

Disclaimer: This document is an English translation of the Japanese original. The Japanese original will prevail to the extent that there is any conflict or discrepancy in meaning between the Japanese original and the English translation thereof.



FY3/21 (Fiscal 2020) First Half Financial Results

(April 1 to September 30, 2020)

November 19, 2020

HAZAMA ANDO CORPORATION



I . FY3/21 First Half Financial Results Outline

1H Business Environment



Market Environment	<ul style="list-style-type: none">▪ Firm trends in public sector construction investment▪ Decrease in private sector capital investment due to the downturn in corporate sector earnings and uncertainty surrounding business conditions▪ Incidence of harsh restrictions placed on overseas economic activity
Japan	<ul style="list-style-type: none">▪ State of emergency declared by the Japanese government in April in response to the COVID-19 pandemic▪ In principle, all business and work sites closed from 4/24 to 5/6▪ Thoroughgoing steps taken to prevent the spread of COVID-19 (including efforts to avoid the 3Cs of crowded places, close-contact settings, and confined spaces) at all work sites since the lifting of the state of emergency ; no subsequent incidence of construction suspension attributable to the pandemic▪ Efforts to resolve delays in the delivery of certain materials and equipment in the 1Q ; no major impact on construction from a procedural perspective▪ Overall steady progress in construction
Overseas	<ul style="list-style-type: none">▪ Incidence of multiple suspensions in construction due to such factors as lockdowns, curfews, and restrictions on activities▪ One incidence of ongoing construction suspension at this time

Highlights



Consolidated net sales **181.0**
(Billion yen)
(YoY Change +2.7%)

■ Steady progress in domestic construction; increase in net sales of completed construction contracts

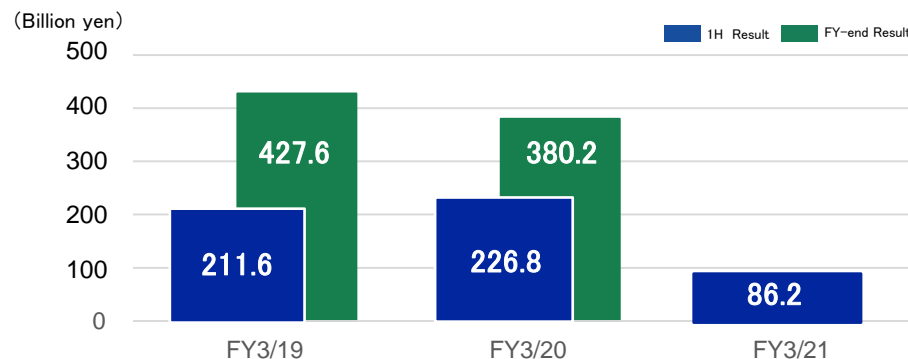
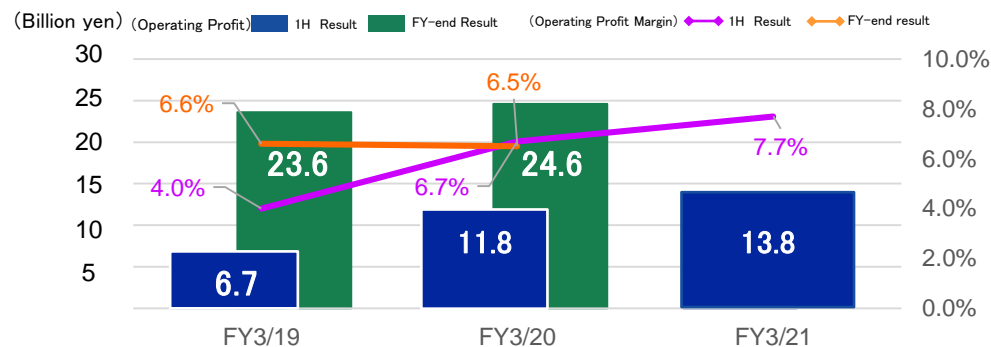
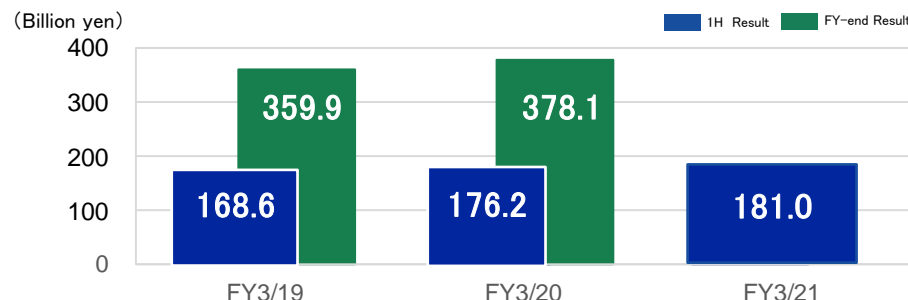
Consolidated Operating Profit **13.8**
(Billion yen)
Consolidated Operating Profit Margin **7.7%**

(Consolidated Operating Profit YoY Change +17.2%)
(Consolidated Operating Profit Margin YoY Change +0.9P)

■ Increase in gross profit on completed construction contracts in line with the upswing in domestic construction profitability

Non-consolidated Orders received **86.2**
(Billion yen)
(YoY Change ▲62.0%)
(Percentage of progress against the full-year forecast 25.7%)

■ Impact of COVID-19 on activities including the postponement of order timing
■ Negative correction in year-on-year large-scale construction orders



【Consolidated】 Operating Results



	FY3/20 1H (Apr.1,2019-Sept.30,2019)		FY3/21 1H (Apr.1,2020-Sept.30,2020)		
	Result	Forecast (announced in Aug,2020)	Result	YoY Change	Change From Forecast
Net sales	176.2	178.0	181.0	+2.7%	+1.7%
Gross profit	23.3	21.0	24.1	+3.7%	+15.1%
(Gross profit margin)	(13.2%)	(11.8%)	(13.4%)	(+0.1P)	(+1.6P)
Selling, general and administrative expenses	11.4	10.5	10.3	Δ10.2%	Δ1.8%
Operating profit	11.8	10.5	13.8	+17.2%	+32.0%
(Operating profit margin)	(6.7%)	(5.9%)	(7.7%)	(+0.9P)	(+1.8P)
Ordinary profit	11.4	9.0	12.6	+10.3%	+40.6%
Profit attributable to owners of parent	7.6	6.0	8.5	+11.5%	+42.6%

(Unit: Billion yen. Rounded down to the unit)

【Consolidated】 Balance Sheets



	FY3/20 1H (Apr.1,2019-Sept.30,2019) Result	FY3/20 (Apr.1,2019-Mar.31,2020) Result ①	FY3/21 1H (Apr.1,2020-Sept.30,2020) Result ②	Change ②-①	
Current assets	297.4	277.5	262.9	Δ14.5	<ul style="list-style-type: none"> ▪ Cash and deposits (+2.8) ▪ Notes receivable, accounts receivable from completed construction contracts and other (Δ1.8) ▪ Securities (Δ14.0) ▪ Other (+0.6)
Non-current assets	62.8	62.1	64.3	+2.1	
Total assets	360.2	339.7	327.2	Δ12.4	
Current liabilities	196.4	179.3	159.6	Δ19.7	<ul style="list-style-type: none"> ▪ Notes payable, accounts payable for construction contracts and other (Δ15.8) ▪ Advances received on construction contracts in progress (+1.1) ▪ Other current liabilities (Δ3.5) ▪ Long-term borrowings (+1.5) ▪ Other (Δ1.7)
Non-current liabilities	25.8	23.4	24.7	+1.2	
Total liabilities	222.2	202.8	184.4	Δ18.4	
Total net assets	137.9	136.9	142.8	5.9	<ul style="list-style-type: none"> ▪ Retained earnings (+5.6) ▪ Other (+0.3)
Total liabilities and net assets	360.2	339.7	327.2	Δ12.4	
Interest-bearing debt (Billion yen)	30.1	27.1	27.9	+0.8	
Debt/Equity ratio ※ (times)	0.22	0.20	0.20	Δ0.0P	
Equity ratio(%)	38.1	40.0	43.4	3.4P	

(Unit: Billion yen. Rounded down to the unit)

※ Debt/Equity ratio : Interest-bearing debt / Equity (Net assets — Share acquisition rights — Non controlling interests)



II. Details of Non-Consolidated Financial Results

【Non-consolidated】 Net Sales of Completed Construction Contracts/
Gross Profit on Completed Construction Contracts



	FY3/20 1H (Apr.1,2019-Sept.30,2019)	FY3/21 1H (Apr.1,2020-Sept.30,2020)			
	Result	Forecast (announced in Aug,2020)	Result	YoY Change	Change From Forecast
Net sales of completed construction contracts	161,663	163,500	168,832	+4.4%	+3.3%
Civil engineering	55,943	63,500	66,583	+19.0%	+4.9%
Building construction	105,719	100,000	102,249	Δ3.3%	+2.2%
Gross profit on completed construction contracts	21,309	19,400	22,647	+6.3%	+16.7%
(Construction gross profit margin)	(13.2%)	(11.9%)	(13.4%)	(+0.2P)	(+1.5P)
Civil engineering	11,586	10,300	12,014	+3.7%	+16.6%
	(20.7%)	(16.2%)	(18.0%)	(Δ2.7P)	(+1.8P)
Building construction	9,723	9,100	10,633	+9.4%	+16.9%
	(9.2%)	(9.1%)	(10.4%)	(+1.2P)	(+1.3P)

(Unit: Million yen. Rounded down to the unit)

【Non-consolidated】 Orders Received



FY3/20 1H (Apr.1,2019-Sept.30,2019)		FY3/21 1H (Apr.1,2020-Sept.30,2020)			
	Result	Forecast (announced in Aug,2020)	Result	YoY Change	Change From Forecast
Orders Received	226, 866	120, 000	86, 200	Δ62. 0%	Δ28. 2%
Civil engineering	115, 661	40, 000	30, 111	Δ74. 0%	Δ24. 7%
Domestic	99, 386	38, 000	29, 677	Δ70. 1%	Δ21. 9%
Overseas	16, 274	2, 000	434	Δ97. 3%	Δ78. 3%
Building construction	111, 205	80, 000	56, 089	Δ49. 6%	Δ29. 9%
Domestic	102, 454	76, 000	55, 333	Δ46. 0%	Δ27. 2%
Overseas	8, 751	4, 000	756	Δ91. 4%	Δ81. 1%

(Unit: Million yen. Rounded down to the unit)

【Non-consolidated】 Year-end Backlog



	FY3/20 1H (Apr.1,2019-Sept.30,2019) Result	FY3/21 1H (Apr.1,2020-Sept.30,2020) Result	YoY Change	FY3/20 (Apr.1,2019-Mar.31,2020) Result
Year-end Backlog	583,088	463,868	Δ20.4%	546,698
Civil engineering	354,466	327,594	Δ7.6%	364,119
Domestic	326,453	306,153	Δ6.2%	339,512
Overseas	28,012	21,440	Δ23.5%	24,607
Building Construction	228,621	136,273	Δ40.4%	182,578
Domestic	215,369	130,659	Δ39.3%	171,489
Overseas	13,252	5,613	Δ57.6%	11,089

(Unit: Million yen. Rounded down to the unit)



III. Forecast of Earnings

FY 3/21 Full Fiscal Year

Our Understanding of the Full Fiscal Year Business Environment



Construction Completion ▪ Profits

Secure construction revenue and profits through the safe and steady implementation of construction work in hand

- Construction work in Japan projected to progress along the same lines as the 1H on the back of thoroughgoing pandemic countermeasures including efforts to avoid the 3Cs at each work site
- Possibility remains that further suspensions and delays in overseas construction will occur due to such factors as lockdowns and restrictions on mobility
- Ensured the profitability of work in hand at the time orders were secured ; steps taken to maintain stable labor expenses and equipment prices

Order Environment

While trends in public sector construction are expected to remain steady, competition for private sector construction orders is anticipated to become increasingly intense due to shrinking demand as a result of the recession

- Expected to receive civil engineering orders for comprehensive evaluation and large-scale infrastructure while taking into account construction structure and systems
- Substantial number of building construction projects scheduled for the 2H; project plans postponed in the 1H also anticipated to commence by the end of the period; work to bolster logistics facility endeavors commensurate with growth in e-commerce
- Uncertainty surrounding future overseas project trends

In light of the ongoing spread of COVID-19 worldwide, uncertainty surrounding when the pandemic will come to an end, and concerns that the virus will once again re-emerge in Japan, the outlook remains uncertain.

【Consolidated】 Forecast for Full Fiscal Year



	FY3/20 (Apr.1,2019-Mar.31,2020)	FY3/21 (Apr.1,2020-Mar.31,2021)		
	Result	Full-year forecast (announced in Aug. 2020)	1H Progress rate	YoY Change
Net sales	378,135	365,000	49.6%	Δ3.5%
Gross profit	47,216	44,100	54.8%	Δ6.6%
(Gross profit margin)	(12.5%)	(12.1%)	(—)	(Δ0.4P)
Selling, general and administrative expenses	22,517	20,500	50.3%	Δ9.0%
Operating profit	24,699	23,600	58.7%	Δ4.5%
(Operating profit margin)	(6.5%)	(6.5%)	(—)	(Δ0.1P)
Ordinary profit	23,983	21,900	57.8%	Δ8.7%
Profit attributable to owners of parent	16,803	14,800	57.8%	Δ11.9%

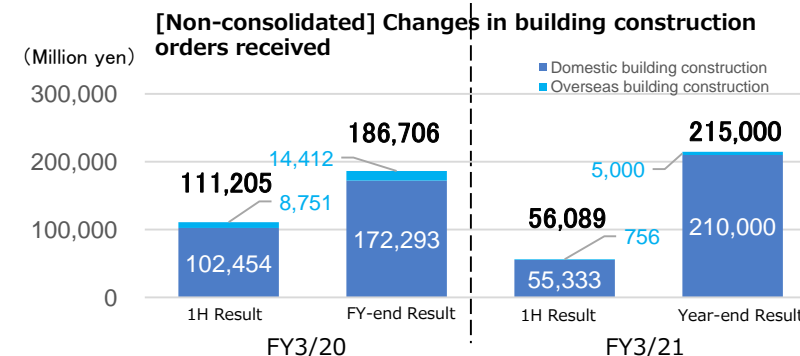
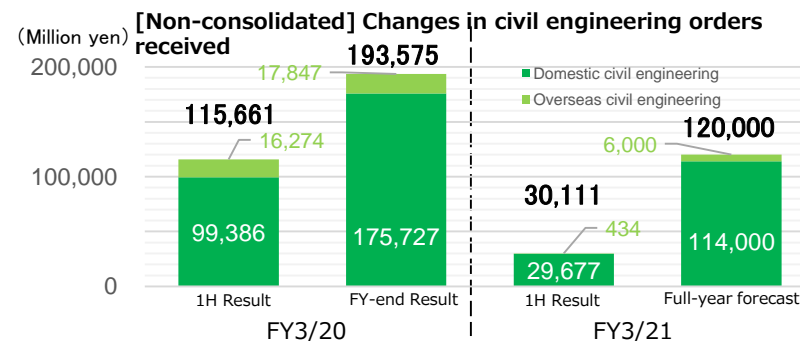
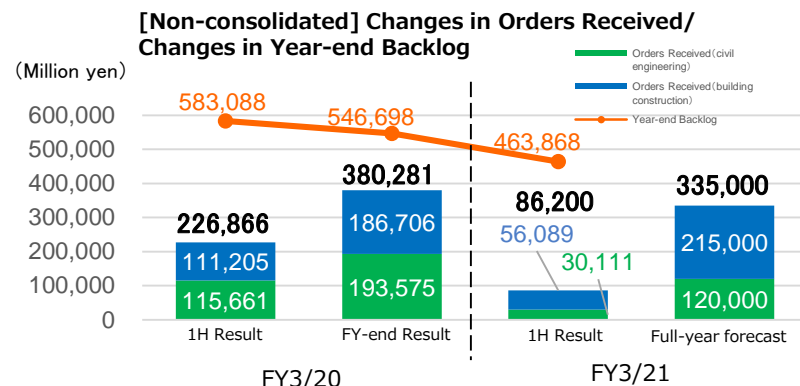
(Unit: Million yen. Rounded down to the unit)

【Non-consolidated】 New Orders (Full-year forecast)



	FY3/20 (Apr.1,2019-Mar.31,2020)	FY3/21 (Apr.1,2020-Mar.31,2021)		
	Result	Full-year forecast (announced in Aug. 2020)	1H Progress rate	YoY Change
Orders Received	380,281	335,000	25.7%	Δ11.9%
Civil engineering	193,575	120,000	25.1%	Δ38.0%
Domestic	175,727	114,000	26.0%	Δ35.1%
Overseas	17,847	6,000	7.2%	Δ66.4%
Building construction	186,706	215,000	26.1%	+15.2%
Domestic	172,293	210,000	26.3%	+21.9%
Overseas	14,412	5,000	15.1%	Δ65.3%

(Unit: Million yen. Rounded down to the unit)



【Non-consolidated】 Net Sales of Completed Construction Contracts/
Gross Profit on Completed Construction Contracts (Full-year forecast)



	FY3/20 (Apr.1,2019-Mar.31,2020)	FY3/21 (Apr.1,2020-Mar.31,2021)		
	Result	Full-year forecast (announced in Aug. 2020)	1H Progress rate	YoY Change
Net sales of completed construction contracts	351,527	335,000	50.4%	Δ4.7%
Civil engineering	124,314	135,000	49.3%	+8.6%
Building construction	227,213	200,000	51.1%	Δ12.0%
Gross profit on completed construction contracts	43,174	40,300	56.2%	Δ6.7%
(Construction gross profit margin)	(12.3%)	(12.0%)	(—)	(Δ0.3P)
Civil engineering	21,960	21,900	54.9%	Δ0.3%
Building construction	(17.7%)	(16.2%)	(—)	(Δ1.4P)
Building construction	21,214	18,400	57.8%	Δ13.3%
	(9.3%)	(9.2%)	(—)	(Δ0.1P)

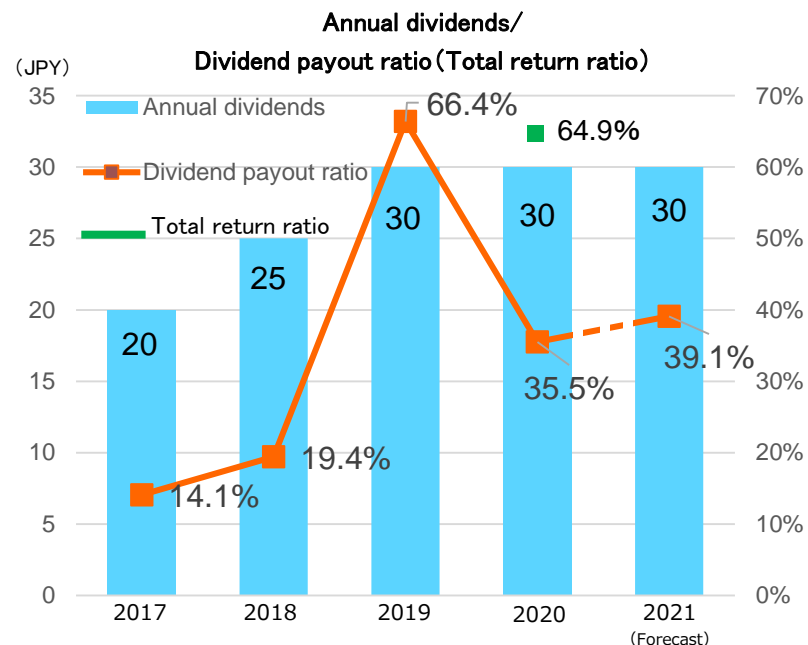
(Unit: Million yen. Rounded down to the unit)

Status of Dividends and Own Share Purchase



1. Annual dividends

	2nd quarter end	Year end	Total
FY3/20 (Apr.1,2019-Mar.31,2020) (Result)	15 Yen	15 Yen	30 Yen
FY3/21 (Apr.1,2020-Mar.31,2021) (Forecast)	15 Yen (Results)	15 Yen	30 Yen



2. Purchase of Own Shares (Resolution of the Board of Directors' meeting held on November 10, 2020)

- Period of purchase From November 16, 2020 to November 15, 2021
- Total number of shares to be purchased (maximum) 18,000 thousand shares
- Total amount of purchase cost (maximum) 10 billion yen

Final year of the current
Medium-term Management Plan
(Period 2023.3)

Total return ratio (Target Figure)
50% or more



IV. Medium-Term Management Plan (FY3/21 to FY3/23) Progress to Date

Progress under the Medium-Term Management Plan (Overview)



Chapter I 《Branding》 FY3/21 – FY3/23

Create customer value

- Achievement of safety, high quality, high productivity, and low cost by strengthening technology development / innovation / proposal capabilities
- To remain by our customers' sides over the long term and respond quickly to diverse needs by strengthening LC support business

Progress to Date

- Various technology development endeavors aimed at securing a raft of benefits including improved productivity, lower costs, and shorter construction periods in progress (endeavors include the development of an integrated control system for mountain tunnel construction and an autonomous crack detection robot)
- Acquisition and expansion of a new precast concrete factory in an effort to increase cost competitiveness
- Establishment of the LCS Business Headquarters (set up of a maintenance, renewal, and other support system)

Create shareholder value

- To secure stable profits (transformation to a business structure that is not easily affected by changes in orders received in a fiscal year)
- Increase corporate value by returning profits to shareholders (dividends, etc.) and investing in growth

Progress to Date

- Sales and profits in the 2Q exceed plans
- Interim and period-end dividend of ¥15 per share for a total annual dividend of ¥30 per share
- Plans to purchase own shares (¥10 billion over one year going forward)
- Growth investment of ¥20 to ¥30 billion currently anticipated over the next three years

Create environmental value

- To participate in renewable energy business ➢ Process of decarbonizing business activities (promotion of SBT and RE100)
- Technology development, trial demonstration and deployment for ZEB, next-generation energy management systems, etc.

Progress to Date

- Plans to participate in renewable energy businesses in Japan and overseas in progress
- Efforts to promote SBT and RE100 in progress
- At the Company's Technical Research Institute
 - Commenced next-generation energy project trial demonstration
 - Set up and commenced operation of ZEB trial demonstration space

Create employee value

- Achievement of sense of well-being (treatment according to work style and results, promotion of health management, diversity)
- To realize work-style reforms, realization of diverse work styles
- Development / securing of human resources (expansion of human resource development system)

Progress to Date

- Efforts to promote various measures aimed at realizing a sense of employee well-being and happiness in progress
- Promoting health management activities
- Ongoing measures taken to establish a five-day work week by the end of FY3/22
- Promoting teleworking as well as full use of such initiatives as online conferencing

Chapter II
《Spread》
FY3/24
–
FY3/27

Chapter III
《Establish》
FY3/28
–
FY3/31

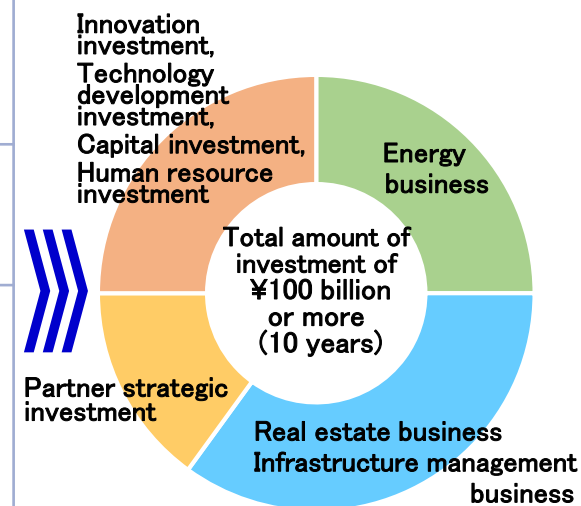
Progress under the Medium-Term Management Plan (Investment Plan)



【Investment Plan for the Period of the Medium-Term Management Plan (FY3/21–FY3/23)】

Field	Amount	Target
Energy business	Around ¥5 billion	<ul style="list-style-type: none"> ▪ Renewable energy business (Japan and overseas) ▪ Energy Service Provider (ESP) business
Real estate business/ Infrastructure management business	Around ¥5 billion	<ul style="list-style-type: none"> ▪ Owned asset (branch building) facility management business ▪ Acquisition of profitable properties
Partner strategic investment	Around ¥5 billion	<ul style="list-style-type: none"> ▪ Alliances with overseas business partners ▪ Collaboration with startup companies
Innovation investment, Technology development investment, Other	Around ¥10 billion	<ul style="list-style-type: none"> ▪ Technology development investment that contributes to such benefits as improved productivity, low cost, and shorter construction periods ▪ Technical Research Institute capital investment ▪ Precast concrete factory expansion (third building) ▪ Venture capital (VC) investment

「HAZAMA ANDO VISION2030」 Growth Investment



Total Investment over Three Years (¥20–¥30 billion)

【1H 2020 Investment Projects】

Technology research development, new precast concrete factory (Shizuoka), profitable properties (urban business hotels)



Presentation materials are a collection of slides prepared for IR purposes and not intended to solicit investment in the securities issued by the Company.

This document also contains information on future prospects based on current plans, estimates, forecasts, and projections by Hazama Ando Corporation with respect to the Company's business and industry trends. These forward-looking statements are therefore subject to various risks and uncertainties.



**HAZAMA ANDO
CORPORATION**