59,246 million yen, and noncurrent assets decreased 1,071 million yen to 22,178 million yen. The major reason for the decrease in assets is a decline in cash and deposits of 4,604 million yen.

Liabilities

Liabilities decreased 5,317 million yen from the end of the previous fiscal year to 18,227 million yen. The main reason is a decrease of 3,987 million yen in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets were 63,197 million yen at the end of the third quarter mainly due to an increase of 1,571 million yen in retained earnings.

(3) Forecast for fiscal year ending in March 2022

The forecast for consolidated results of operations, announced on November 5, 2021, has been revised based on the recent results of operations and other reasons. Details of this revision are in "Notice of Revision of the Consolidated Financial Forecast for the Fiscal Year ending March 2022" that was announced today (February 3, 2022).

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	Third quarter ended Dec. 2021 (As of December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	29,399	24,795
Notes receivable, accounts receivable from completed construction contracts and other	26,340	25,316
Securities	5,501	6,000
Costs on construction contracts in progress	810	1,204
Other	840	1,933
Allowance for doubtful accounts	(4)	(3)
Total current assets	62,888	59,246
Noncurrent assets		
Property, plant and equipment	590	595
Intangible assets	182	139
Investments and other assets		
Investment securities	17,751	16,649
Other	5,165	5,132
Allowance for doubtful accounts	(441)	(338)
Total investments and other assets	22,476	21,443
Total noncurrent assets	23,249	22,178
Total assets	86,138	81,424

	Fiscal year ended March 2021 (As of March 31, 2021)	Third quarter ended Dec. 2021 (As of December 31, 2021)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	13,539	9,551
Income taxes payable	1,535	537
Advances received on construction contracts in progress	532	1,117
Provision for bonuses	2,005	1,211
Provision for warranties for completed construction	153	129
Provision for loss on construction contracts	326	155
Other	3,342	3,274
Total current liabilities	<u>21,434</u>	<u>15,977</u>
Noncurrent liabilities		
Retirement benefit liability	1,244	1,178
Other	865	1,071
Total noncurrent liabilities	<u>2,110</u>	<u>2,250</u>
Total liabilities	<u>23,545</u>	<u>18,227</u>
NET ASSETS		
Shareholders' equity		
Share capital	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	46,181	47,753
Treasury shares	(2,359)	(2,718)
Total shareholders' equity	<u>55,603</u>	<u>56,816</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	5,909	5,176
Remeasurements of defined benefit plans	(463)	(398)
Total accumulated other comprehensive income	<u>5,446</u>	<u>4,777</u>
Share acquisition rights	177	144
Non-controlling interests	1,366	1,458
Total net assets	<u>62,593</u>	<u>63,197</u>
Total liabilities and net assets	<u>86,138</u>	<u>81,424</u>

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

(Million yen)

	First three quarters ended December 2020 (April 1, 2020 – December 31, 2020)	First three quarters ended December 2021 (April 1, 2021 – December 31, 2021)
Net sales	48,955	51,846
Cost of sales	41,262	41,353
Gross profit	7,692	10,492
Selling, general and administrative expenses	5,716	6,109
Operating profit	1,976	4,383
Non-operating income		
Interest income	25	18
Dividend income	413	319
Other	124	150
Total non-operating income	563	488
Non-operating expenses		
Interest expense	0	2
Other	3	3
Total non-operating expenses	3	6
Ordinary profit	2,535	4,864
Extraordinary income		
Gain on sales of investment securities	-	137
Reversal of allowance for doubtful accounts	-	102
Total extraordinary income	-	240
Extraordinary losses		
Loss on valuation of investment securities	16	15
Total extraordinary losses	16	15
Profit before income taxes	2,519	5,089
Income taxes-current	374	1,101
Income taxes-deferred	431	437
Total income taxes	806	1,539
Profit	1,713	3,550
Profit attributable to non-controlling interests	19	26
Profit attributable to owners of parent	1,694	3,524

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

(Million yen)

	First three quarters ended December 2020 (April 1, 2020 – December 31, 2020)	First three quarters ended December 2021 (April 1, 2021 – December 31, 2021)
Profit	1,713	3,550
Other comprehensive income		
Valuation difference on available-for-sale securities	1,879	(665)
Remeasurements of defined benefit plans, net of tax	63	64
Total other comprehensive income	1,942	(600)
Comprehensive income	3,656	2,949
Comprehensive income attributable to owners of parent	3,460	2,855
Comprehensive income attributable to non-controlling interests	195	94

- (3) Notes to quarterly consolidated financial statements
(Notes on going concern assumptions)
None
- (Notes on significant change in shareholders' equity)
None