

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2021 [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

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Date of filing of quarterly securities report: November 6, 2020 (tentative)

Date of commencement of dividend payment: December 7, 2020 (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 2021 (April 1, 2020 – September 30, 2020)

(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 2020	31,891	11.6	1,153	-	1,568	-	1,056	-
First half ended September 2019	28,578	6.2	(326)	-	(155)	-	(140)	-

Note: Comprehensive income: First half of FY3/2021: 2,452 million yen [-%], First half of FY3/2020: -724 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2020	44.29		44.06	
First half ended September 2019	(5.86)		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	76,178	59,899	76.7	2,447.77
As of March 31, 2020	83,632	58,294	68.1	2,391.70

Reference: Shareholders' equity

As of September 30, 2020: 58,452 million yen

As of March 31, 2020: 56,937 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 2020	-	40.00	-	40.00	80.00
Fiscal year ending March 2021	-	40.00			
Fiscal year ending March 2021 (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 2021 (Consolidated, April 1, 2020 to March 31, 2021)

(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	74,000	(2.5)	3,000	(18.7)	3,500	(17.5)	2,000	(43.5)	83.75

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 shares)

(a) Shares outstanding (including treasury shares)

As of September 30, 2020:	25,006,321	As of March 31, 2020:	25,006,321
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(b) Treasury shares

As of September 30, 2020:	1,126,376	As of March 31, 2020:	1,199,835
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2020:	23,847,914	Period ended September 30, 2019:	24,041,813
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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 on consolidated business performance

In the first half of the fiscal year ending March 2021, the Japanese economy plummeted as it was stagnant for a certain period due to the spread of the COVID-19 pandemic. After the State of Emergency Declaration was lifted, economic activity resumed along with measures to prevent the spread of COVID-19 infections. Although this resulted in recoveries in some sectors of the economy, the outlook continues to be uncertain.

In Japan's construction industry, deliveries of some equipment were delayed due to the spread of the COVID-19 pandemic. The environment for orders received was also affected by weak private capital investment, although public-sector expenditures remained firm. As a result, the business climate for the industry remained challenging.

The Hibiya Engineering Group took many actions during the first half to achieve its sales and earnings targets based on three core strategic goals. First is using co-creation with all stakeholders in order to take building life cycle total solutions to a higher level. Second is improving productivity through the use of advanced technologies. Third is working style reforms based on the theme of "Smart Work."

In response to the COVID-19 outbreak, the Hibiya Engineering Group has taken steps to provide a safe environment for employees to do their jobs, including allowing people to work from home and ensuring the safety of workplaces. Furthermore, every business site is taking many actions to prevent the spread of COVID-19.

Due to limitations on sales activities caused by COVID-19 and for other reasons, orders received in the first half were 30,502 million yen, down 7.1% from the first half of the previous fiscal year.

Sales increased 11.6% from the first half of the previous fiscal year to 31,891 million yen mainly due to a concentration of completions of large projects carried over from the previous fiscal year

There was an operating profit of 1,153 million yen compared with an operating loss of 326 million yen one year earlier due to higher profits from increased sales and improved profitability of completed construction projects. Ordinary profit was 1,568 million yen compared with an operating loss of 155 million yen one year earlier. The profit attributable to owners of parent was 1,056 million yen compared with a loss attributable to owners of parent of 140 million yen one year earlier.

(2) Overview of financial condition

Assets

Total assets decreased 7,454 million yen from the end of the previous fiscal year to 76,178 million yen. Current assets declined 8,682 million yen to 55,222 million yen, and noncurrent assets increased 1,228 million yen to 20,955 million yen. The major reasons for the decrease in assets was a decrease of 14,984 million yen in notes receivable, accounts receivable from completed construction contracts and other, although there was an increase in cash and deposits of 7,633 million yen.

Liabilities

Liabilities decreased 9,058 million yen from the end of the previous fiscal year to 16,279 million yen. The main reason was a decrease of 7,506 million yen in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets were 59,899 million yen at the end of the first half mainly due to an increase of 1,237 million yen in valuation difference on available-for-sales securities

(3) Forecast for fiscal year ending in March 2021

The forecast for consolidated results of operations, announced on May 22, 2020, is revised based on recent trends in earnings. Please refer to the "Notice on Revision of the Consolidated Financial Forecast for the Fiscal year ending March 2021" announced today (November 6, 2020).

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	Second quarter ended Sep.2020 (As of September 30, 2020)
ASSETS		
Current assets		
Cash and deposits	20,896	28,529
Notes receivable, accounts receivable from completed construction contracts and other	34,408	19,424
Securities	5,301	5,805
Costs on construction contracts in progress	810	978
Other	2,493	487
Allowance for doubtful accounts	(5)	(2)
Total current assets	63,905	55,222
Noncurrent assets		
Property, plant and equipment	639	616
Intangible assets	237	213
Investments and other assets		
Investment securities	14,069	15,554
Other	5,236	5,011
Allowance for doubtful accounts	(456)	(441)
Total investments and other assets	18,850	20,124
Total noncurrent assets	19,726	20,955
Total assets	83,632	76,178

	Fiscal year ended March 2020 (As of March 31, 2020)	Second quarter ended Sep.2020 (As of September 30, 2020)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	17,097	9,590
Income taxes payable	795	155
Advances received on construction contracts in progress	374	412
Provision for bonuses	1,556	507
Provision for warranties for completed construction	98	120
Provision for loss on construction contracts	431	417
Other	3,208	3,056
Total current liabilities	23,562	14,258
Noncurrent liabilities		
Retirement benefit liability	1,306	1,272
Other	468	748
Total noncurrent liabilities	1,775	2,020
Total liabilities	25,338	16,279
NET ASSETS		
Shareholders' equity		
Share capital	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	45,050	45,124
Treasury shares	(2,519)	(2,359)
Total shareholders' equity	54,312	54,547
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	3,212	4,450
Remeasurements of defined benefit plans	(587)	(545)
Total accumulated other comprehensive income	2,625	3,905
Share acquisition rights	201	177
Non-controlling interests	1,154	1,269
Total net assets	58,294	59,899
Total liabilities and net assets	83,632	76,178

(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 2019 (April 1, 2019-September 30, 2019)	First half ended September 2020 (April 1, 2020-September 30, 2020)
Net sales	28,578	31,891
Cost of sales	25,086	26,987
Gross profit	3,491	4,903
Selling, general and administrative expenses	3,818	3,750
Operating profit (loss)	(326)	1,153
Non-operating income		
Interest income	14	17
Dividend income	193	307
Other	99	91
Total non-operating income	307	416
Non-operating expenses		
Share of loss of entities accounted for using equity method	133	-
Other	2	1
Total non-operating expenses	135	1
Ordinary profit (loss)	(155)	1,568
Extraordinary income		
Gain on sales of investment securities	36	-
Total extraordinary income	36	-
Profit (loss) before income taxes	(118)	1,568
Income taxes-current	114	66
Income taxes-deferred	(98)	441
Total income taxes	16	507
Profit (loss)	(134)	1,061
Profit attributable to non-controlling interests	6	5
Profit (loss) attributable to owners of parent	(140)	1,056

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

(Million yen)

	First half ended September 2019 (April 1, 2019-September 30, 2019)	First half ended September 2020 (April 1, 2020-September 30, 2020)
Profit (loss)	(134)	1,061
Other comprehensive income		
Valuation difference on available-for-sale securities	(681)	1,348
Remeasurements of defined benefit plans, net of tax	46	42
Share of other comprehensive income of entities accounted for using equity method	45	-
Total other comprehensive income	(589)	1,390
Comprehensive income	(724)	2,452
Comprehensive income attributable to owners of parent	(752)	2,336
Comprehensive income attributable to non-controlling interests	28	115

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