

Summary of Consolidated Financial Results

For the First 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

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Date of filing of quarterly securities report: August 5, 2021 (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 quarter of the fiscal year ending March 2022 (April 1, 2021 – June 30, 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 quarter ended June 2021	15,520	1.2	1,314	213.5	1,536	109.0	1,067	109.2
First quarter ended June 2020	15,329	37.7	419	-	735	-	510	-

Note: Comprehensive income: First quarter of FY3/22: 973 million yen [-38.1%], First quarter of FY3/21: 1,572 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended June 2021	44.68		44.46	
First quarter ended June 2020	21.42		21.31	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	79,443	62,678	77.1	2,555.54
As of March 31, 2021	86,138	62,593	70.9	2,556.56

Reference: Shareholders' equity

As of June 30, 2021: 61,236 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	-				
Fiscal year ending March 2022 (estimate)		40.00	-	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	4,000	0.1	4,500	(2.1)	3,000	(2.5)	125.63

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: Yes
 - (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 June 30, 2021:	25,006,321	As of March 31, 2021:	25,006,321
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 - (b) Treasury shares

As of June 30, 2021:	1,043,976	As of March 31, 2021:	1,126,701
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2021:	23,887,855	Period ended June 30, 2020:	23,815,508
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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

The business climate remained challenging in the first quarter of the current fiscal year as the increasing number of COVID-19 infections in Japan and other countries restricted economic activity. Although there are signs of an economic upturn because of the Japanese government's measures to support the economy and progress with vaccinations, the economic outlook is still uncertain as there are concerns about the downside risk caused by a change in the severity of the pandemic.

In Japan's construction industry, there is a large volume of public works expenditures but companies need to continue to take appropriate actions that reflect changes in demand and the intense competition for orders.

Based on the Hibiya Engineering Group's Seventh Medium-term Management Plan, there are many activities including to capture more orders in the decarbonization and energy conservation business through partnership with alliance partners and to use the digital transformation for more efficient job site management. For the group's workforce, there are measures for staying healthy and encouraging people to use vacation time aimed at working style and life style reforms. Achieving more progress with sales and technology strategies and revising the group's organizational structure to strengthen governance and increase corporate value are two more initiatives based on the management plan. For safety during the pandemic, group companies are continuing to use staggered working hours to avoid peak commuting times and allowing people to work from home to avoid infections at workplace.

In the first quarter, orders received increased 32.7% from one year earlier to 13,861 million yen. One reason is the decline in restrictions on sales activities because of COVID-19 compared with the first quarter of the previous fiscal year.

Sales increased 1.2% to 15,520 million yen mainly because of progress at construction projects, chiefly projects carried over from the previous fiscal year.

Operating profit was up 213.5% to 1,314 million yen mainly because of an improvement in the profitability of large projects carried over from the previous fiscal year. Ordinary profit increased 109.0% to 1,536 million yen and profit attributable to owners of parent increased 109.2% to 1,067 million yen.

(2) Overview of financial condition

Assets

Total assets decreased 6,694 million yen from the end of the previous fiscal year to 79,443 million yen. Current assets decreased 6,612 million yen to 56,276 million yen and noncurrent assets decreased 82 million yen to 23,167 million yen. Cash and deposits increased 492 million yen but total assets decreased mainly because of a 7,645 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities decreased 6,779 million yen to 16,765 million yen. The main reason was decreases of 4,255 million yen in notes payable, accounts payable for construction contracts and other and 1,466 million yen in income taxes payable.

Net assets

Net assets totaled 62,678 million yen at the end of the first quarter, including a contribution from profit attributable to owners of parent of 1,067 million yen.

(3) Forecast for the fiscal year ending in March 2022

There is no change in the forecast for consolidated results of operations that was announced on May 12, 2021.

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)	First quarter ended June 2021 (As of June 30, 2021)
ASSETS		
Current assets		
Cash and deposits	29,399	29,891
Notes receivable, accounts receivable from completed construction contracts and other	26,340	18,694
Securities	5,501	5,501
Costs on construction contracts in progress	810	1,049
Other	840	1,142
Allowance for doubtful accounts	(4)	(3)
Total current assets	62,888	56,276
Noncurrent assets		
Property, plant and equipment	590	616
Intangible assets	182	167
Investments and other assets		
Investment securities	17,751	17,662
Other	5,165	5,161
Allowance for doubtful accounts	(441)	(441)
Total investments and other assets	22,476	22,382
Total noncurrent assets	23,249	23,167
Total assets	86,138	79,443

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	First quarter ended June 2021 (As of June 30, 2021)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	13,539	9,284
Income taxes payable	1,535	68
Advances received on construction contracts in progress	532	844
Provision for bonuses	2,005	368
Provision for warranties for completed construction	153	117
Provision for loss on construction contracts	326	288
Other	3,342	3,298
Total current liabilities	21,434	14,269
Noncurrent liabilities		
Retirement benefit liability	1,244	1,230
Other	865	1,265
Total noncurrent liabilities	2,110	2,495
Total liabilities	23,545	16,765
NET ASSETS		
Shareholder's equity		
Share capital	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	46,181	46,253
Treasury shares	(2,359)	(2,179)
Total shareholder's equity	55,603	55,855
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	5,909	5,823
Remeasurements of defined benefit plans	(463)	(442)
Total accumulated other comprehensive income	5,446	5,381
Share acquisition rights	177	105
Non-controlling interests	1,366	1,335
Total net assets	62,593	62,678
Total liabilities and net assets	86,138	79,443

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

(Million yen)

	First quarter ended June 2020 (April 1, 2020 – June 30, 2020)	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)
Net sales	15,329	15,520
Cost of sales	12,975	12,293
Gross profit	2,353	3,226
Selling, general and administrative expenses	1,933	1,912
Operating profit	419	1,314
Non-operating income		
Interest income	8	7
Dividend income	269	165
Other	39	52
Total non-operating income	316	225
Non-operating expenses		
Interest expenses	0	1
Other	0	1
Total non-operating expenses	0	3
Ordinary profit	735	1,536
Extraordinary losses		
Loss on valuation of investment securities	-	16
Total extraordinary losses	-	16
Profit before income taxes	735	1,519
Income taxes-current	15	12
Income taxes-deferred	213	439
Total income taxes	229	452
Profit	505	1,067
Profit (loss) attributable to non-controlling interests	(4)	0
Profit attributable to owners of parent	510	1,067

(Quarterly consolidated statement of comprehensive income)
(For the first quarter)

(Million yen)

	First quarter ended June 2020 (April 1, 2020 – June 30, 2020)	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)
Profit	505	1,067
Other comprehensive income		
Valuation difference on available-for-sale securities	1,044	(116)
Remeasurements of defined benefit plans, net of tax	21	21
Total other comprehensive income	1,066	(94)
Comprehensive income	1,572	973
Comprehensive income attributable to owners of the parent	1,501	1,002
Comprehensive income attributable to non-controlling interests	70	(29)

- (3) Notes to quarterly consolidated financial statements
(Notes on going concern assumptions)
No

(Notes on significant change in shareholders' equity)
No

(Change in accounting principle)

(Application of the Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, referred to as "the revenue recognition accounting standard" hereinafter) has been applied beginning with the first quarter of the fiscal year ending in March 2022. In accordance with this standard, the payment expected to be received in exchange for a product or service is recognized as revenue when the control of the product or service is transferred to the customer.

For construction contracts, in prior years the percentage of completion method (estimated percentage of completion is based on the ratio of the cost of construction) was used for construction projects where definite results can be recognized for the portion of work that has been finished. For other construction projects, the completed contract method was used. Beginning with the first quarter of the current fiscal year, in cases where control of a product or service is transferred to a customer over a certain period, revenue is recognized over this period as the Hibiya Engineering Group progressively fulfills its obligation to transfer the product or service to the customer. The input method based on the costs incurred is used for estimating the percentage of fulfillment of the obligation to a customer. For construction contracts with a very short time between the start of the transaction and the expected completion of the obligation to the customer, an alternate treatment is used in which revenue is not recognized over a period of time and is instead recognized upon completion of the obligation to the customer.

Application of the revenue recognition accounting standard is performed in accordance with the transitional measures stipulated in the proviso to paragraph 84 of this standard. The cumulative effect of the retroactive application of this method in prior fiscal years, assuming the new accounting policy had been applied prior to the beginning of the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year in order to apply the new accounting method to retained earnings starting at that time. This change had no effect on retained earnings at the beginning of the current fiscal year.

The revenue recognition accounting standard have no effect on the consolidated financial statements for the first quarter of the current fiscal year.

Furthermore, in accordance with the transitional measures stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12, March 31, 2020), information about revenue derived from contracts with clients involving the first quarter of the previous fiscal year is not shown separately.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied beginning with the first quarter of the fiscal year ending in March 2022. In accordance with the transitional measures stipulated in paragraph 19 of this standard and in paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies stipulated by the fair value measurement standard have been applied prospectively. This accounting standard has no effect on the first quarter consolidated financial statements.