Hibiya Engineering,Ltd.

2019 ANNUAL REPORT

PROFILE

The Hibiya Engineering Group provides a comprehensive range of facilities engineering products and services, through business activities grounded in respect for the environment and the comfort of users.

Our services range from the planning, design and installation of air conditioning, sanitary, electrical and communications facilities, through to their maintenance, management, and eventual upgrading. A particular strength is the ability to meet today's social needs by applying advanced energy-saving technologies to implement sophisticated open-network IT environments and workplaces.

Our role as integrated facilities engineers is to create future possibilities and environments that enhance customer satisfaction. We will continue to contribute to society through innovative technologies and a passion to perform.

The HIBIYA Vision

Mission

We are devoted to fulfilling the following missions.

- Creating safe, secure and comfortable environments for customers and society by using light, water, air and information to give life to buildings
- Meeting customers' needs by providing life cycle support for buildings as an expert in the field of building management
- Contributing to the protection of the global environment by constantly upgrading comprehensive engineering capabilities
- Showing our respect and appreciation to employees, customers and shareholders

The Hibiya Engineering Group

Hibiya Engineering, Ltd.
Facilities engineering

Consolidated subsidiary
HIBIYA TSUSHOU CO., LTD.
Equipment sales

Consolidated subsidiary
NIKKEY COMPANY LIMITED
Facilities engineering and others

Consolidated subsidiary
HIT Engineering, Ltd.
Design, installation and maintenance of manufacturing equipment

Equity-method affiliate
NIHON MECCS CO., LTD.
Property maintenance and management, construction, and facilities engineering

Total engineering solutions for building facilities
(Planning, design, and installation of climate control, communications, electrical, water & drainage, and other sanitary facilities; maintenance and management of installed equipment; and upgrade and replacement)

Clients

CONTENTS

Projections and Perspectives:

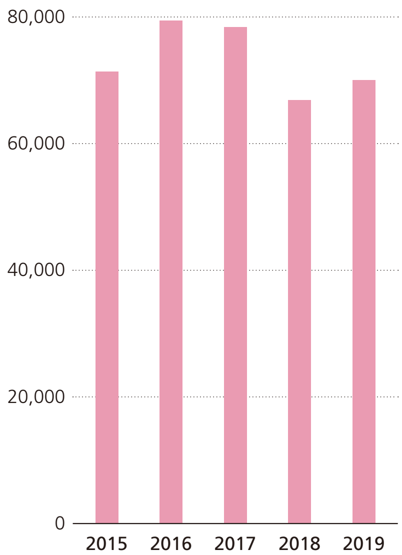
This Annual Report includes projections and descriptions of prospects regarding future plans, strategies and the operating performance of the Company. Such descriptions are not based on past facts, but rather on perspectives judged to be appropriate in view of assumptions and management convictions on the strength of information available to the Company as of March 31, 2019. Such projections of operating performance may vary from management's initial anticipation as result of general economic trends, changes in the business environment, possible revisions to the tax code and to other factors.

Consolidated Financial Highlights

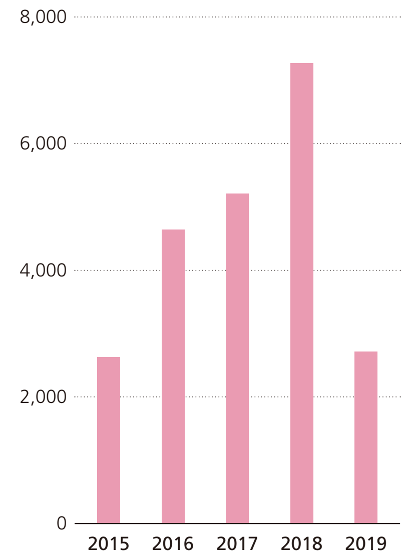
Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31

	2015	2016	2017	2018	2019
			Millions of yen		
Net Sales	¥71,329	¥79,401	¥78,387	¥66,838	¥70,035
Profit attributable to owners of parent	2,630	4,641	5,207	7,273	2,711
Total Assets	84,725	91,900	93,661	82,931	82,396
Net Assets	58,939	59,947	63,719	58,580	60,026
			Yen		
Per share:					
Net Assets	¥1,912.49	¥1,966.69	¥2,117.40	¥2,350.48	¥2,441.23
Profit attributable to owners of parent	87.62	156.88	178.49	262.00	111.34
Cash Dividend (non-consolidated basis)	32.00	40.00	50.00	60.00	80.00

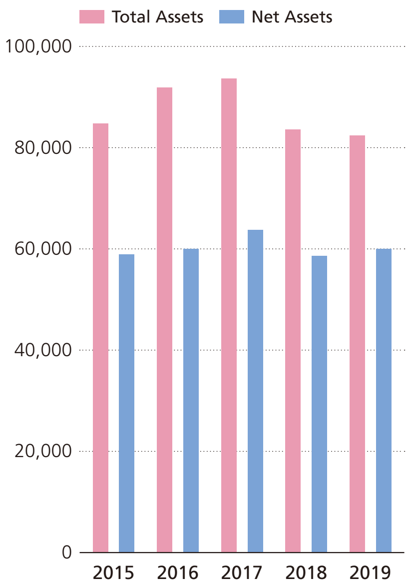
Net Sales (¥ million)



Profit attributable to owners of parent (¥ million)



Total Assets & Net Assets (¥ million)



A Message from the President

I would like to take this opportunity to thank our shareholders and investors for their continued support and consideration.

The Japanese economy is benefiting from measures by the Japanese government as the labor market and personal income improve. However, caution is needed concerning the economic outlook due to the impact of trade problems on the world economy, the future of China's economy, overseas economic trends, policy-related uncertainties, and financial market volatility.

In Japan's construction industry we have seen abatement of Olympics-related demand and weakening of public works spending. Foreign exchange rate movements may raise the cost of building materials and Japan's shortage of workers is likely to raise the cost of labor. As a result, the operating environment remains severe.

The Group's Sixth Medium-term Management Plan started in FY 2017. The plan's fundamental strategies were changing how people work by making investments in human resources and ICT and providing customers with even more advanced life cycle total solutions.

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 this final fiscal year of the Sixth Medium-term Management Plan, we will continue working on the many initiatives based on the two fundamental strategies while improving capital efficiency and assuring steady returns to shareholders. And as measures to secure orders and profit on completed contracts, we will further stress expansion of renovation work for optimum repair proposals corresponding to the condition of building facilities we have completed, as well as working to strengthen risk management at the construction stage.

Thank you for your support as we continue to take the actions needed to accomplish our goals.

President and Representative Director

Yoshiharu Nishimura

Highlights of the Fiscal Year

Results of Operations in Year Ended March 31, 2019

In this term, by means investment in human resources and ICT to improve working conditions, the Company promoted "Female Participation and Career Advancement in the Workplace" and "ICT-driven efficiency improvement." We also expanded our stock business, promoted intra-Group liaison and alliances, and enhanced LC total solutions, with results as shown below.

Orders received	¥75,879 million (up 4.5% year-on-year)
Net sales	¥70,035 million (up 4.8% year-on-year)
Operating profit	¥2,048 million (down 35.4% year-on-year)
Profit attributable to owners of parent	¥2,711 million (down 62.7% year-on-year)

Distributions to shareholders

FY2019

Dividends

- Based on the Sixth Medium-term Management Plan earnings target, the plan is to pay a dividend per share of ¥80

Repurchases

- The initial FY2019 plan was 300,000 shares/¥660 million
  Due to a review of cross-shareholdings, repurchases were increased to 400,000 shares/¥840 million
- During FY2019, 380,000 shares were repurchased (94.7% of the plan) at a cost of ¥700 million (83.6% of the plan)

Plan for FY2020

Basic policy

- Based on the earnings targets of the current medium-term plan, stock will be repurchased in a flexible manner as part of shareholder distributions while continuing to place emphasis on dividends. (Another stock repurchase authorization was approved at the beginning of FY2020, the ninth consecutive year of stock repurchases.)

Dividends

- The dividend will be ¥80 per share.

Repurchases

- To purchase 300,000 shares at a cost of ¥570 million.

The Sixth Medium-term Management Plan (April 2017 - March 2020)

- Fundamental Goal

"Establish and reinforce corporate reforms" for the stable and long-term continuation and advancement of business operations

- Core Strategies

Invest in human resources and ICT to change how people work

More advanced life cycle total solutions

- Financial Goals (consolidated)

	FY2020	Target of the medium-term plan
Orders received	¥75 billion	At least ¥75 billion
Net sales	¥75 billion	At least ¥75 billion
Operating profit	¥4 billion	At least ¥4 billion
Ordinary profit	¥5 billion	At least ¥5 billion
Profit attributable to owners of parent (ROE)	¥3 billion (5.0%)	At least ¥3 billion (At least 5.0%)

Initiative 1 Invest in human resources and ICT to change how people work

Promotion of measures to improve working conditions for women

Follow-up training after maternity leave

Maternity leave discussion group

Purpose of training

- Provision of information about current market conditions and business operations so that women can return to work with confidence

Benefits

- Sharing information with other employees in the same environment helps eliminate worries
- Going to the workplace for training itself increases motivation to return to work
- Creates a framework for uniform follow-up activities at all departments

Orientation program for training leaders

Job site tours for female employees

Purpose of training

- Gives women a better understanding of engineering services tasks and allows them to perform their jobs at a higher level
- Mutual understanding of jobs allows contacting each other as needed for assistance and creates a positive workplace environment that increases motivation
- Visiting job sites makes women think about their career goals

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- Received L-Star (two stars) certification in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace.
- The Hibiya Engineering Group has the goal of making women at least 20% of all newly hired people as shown right.

(Unit: people)	2017	2018	2019	Total
New graduate	28	23	30	81
of which women	8	6	7	21

Pct. of women: 25.9%

Initiative 2 Invest in human resources and ICT to change how people work

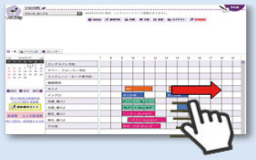
Use of cloud apps to make all construction steps more efficient

- Use of a tablet speeds up information sharing
- Apps created for specific needs improve efficiency
- Shortens working time by making information available to other job sites

Tablets replace paper drawings and other documents

Faster information sharing by eliminating paper

Use of schedule management app



Share/confirm daily schedules of individuals

Procedures using a laser marker

Improves accuracy

Meetings before construction → Construction → Completion

Easy to set up a meeting with several people

Use the meeting app

Link between job site and office

Use the chat app

Digital data replaces large amount of paper documents

The virtual tour manual

Initiative 3 More advanced life cycle total solutions

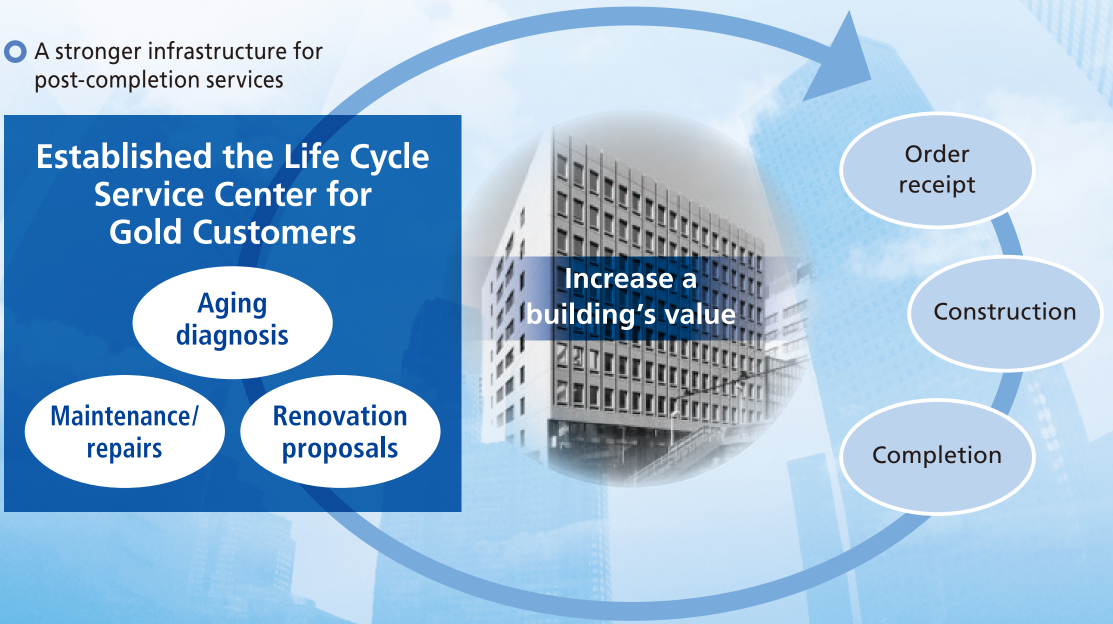
Increase orders by expanding proposals for Gold Customers (Established the Life Cycle Service Center)

All-inclusive solutions for a building's entire life cycle

- Upgrade post-completion services to create a stronger customer base
- Equipment aging diagnosis/Upgrade proposals for renovations
- Quick action when maintenance and repairs are needed

Post-completion services and value-added renovation proposals

A stronger infrastructure for post-completion services



Initiative 4 More advanced life cycle total solutions

CO_2 reduction projects for the public sector nationwide backed by experience and strengths

Solutions for government issues

- Aging infrastructure/equipment
- Need to cut CO_2 emissions by 40%
- Improve building interiors/ energize regional economies

Hibiya Engineering strengths

- Accomplishments using renovation technologies and subsidies
- Ideas for highly reliable and practical CO_2 reduction systems
- Ability to use alliances and subsidies to meet specific requirements

CO_2 reduction projects using alliances and subsidies (Partnering with leasing companies and local companies)

- Chichibu, Saitama (3 facilities (senior care facility, gymnasium, etc.))
- Honbetsu, Hokkaido (10 facilities (hospital, schools, etc.))
- Nagano prefecture (104 facilities)
- Numazu, Shizuoka (9 facilities (nursery school etc.))
- Manazuru, Kanagawa (11 facilities (city hall, museum, etc.))

Carbon Management Reinforcement Program (a subsidy for energy conservation renovations at government buildings)

- Sango, Nara (6 facilities (schools, library, etc.))

School air conditioning equipment project

- Taiwa, Miyagi (6 elementary schools)

Gas utilization project with spa

- Ashoro, Hokkaido (agricultural facility)
- Hokuryu, Hokkaido (research study for hot spring spa)

Topics1: Seminars at the Hibiya Information Plaza

Data Center Seminar (3rd)

Summary

- This seminar featured a keynote address on the data center market by Fuji Chimera Research Institute and presentations about data center climate control and other themes.

Presentations

- Keynote address: The changing data center market
- Data center climate control technology trends and activities of NTT Facilities
- Server room structure guidelines
- New technology session: Examples of improvements to data center operations

Renovation Seminar (4th)

Summary

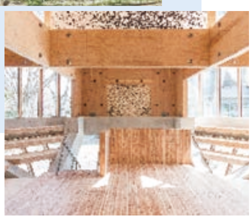
- Renovations at office buildings, retail buildings and other buildings from the standpoint of using existing equipment

Presentations

- Workplace management for speeding up working style reforms
- Using sensors and wireless links to add new value to renovations
- Importance of improving window performance at existing buildings and new upgrading methods
- Renovation projects and the technologies behind them

Topics2: Participation in Building CLT* Model Project, recipient of a FY18 Good Design Award

* CLT: Cross Laminated Timber



Seminar Room of School of Engineering, Tohoku University (facility)

Location	Sendai, Miyagi
Floor area	90.36m²
Stories	1 storey above ground
Equipment installed	Air conditioning/Electical

- Uses natural heat and renewable heat (simple solar heat use, natural ventilation using summer ventilation opening, double-skin air conditioning)
- Combination of HVAC system placement under the floor and out of sight and an indirect lighting system produces a room that is attractive and functional
- Seat-level HVAC outlets keep the room comfortable during the winter, preventing cold air from collecting in the lower parts of the room

Good Design Award 2018 (Japan Institute of Design Promotion)

Topics3: New customers, alliances and other sources of opportunities

Renovation EXPO (Tokyo Big Sight)

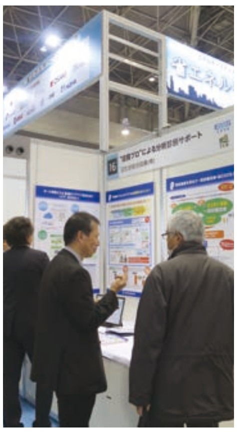
Summary

- Attendance was 23,000
- Exhibitions of technologies for development of next-generation buildings and the efficient operation of buildings
- Visitors to the Hibiya Engineering booth completed questionnaires and were contacted afterward by salespeople

The Hibiya Engineering booth

- Renovation projects and associated technologies
- Energy conservation technologies incorporated in renovations (Hibiya Tsusho)
- Security, fire prevention and safety products and technologies (Nikkei)

Energy Conservation Fair 2019 (Tokyo Big Sight)



Summary

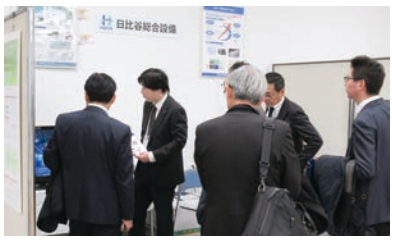
- An event for advanced technologies concerning energy conservation and reducing electricity consumption

The Hibiya Engineering booth

- Energy conservation diagnosis and analysis support
- Energy management system
- CO_2 reduction systems for local governments

Data Center Expo (Fall) (Makuhari Messe)

JFMA Facility Management Forum 2019 (Tower Hall Funabori)



CSR Report

Corporate Social Responsibility at Hibiya Engineering

To achieve the objectives of the HIBIYA Vision, all activities of the Hibiya Engineering Group are guided by the Action Guidelines and Standards for Ethical Behavior. By adhering to these guidelines, we are dedicated to playing a part in sustainable social progress.

■ Our Commitment to Stakeholders

Hibiya Engineering has prepared "Our Commitment to Stakeholders" in order to become a company that is highly appealing to all stakeholders. This expresses our determination to conduct business activities that place priority on customers, shareholders and employees as well as on harmony with society and the global environment.

Hibiya Engineering

For the global environment

- We will sponsor and promote the development of environmental technologies.
- We will positively engage in environment-related businesses.
- We will implement a well-focused "Fun to Share*" program of office environmental conservation activities.

*Fun to Share: A climate-change campaign for the realization of a low-carbon society, which the Ministry of the Environment has been promoting since 2014

For customers

- We will strive to improve our technology and quality, and provide safe, secure and comfortable environments both for our customers and for society.
- With a firm foundation in our respect for human life, our constant aim is always to eliminate work-related deaths and injuries and equipment accidents.
- We will respond to the needs of our customers with support that spans the whole lifecycle.

For shareholders and investors

- We will maintain a stable and uninterrupted payment of dividends, taking into account our consolidated business performance from a long-term perspective.
- We will endeavor to disclose information in a timely and appropriate manner.

For communities and society

- In all our business activities, we will always comply with all the requirements of laws, regulations, social norms, common-sense rules of society, and corporate ethics, and act in accordance with ethical standards of behavior.
- As a good corporate citizen, we will actively promote participation in, and support the activities of, local communities.

For business partners

- We will always be a good partner in our client dealings and conduct our transactions in a fair and transparent manner.
- We will work together to ensure that the safety of our construction activities is assured at all times and to maintain and improve the quality of our construction work.

For employees

- We will build a work environment that is truly worth working in.
- We will strive to evaluate our employees fairly and to always support them in the development of their skills and potential.
- We will strive to promote respect for human rights and to provide secure employment.

Corporate Governance

Hibiya Engineering believes that strengthening corporate governance is vital to increasing corporate value in an operating environment that is rapidly changing and becoming more challenging. The fundamental policy for measures to upgrade corporate governance is to make management more transparent, efficient and sound while rigorously implementing compliance and other risk management programs.

■ Board of Directors

There are now 9 directors, including three external directors, and four corporate auditors, including three external auditors. In principle, the Board of Directors meets once each month to reach decisions about important matters involving management and to receive reports.

In addition, Hibiya Engineering uses the executive officer system for the purpose of strengthening management oversight functions. Two major benefits of this system are improving the functions and effectiveness of the Board of Directors and reinforcing the supervisory function for business operations.

Hibiya Engineering has submitted notices to the Tokyo Stock Exchange stating that there are two independent external directors and two independent external corporate auditors.

■ Term of directors

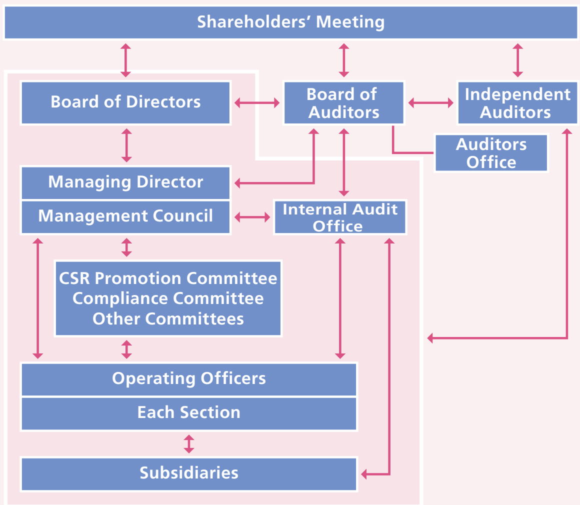
The term of directors was reduced from two years to one year in June 2008. The shorter term allows adapting more swiftly to changes in the operating environment and makes directors more accountable for management of the group during their respective terms.

■ Board of Auditors

Hibiya Engineering uses the corporate auditor system and increased the number of external corporate auditors by one in June 2008. There are currently four corporate auditors, including three external auditors. Auditors attend meetings of the Board of Directors, Management Council and other important meetings to ensure that business operations do not violate any laws. Corporate auditors also perform financial audits in conjunction with the independent auditors.

■ Internal audits

Corporate auditors perform audits with the two full-time staff members of the Internal Audit Office and other employees. Audits are conducted periodically to monitor the status of business operations, including at subsidiaries. Audit results are reported to the representative directors.



↔ : Lines of communication for management

Compliance

Hibiya Engineering has a rigorous compliance system based on the belief that "a company has an obligation to be a good citizen of society." All executives and employees are dedicated to performing their jobs based on high ethical standards, compliance with laws and regulations, and the Hibiya Engineering articles of incorporation and Action Guidelines. The objectives of the compliance system are to conduct business operations that always reflect the company's social responsibilities and to further increase the transparency and soundness of the Hibiya Engineering Group.

Hibiya Engineering has a Compliance Committee chaired by the company's president that is responsible for companywide compliance promotion activities. The committee determines basic policies for compliance, formulates action plans, oversees compliance training for all employees, examines important compliance issues, and operates the Hibiya Hot Line, an internal whistle-blowing system.

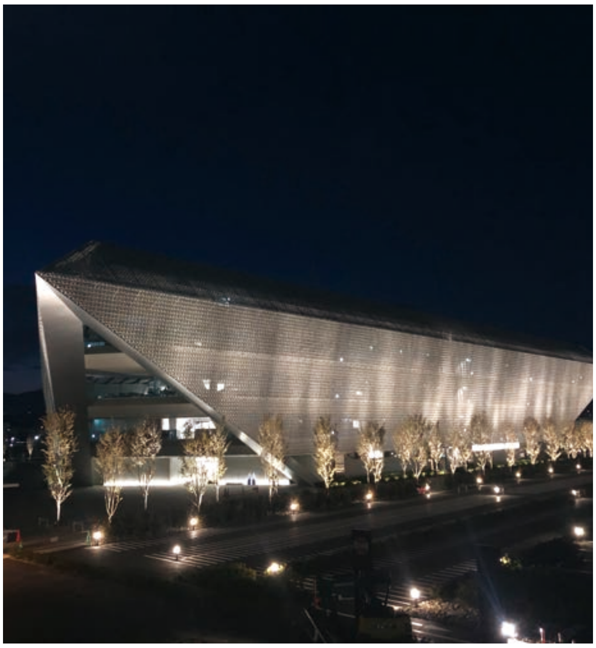
Major completed projects

Legend ▶▶ 1 Location 2 Floor area 3 Stories 4 Equipment installed

Sumitomo Realty & Development Shibuya First Tower

1 Shibuya-ku, Tokyo
2 37,942m²
3 21 storeys above ground/2 storeys below ground/1 level of roof
4 Air conditioning/sanitation

Otemon Gakuin University Ibaraki Sojiji Campus, Osaka



1 Ibaraki, Osaka
2 20,130m²
3 5 storeys above ground /1 level of roof
4 Air conditioning

NTT West New Sanban-cho Building

1 Matsuyama, Ehime
2 5,447m²
3 4 storeys above ground/1 storey below ground
4 Air conditioning/sanitation

HAMACHO HOTEL&APARTMENTS

1 Chuo-ku, Tokyo
2 12,982m²
3 15 storeys above ground/1 storey below ground/1 level of roof
4 Air conditioning/sanitation

FINANCIAL SECTION

CONTENTS

Management's Discussion and Analysis

■ Overview

In the fiscal that ended in March 2019, the Japanese economy continued to recover at a moderate pace with the support of solid internal demand. However, there were signs of weakness in some categories of exports and manufacturing because of slowing global economic growth.

In Japan's construction industry, corporate capital expenditures continued to increase as earnings improved. But the business climate remained challenging due to Japan's tight labor market and the rising cost of building materials and labor.

Orders received and Sales

The Hibiya Engineering Group took many actions during the fiscal year to create life cycle total solutions on an even higher level for customers. Major goals included the growth of consistent-revenue operations that unify sales and engineering services and the use of cooperation among group companies and alliances with other companies. For working-style reforms, there were investments in human resources and ICT for more initiatives to increase the role of women in the workforce, use ICT for more efficient business processes and other goals. To build stronger ties with partner companies, a portal site was established, an internet system for processing invoices was started and other actions were taken.

As a result, orders received were ¥75,879 million, 4.5% higher than in the previous fiscal year. Sales increased 4.8% to ¥70,035 million.

Operating profit and Profit attributable to owners of parent

Operating profit was down 35.4% to ¥2,048 million and profit attributable to owners of parent fell 62.7% to ¥2,711 million. Earnings per share decreased to ¥111.34 from ¥262.00 in the previous year. Earnings per share fully diluted also decreased to ¥110.69 from ¥260.69.

■ Balance Sheet and Cash Flows

Balance Sheet

Assets

Total assets decreased ¥534 million from the end of the previous fiscal year to ¥82,396 million. Current assets decreased ¥1,787 million to ¥49,227 million and noncurrent assets increased ¥1,253 million to ¥33,169 million.

Major changes in current assets were an increase of ¥4,971 million in cash and deposits and decreases of ¥2,754 million in notes receivable, accounts receivable from completed construction contracts and other and ¥2,840 million in income taxes receivable.

Noncurrent assets increased primarily because of a ¥2,247 million increase in investment securities that was mainly attributable to the purchase of securities.

Liabilities

Liabilities decreased ¥1,980 million to ¥22,370 million. There was a ¥554 million increase in deferred tax liabilities and a ¥2,153 million decrease in notes payable, accounts payable for construction contracts and other.

Net Assets

Net assets were ¥60,026 million at the end of the fiscal year, including a contribution from profit attributable to owners of parent of ¥2,711 million.

Return on Equity

Return on equity decreased to 4.7% from 12.3% in the previous fiscal year.

Cash Flows

Net cash provided by operating activities was ¥5,800 million, ¥128 million more than in the previous fiscal year.

Net cash provided by investing activities decreased ¥8,258 million to ¥1,605 million. The main reason was a decrease in the proceeds from sales of investment securities.

Net cash used in financing activities was ¥2,434 million, ¥11,777 million less than cash used in the previous fiscal year. The main reason was a decrease in the purchase of treasury shares.

The result of these cash flows was a net increase of ¥4,971 million in cash and cash equivalents to ¥17,641 million at the end of the fiscal year.

■ Segment Information

Construction: Sales in this core business segment, which represents 87.7% of total sales, increased 5.9% to ¥61,448 million and operating profit decreased 35.1% to ¥1,701 million.

Equipment sales: Segment sales increased 1.3% to ¥5,819 million and operating profit decreased 12.8% to ¥294 million.

Equipment manufacturing: Segment sales decreased 9.7% to ¥2,767 million and operating profit decreased 80.6% to ¥39 million.

■ Business Risks

The following section is a list of items contained in the discussion of results of operations and financial condition in the Annual Report that may have a significant effect on the decisions of investors. These items are based on the judgments of the Hibiya

Engineering Group as of March 31, 2019.

1. Risk of dependence on a specific customer

The Group's sales are heavily dependent on Nippon Telegraph and Telephone Corporation (NTT) and its affiliates ("NTT Group"). Should the NTT Group significantly reduce its investments in construction for any reason, the Group's operating performance and financial position may be adversely affected.

2. Risk related to business partners

The operating environment in the Japanese construction market is extremely difficult because of continuing restrictions on construction expenditures, particularly with regard to public works projects. Due to this situation, there is intense competition for orders and price competition. In this environment, if the creditworthiness of any business partner worsens, the Group's operating performance and financial position may be affected by bad debt associated with trade receivables.

3. Risk related to prices of materials

If there is an increase in prices of equipment and materials used by the Group due to a shortage of raw materials such as iron and copper and/or market fluctuations, the Group's operating performance and financial position may be affected.

4. Risk related to unprofitable work

If a project undertaken by the Group becomes unprofitable because of additional construction costs or other items caused by factors that were unforeseen before the project was started, the provision for an allowance for losses on construction contracts may become necessary and the Group's operating performance and financial position may be affected.

5. Risk involving safety

The Group conducts a large volume of renovation work at buildings owned by the NTT Group. If an accident resulting in injury or property damage occurs during a renovation and causes a serious failure at NTT's advanced public communications network, the Group may be obligated to make a large, lump-sum compensation payment and the Group's operating performance and financial position may be affected.

6. Risk involving retirement benefit systems

The Company and certain consolidated subsidiaries participate in the Air-Conditioning and Sanitation Corporate Pension Fund. A decline in the financial position of this fund may result in a revision in benefits. Depending on the nature of the revision, the Group's retirement benefit expenses may increase, affecting its operating performance and financial position.

7. Risk involving securities

The Group may have to write down the value of stock that it holds because of stock market movements, changes in the performance of individual companies and other factors. In addition, the Group may not be able to receive dividend from this stock as initially expected. For bonds, the Group may be unable to receive interest or principal payments due to a default by an issuer. In addition, for bonds where interest is linked to foreign exchange rates, market interest rates and other marketbased indicators, the Group may be unable to receive the interest that was expected when the bond was purchased or at the beginning of the fiscal period due to changes in market conditions.

8. Risk related to recovering deferred tax assets

Deferred tax assets in the consolidated financial statements of the Group are recorded as a result of the scheduling of the expected year for the future resolution of temporary subtraction differences. If the operating performance of the Company and/or its consolidated subsidiaries worsens, deferred tax assets would have to be reduced on the basis of judgments concerning the ability to recover deferred tax assets, and the Group's operating performance and financial position may be affected.

9. Seasonal variations in operating performance

For ordinary business operations, a larger percentage of construction work is completed in the second half than in the first half of each fiscal year. This produces a significant difference between first half and second half sales, which results in a seasonal variation in operating performance for these two six-month periods.

Consolidated Balance Sheets

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
As of March 31, 2019 and 2018

		Millions of yen	
		2019	2018
Assets			
Current assets:			
Cash and cash equivalents	*(Note 4)*	**¥ 17,641**	¥ 12,670
Notes receivable, accounts receivable from completed construction contracts and other	*(Note 4)*	**29,311**	32,065
Short-term investments	*(Note 4)*	**300**	1,501
Costs on uncompleted construction contracts and other	*(Note 3)*	**669**	802
Income taxes receivable		**—**	2,840
Other		**1,324**	1,151
Allowance for doubtful accounts		**(17)**	(13)
Total current assets		**49,228**	51,016
Property, plant and equipment:			
Buildings and structures		**1,499**	1,482
Land		**94**	94
Other		**1,037**	1,031
Total		**2,630**	2,607
Accumulated depreciation		**(1,948)**	(1,866)
Total property, plant and equipment		**682**	741
Investments and other assets:			
Investment securities	*(Note 4)*	**28,879**	26,632
Insurance funds		**1,614**	1,566
Investments in silent partnership	*(Note 4)*	**703**	1,712
Deferred tax assets	*(Note 5)*	**33**	48
Asset for retirement benefits	*(Note 7)*	**28**	34
Other		**1,230**	1,182
Total investments and other assets		**32,487**	31,174
Total assets		**¥ 82,397**	¥ 82,931

See accompanying notes to consolidated financial statements.

		Millions of yen	
		2019	2018
Liabilities			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other	*(Note 4)*	**¥ 16,221**	¥ 18,375
Income taxes payable	*(Note 5)*	**826**	356
Advances received on uncompleted construction contracts		**379**	630
Provision for bonuses		**456**	1,242
Provision for loss on construction contracts		**751**	421
Other		**1,531**	1,824
Total current liabilities		**20,164**	22,848
Long-term liabilities:			
Deferred tax liabilities	*(Note 5)*	**1,137**	583
Liability for retirement benefits	*(Note 7)*	**1,038**	879
Other		**32**	40
Total long-term liabilities		**2,207**	1,502
Total liabilities		**22,371**	24,350
Net assets			
Shareholders' equity:	*(Note 8)*		
Capital stock: Authorized – 96,500,000 shares in 2019 and 2018 Issued – 25,006,321 shares in 2019 and 26,506,321 shares in 2018		**5,753**	5,753
Capital surplus		**6,028**	6,028
Retained earnings		**43,496**	45,649
Treasury stock: 949,918 shares in 2019 and 2,093,217 shares in 2018		**(2,055)**	(4,536)
Total shareholders' equity		**53,222**	52,894
Accumulated other comprehensive income			
Net unrealized holding gains or losses on securities		**6,228**	5,201
Accumulated adjustments for retirement benefits		**(723)**	(712)
Total accumulated other comprehensive income		**5,505**	4,489
Subscription rights to shares		**204**	171
Non-controlling interests		**1,095**	1,027
Total net assets		**60,026**	58,581
Total liabilities and net assets		**¥ 82,397**	¥ 82,931

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

		Millions of yen	
		2019	2018
Net sales		¥ 70,035	¥ 66,839
Cost of sales		60,463	55,911
Gross profit		9,572	10,928
Selling, general and administrative expenses	*(Note 6)*	7,523	7,756
Operating income		2,049	3,172
Other income (expenses):			
Interest and dividend income		286	264
Interest expenses		(2)	(2)
Equity in earnings of affiliates		738	561
Gain on sales of investment securities		574	4,523
Other, net		112	99
Other income (expenses) - net		1,710	5,445
Profit before income taxes		3,759	8,617
Income taxes:	*(Note 5)*		
Income taxes-current		946	595
Income taxes-deferred		54	655
Total income taxes		1,000	1,250
Profit		2,759	7,367
Profit attributable to non-controlling interests		47	93
Profit attributable to owners of parent	*(Note 11)*	¥ 2,712	¥ 7,274

		Yen	
Per share of common stock:	*(Note11)*	2019	2018
Net assets		¥ 2,441.23	¥ 2,350.48
Profit			
Basic		111.34	262.00
Diluted		110.69	260.69
Cash dividend applicable to the year	*(Note8)*	80.00	60.00

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

		Millions of yen	
		2019	2018
Profit		¥ 2,759	¥ 7,367
Other comprehensive income:	*(Note 10)*		
Net unrealized holding gains or losses on securities		1,123	1,809
Deferred gains or losses on hedges		—	(0)
Adjustments for retirements benefits		8	(330)
Share of other comprehensive income of associates accounted for by using equity method		(92)	133
Total other comprehensive income		1,039	1,612
Comprehensive income		3,798	8,979
Comprehensive income attributable to:			
Owners of parent		3,728	8,864
Non-controlling interests		70	115

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
As of March 31, 2019 and 2018

	Number of shares of common stock	Shareholders' equity				
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Shares)	(Millions of yen)				
Balance at April 1, 2017	31,000,309	¥ 5,753	¥ 5,932	¥ 49,293	¥ (2,625)	¥ 58,353
Profit attributable to owners of parent	—	—	—	7,274	—	7,274
Dividend from surplus	—	—	—	(1,602)	—	(1,602)
Purchase of treasury stock	—	—	(113)	—	(11,286)	(11,399)
Disposal of treasury stock	—	—	—	(74)	131	57
Retirement of treasury stock	(4,493,988)	—	—	(9,242)	9,242	—
Change in equity in affiliates accounted for by equity method treasury stock	—	—	—	—	2	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	209	—	—	209
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at April 1, 2018	26,506,321	¥ 5,753	¥ 6,028	¥ 45,649	¥ (4,536)	¥ 52,894
Profit attributable to owners of parent	—	—	—	2,712	—	2,712
Dividend from surplus	—	—	—	(1,726)	—	(1,726)
Purchase of treasury stock	—	—	—	—	(703)	(703)
Disposal of treasury stock	—	—	—	(7)	52	45
Retirement of treasury stock	(1,500,000)	—	—	(3,132)	3,132	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at March 31, 2019	**25,006,321**	**¥ 5,753**	**¥ 6,028**	**¥ 43,496**	**¥ (2,055)**	**¥ 53,222**

See accompanying notes to consolidated financial statements.

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Total Accumulated other comprehensive income			
				(Millions of yen)			
Balance at April 1, 2017	¥ 3,343	¥ 0	¥ (444)	¥ 2,899	¥ 181	¥ 2,287	¥ 63,720
Profit attributable to owners of parent	—	—	—	—	—	—	7,274
Dividend from surplus	—	—	—	—	—	—	(1,602)
Purchase of treasury stock	—	—	—	—	—	—	(11,399)
Disposal of treasury stock	—	—	—	—	—	—	57
Retirement of treasury stock	—	—	—	—	—	—	—
Change in equity in affiliates accounted for by equity method treasury stock	—	—	—	—	—	—	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	209
Net changes of items other than shareholders' equity	1,858	(0)	(268)	1,590	(10)	(1,260)	320
Balance at April 1, 2018	¥ 5,201	¥ —	¥ (712)	¥ 4,489	¥ 171	¥ 1,027	¥ 58,581
Profit attributable to owners of parent	—	—	—	—	—	—	2,712
Dividend from surplus	—	—	—	—	—	—	(1,726)
Purchase of treasury stock	—	—	—	—	—	—	(703)
Disposal of treasury stock	—	—	—	—	—	—	45
Retirement of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	1,027	—	(11)	1,016	33	68	1,117
Balance at March 31, 2019	**¥ 6,228**	**¥ —**	**¥ (723)**	**¥ 5,505**	**¥ 204**	**¥ 1,095**	**¥ 60,026**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen	
	2019	2018
Cash flows from operating activities:		
Profit before income taxes	¥ 3,759	¥ 8,617
Depreciation and amortization	175	210
Increase (decrease) in allowance for doubtful accounts	(0)	(2)
Decrease (increase) in asset for retirement benefits	49	6
Increase (decrease) in liability for retirement benefits	128	93
Increase (decrease) in provision for bonuses	(786)	(1,773)
Increase (decrease) in provision for loss on construction contracts	330	106
Interest and dividend income	(286)	(264)
Interest expenses	2	2
Loss (gain) on sales of investment securities	(574)	(4,523)
Loss (gain) on valuation of investment securities	27	—
Equity in (earnings) losses of affiliates	(738)	(561)
Decrease (increase) in notes and accounts receivable	2,754	9,038
Decrease (increase) in costs on uncompleted construction contracts and other	133	(91)
Increase (decrease) in notes and accounts payable	(2,154)	(2,451)
Increase (decrease) in advances received on uncompleted construction contracts	(251)	472
Other, net	554	(1,127)
Subtotal	3,122	7,752
Interest and dividend income received	366	269
Interest expenses paid	(2)	(2)
Income taxes paid	(529)	(2,347)
Income taxes refund	2,843	—
Net cash provided by (used in) operating activities	5,800	5,672
Cash flows from investing activities:		
Proceeds from sales of short-term investment securities	1,000	—
Purchase of property, plant and equipment	(44)	(338)
Purchase of intangible assets	(148)	(28)
Purchase of short-term investment securities	—	(1,000)
Purchase of investment securities	(957)	(2,091)
Proceeds from sales of investment securities	1,157	11,853
Proceeds from redemption of investment securities	500	1,400
Purchase of insurance funds	(68)	(34)
Proceeds from maturity of insurance funds	20	86
Proceeds from withdrawal of investments in silent partner-ship	69	66
Other, net	76	(50)
Net cash provided by (used in) investing activities	1,605	9,864
Cash flows from financing activities:		
Purchase of treasury stock	(703)	(11,662)
Purchase of treasury stock of subsidiaries in consolidation	—	(934)
Cash dividend	(1,726)	(1,602)
Cash dividends paid to non-controlling shareholders	(1)	(6)
Other, net	(4)	(8)
Net cash provided by (used in) financing activities	(2,434)	(14,212)
Net increase (decrease) in cash and cash equivalents	4,971	1,324
Cash and cash equivalents at beginning of period	12,670	11,346
Cash and cash equivalents at end of period	¥ 17,641	¥ 12,670

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
As of March 31, 2019 and 2018

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Hibiya Engineering, Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Accordingly, supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

2. Summary of significant accounting policies

(1) Consolidation

Consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (collectively, the "Companies"), "Hibiya Tsushou Co., Ltd.,", "NIKKEY Company Limited" and "HIT Engineering, Ltd." All significant inter-company balances and transactions are eliminated in consolidation.

Investment in one affiliate is accounted for by the equity method. Investments in other affiliates, whose income or losses are not significant for the Company's equity, are carried at cost.

(2) Securities

The Companies assessed the intent of holding each security and classified those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Companies currently own neither trading securities nor held-to-maturity debt securities. Equity securities issued by subsidiaries to the Company have been eliminated upon consolidation. Equity securities issued by affiliated companies which are not accounted for using the equity method are stated at average cost. Available-for-sale securities with fair value are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Available-for-sale securities with no available fair value are stated at cost determined by the periodic average method. Realized gains or losses on sale of such securities are computed using the average cost.

(3) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collections. It consists of the estimated uncollectible amount with respect to certain identified doubtful accounts and an amount calculated by using the rate of actual collection losses in the past with respect to the remaining receivables.

(4) Provision for bonuses

Provision for bonuses is stated at the estimated amount of the bonuses to be paid to employees based on their services provided for the respective fiscal year.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided in the amount sufficient to cover probable losses on construction. The provision amount is estimated by taking into account the expected loss from uncompleted construction contracts at year-end whose amount can be reasonably estimated.

The net provision for loss on construction contracts that were charged to cost of sales for the years ended March 31, 2019 and 2018 are ¥751 million and ¥421 million, respectively.

(6) Construction contracts

Revenues and costs of construction contracts, of which the percentage of completion at the fiscal year-end can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total costs.

(7) Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts are stated at cost by the specific identification method. Inventories other than construction contracts are stated at cost by the specific identification method and periodic average method for finished goods and work in process, and by the last purchase cost method for raw materials. Each book value is written down in accordance with the declining profitability of each asset.

(8) Property, plant and equipment, and depreciation

Depreciation of property, plant and equipment (excluding leased assets) is computed using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations. However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016. Leased assets are depreciated using the straight-line method over the period of the lease with no residual value.

(9) Retirement benefits

(a) Method for attribution of estimated retirement benefits to periods

In the calculation concerning retirement benefits, the straight-line basis is used for the method of attributing expected retirement benefits to the periods.

(b) Accounting treatment of actuarial gains and losses and past service costs

Past service costs are amortized based on the straight-line method over a certain period (10 years), which is within the average remaining years of service of the employees at the time when they arise. Actuarial gains and losses are amortized based on the straight-line method over a certain period (10 years), which is within the average remaining years of service of the employees at the time when they arise.

(c) Application of the simplified method for small-sized enterprises

Certain consolidated subsidiaries apply the simplified method in the calculation of their liability for retirement benefit and retirement benefit expenses as allowed under Japanese GAAP. Under the simplified methods, benefits payable assuming the voluntary retirement of all eligible employees at the fiscal year-end are deemed as retirement benefit obligation.

(10) Cash and cash equivalents in the consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits, short-term highly liquid investments with maturities within three months from the time of purchase and with insignificant risk of change in value are considered to be cash and cash equivalents.

(11) Amounts per share
Profit per share is calculated by dividing profit available to common shareholders by the weighted average number of common shares outstanding during the year. Cash dividend per share presented in the consolidated statements of income is applicable to the respective fiscal year including those dividends declared and to be paid after the fiscal year-end.

(12) New accounting standards not yet adopted by the Companies
– "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
– "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

1. Summary
The International Accounting Standards Board ("IASB") and Financial Accounting Standards Board ("FASB") jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

2. Date of application
These ASBJ statement and guidance will be applied from the beginning of the fiscal year ending March 31, 2022.

3. Effects of application of the standards
The impact of the application of the "Accounting Standard for Revenue Recognition" and its guidance on the consolidated financial statements is currently under evaluation.

(13) Changes in presentation
(Changes associated with the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets (if any) were presented under "Investments and other assets" and deferred tax liabilities (if any) were presented under "Long-term liabilities."

As a result, in the consolidated balance sheet as of March 31, 2018, "Deferred tax assets" under "Current assets" decreased by ¥668 million, and "Deferred tax assets" under "Investments and other assets" increased by ¥48 million. Also, "Deferred tax liabilities" under "Long-term liabilities" decreased by ¥619 million.

Deferred tax assets and deferred tax liabilities of the same taxable entity were offset in presentation, and total assets as of March 31, 2018 were ¥619 million lower than it would have been under the previous method.

(14) Additional information
(Performance-linked stock compensation plan)

1. Summary of transactions
The Company introduced a performance-linked stock compensation plan (the "Plan") for directors and corporate officers (excluding external directors and non-residents of Japan; the "Directors, etc.") in August 2017.

The Plan employs a scheme called the board incentive plan trust (the "BIP Trust"). The BIP Trust is a plan where the Company's stock and money equivalent to the amount of money converted from the Company's stock are delivered and paid to the Directors, and the officers, depending on title, the degree of target achievement of the Medium-term Management Plan, and other indicators as is the case with performance shares and restricted stock in Europe and the U.S.

2. Company's stock remaining in BIP Trust
The Company's stock remaining in the BIP Trust was recorded as treasury stock under the net assets section at the book value in the BIP Trust (excluding the amount of incidental expenses). The book value and the number of shares of such treasury stock at March 31, 2019 were ¥534 million and 222,097 shares, respectively.

3. Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts and other consist of the following:

	Millions of yen	
	2019	2018
Costs on uncompleted construction contracts	**¥ 143**	¥ 213
Merchandise and finished goods	**232**	265
Work in process	**36**	31
Raw materials	**258**	293
Total	**¥ 669**	¥ 802

4. Financial instruments

(1) Overview
Information on financial instruments for the years ended March 31, 2019 and 2018 were as follows:

(a) Policy for financial instruments
Surplus cash from cash and cash equivalents after deduction of operating funds, new business investments and policy investments is invested to financial instruments. The Companies have no intention to use derivatives for dealing or speculative purposes and may use them only for efficient operation of financial assets to the extent that simulations are conducted sufficiently and risks can be managed.

(b) Details and risks of financial instruments

Operating receivables of the Companies (notes receivable, accounts receivable from completed construction contracts and other) are exposed to customer credit risk that the receivables may not be collected due to deterioration of the counterparty's financial condition. In addition, operating receivables and payables denominated in foreign currencies are exposed to the risk of fluctuation in exchange rates, and the Companies use forward exchange contracts to hedge such fluctuation risk.

The Companies have short-term investments, investment securities and other investments mainly for policy investment in the business. These investments are exposed to the issuer's credit risk and to the risk of fluctuations in the interest rate, foreign currency exchange rate and market price.

Derivative transactions conducted by the Companies are primarily forward exchange contracts for the purpose of hedging against the exchange rate fluctuation risk associated with operating receivables and payables denominated in foreign currencies.

(c) Risk management for financial instruments

Credit risk management

The Company manages the credit risk in accordance with business administrative regulations regarding operating receivables. When the Company has businesses with a new customer, the Company obtains and analyzes the customer's credit information, and the order discussion committee approves the transaction depending on the customer's credit standing. Also, the condition of each customer is periodically monitored to grasp the concerns for collectibility in an early stage and reduce the risk of the customer's default. The consolidated subsidiaries similarly manage the credit risk in accordance with the Company's business administrative regulations.

The credit risk related to bonds, among short-term investments and investment securities, is insignificant as the Companies only invest into high rated securities.

Market risk management

The investments in short-term investments and investment securities are approved by the authorized person after examining the rating, yield, risk and others in accordance with the fund management policy which governs the level and volatilities monitored by the finance department. In addition, the market price, transaction results and others are reported on a monthly basis, and the condition of the risk, the investment result and others are reported to the management meeting on a quarterly basis.

In consideration of relationships with suppliers, the Companies continually review the investments other than bonds with maturities.

Supplemental information on the fair value of financial instruments

The fair value of financial instruments includes the amount based on their market prices or the amount reasonably calculated when the market prices are not available. The amount calculated incorporates changing factors and is subject to fluctuation due to changes in assumptions.

(2) Fair values of financial instruments

As of March 31, 2019 and 2018, book values, fair values and their differences were as follows;

		Millions of yen		
		2019		
		Book value	Fair value	Difference
Assets				
Cash and cash equivalents	(*1)	**¥ 17,641**	**¥ 17,641**	**¥ —**
Notes receivable, accounts receivable from completed construction contracts and other	(*1)	**29,311**	**29,311**	**—**
Short-term investments	(*2)	**300**	**300**	**—**
Investment securities measured at fair value	(*2)	**17,293**	**17,293**	**—**
Investments not measured at fair value	(*3)	**11,586**	**—**	**—**
Investments in silent partnership	(*3)	**1,703**	**—**	**—**
Liabilities				
Notes payable, accounts payable for construction contracts and other		**¥ 16,221**	**¥ 16,221**	**¥ —**

		Millions of yen		
		2018		
		Book value	Fair value	Difference
Assets				
Cash and cash equivalents	(*1)	¥ 12,670	¥ 12,670	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	(*1)	32,065	32,065	—
Short-term investments	(*2)	1,501	1,501	—
Investment securities measured at fair value	(*2)	20,976	20,976	—
Investments not measured at fair value	(*3)	11,251	—	—
Investments in silent partnership	(*3)	1,712	—	—
Liabilities				
Notes payable, accounts payable for construction contracts and other		¥ 18,375	¥ 18,375	¥ —

(*1) The book value is used as fair value because these are settled in a short period and their fair value approximates the book value.

(*2) The market price on securities exchanges is used as fair value of equity securities. The market price on securities exchanges or the price quoted by financial institutions is used as fair value of debt securities.

(*3) Fair value is not disclosed since these investments do not have quoted market prices and it is extremely difficult to estimate the fair value.

(3) Securities

	Millions of yen	
	2019	2018
Short-term investments	**¥ 300**	¥ 1,501
Investment securities	**28,879**	26,632
Total	**¥ 29,179**	¥ 28,133
Available-for-sale securities with fair value	**17,593**	16,881
Available-for-sale securities without fair value	**1,238**	1,465
Equity securities issued by subsidiaries and affiliates	**10,348**	9,786
Total	**¥ 29,179**	¥ 28,132

(a) Available-for-sale securities with fair values

As of March 31, 2019 and 2018, book values (fair values) and acquisition costs of available-for-sale securities with fair values were as follows:

	Millions of yen		
		2019	
	Book value	Acquisition cost	Difference
Securities whose book values (fair values) exceed their acquisition costs:			
Equity securities	**¥ 14,319**	**¥ 5,405**	**¥ 8,914**
Debt securities:			
Government and municipal bonds	—	—	—
Corporate bonds	**593**	**500**	**93**
Other bonds	**816**	**800**	**16**
Other	—	—	—
Sub-total	**¥ 15,728**	**¥ 6,705**	**¥ 9,023**
Securities whose book values (fair values) do not exceed their acquisition costs:			
Equity securities	**¥ 71**	**¥ 100**	**¥ (29)**
Debt securities:			
Other bonds	**1,795**	**1,800**	**(5)**
Other	—	—	—
Sub-total	**¥ 1,866**	**¥ 1,900**	**¥ (34)**
Total	**¥ 17,594**	**¥ 8,605**	**¥ 8,989**

	Millions of yen		
		2018	
	Book value	Acquisition cost	Difference
Securities whose book values (fair values) exceed their acquisition costs:			
Equity securities	¥ 12,130	¥ 4,827	¥ 7,303
Debt securities:			
Government and municipal bonds	—	—	—
Corporate bonds	590	500	90
Other bonds	1,518	1,500	18
Other	—	—	—
Sub-total	¥ 14,238	¥ 6,827	¥ 7,411
Securities whose book values (fair values) do not exceed their acquisition costs:			
Equity securities	¥ 73	¥ 74	¥ (1)
Debt securities:			
Other bonds	2,570	2,600	(30)
Other	—	—	—
Sub-total	¥ 2,643	¥ 2,674	¥ (31)
Total	¥ 16,881	¥ 9,501	¥ 7,380

(b) Proceeds from sales, and gross realized gains and losses from the sale of available-for-sale securities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Proceeds from sales		
Equity securities	**¥ 1,155**	¥ 211
Other	—	—
Total	**¥ 1,155**	¥ 211
Gross realized gains		
Equity securities	**¥ 574**	¥ 201
Other	—	—
Total	**¥ 574**	¥ 201

(c) Securities with impairment losses

For available-for-sale securities with available fair values, impairment losses are recognized if the fair value declines by more than 30% below the acquisition cost. For available-for-sale securities with no available fair values, impairment losses are recognized if the net assets per share declines by more than 50% below the net assets per share at the time of acquisition.

(4) Redemption schedule of monetary receivables and maturities of securities with maturities were as follows:

	Millions of yen			
	2019			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	**¥ 17,641**	**¥ —**	**¥ —**	**¥ —**
Notes receivable, accounts receivable from completed construction contracts and other	**29,311**	—	—	—
Short-term investments and investment securities				
Securities with maturities:				
(1) Government and municipal bonds	—	—	—	—
(2) Corporate bonds	—	—	—	**500**
(3) Other bonds	**300**	**2,300**	—	—
Investments in silent partnership	**1,000**	**203**	**500**	—
Total	**¥ 48,252**	**¥ 2,503**	**¥ 500**	**¥ 500**

	Millions of yen			
	2018			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	¥ 12,670	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	32,065	—	—	—
Short-term investments and investment securities				
Securities with maturities:				
(1) Government and municipal bonds	—	—	—	—
(2) Corporate bonds	—	—	—	500
(3) Other bonds	1,501	2,600	—	—
Investments in silent partnership		1,000	712	—
Total	¥ 46,236	¥ 3,600	¥ 712	¥ 500

(5) Derivative transactions

Derivative transactions to which hedge accounting is not applied

Compound financial instruments whose embedded derivative cannot be measured separately are measured at fair value as a whole and included in Available-for-sale securities with fair values described in note 4 (3) (a) above.

5. Income taxes

Income taxes consist of corporate, enterprise and inhabitant taxes. The aggregate statutory tax rates on profit before income taxes were approximately 30.6% and 30.9% for the years ended March 31, 2019 and 2018, respectively.

The actual effective tax rate in the accompanying consolidated statements of income differed from the statutory tax rate primarily as a result of expenses not deductible for tax purposes.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for consolidated financial statement purposes for the years ended March 31, 2019 and 2018.

	2019	2018
Statutory tax rate	**30.6%**	30.9%
Non-deductible expenses	**1.1**	0.5
Non-taxable dividend income	**(0.5)**	(15.8)
Per capita inhabitant tax	**1.4**	0.6
Equity in earnings of affiliates	**(6.0)**	(2.0)
Tax credits for salary growth	—	(0.3)
Other	**0.0**	0.6
Effective tax rate	**26.6%**	14.5%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Deferred tax assets:		
Loss on valuation of investment securities	**¥ 189**	¥ 200
Enterprise taxes payable	**73**	47
Provision for bonuses	**147**	383
Provision for loss on construction contracts	**230**	129
Liability for retirement benefits	**939**	888
Net unrealized holding losses on securities	**2**	9
Other	**372**	383
Valuation allowance	**(395)**	(418)
Sub-total	**¥ 1,557**	¥ 1,621
Less : deferred tax liabilities-describe	**(1,524)**	(1,573)
Total deferred tax assets	**¥ 33**	¥ 48
Deferred tax liabilities:		
Net unrealized holding gains on securities	**¥ (2,660)**	¥ (2,154)
Other	**(1)**	(2)
Sub-total	**¥ (2,661)**	¥ (2,156)
Less : deferred tax assets-describe	**1,524**	1,573
Total deferred tax liabilities	**¥ (1,137)**	¥ (583)

6. Selling, general and administrative expenses

Major components of selling, general and administrative expenses were as follows:

	Millions of yen	
	2019	2018
Employees' salaries and allowances	**¥ 2,614**	¥ 2,581
Provision for bonuses	**216**	584
Retirement benefit expenses	**240**	220
Provision of allowance for doubtful accounts	**6**	(2)
Depreciation	**124**	161
Rents	**1,113**	1,142
Research and development expenses	**115**	112
Others	**3,095**	2,958
Total	**¥ 7,523**	¥ 7,756

7. Retirement benefits

The Company and two consolidated subsidiaries have funded and unfunded defined benefit plans to prepare for the payment of employees' retirement benefits. Another consolidated subsidiary participates in the small and medium enterprise retirement allowance mutual aid system.

The defined benefit corporate pension plans, all of which are funded, provide lump-sum or pension benefits based on salaries and length of service.

The lump-sum retirement benefit plans, which are principally unfunded and partially funded as a result of the setup of retirement benefit trusts, provide lump-sum benefits based on salaries and length of service.

For the defined benefit corporate pension plans and lump-sum retirement benefit plans of two consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method.

The Company and one consolidated subsidiary participate in the Air-Conditioning Companies' Pension Fund (*Kucho Eisei Kigyo Nenkin Kikin*) as a defined benefit corporate pension plan, and the amount of plan assets proportionate to their contributions cannot be calculated in a reasonable manner. Therefore, the pension assets are accounted for as the case in the defined contribution plan.

Defined benefit plans

(a) Reconciliation between retirement benefit obligations and plan assets at end of period and liability for retirement benefits and asset for retirement benefits on the consolidated balance sheets as of March 31, 2019 and 2018 is as follows:

	Millions of yen	
	2019	2018
Funded retirement benefit obligations	**¥ 5,521**	¥ 5,356
Plan assets	**(4,667)**	(4,662)
Net	**854**	694
Unfunded retirement benefit obligations	**156**	151
Net balance of liability and asset recorded on the consolidated balance sheets	**¥ 1,010**	¥ 845
Liability for retirement benefits	**1,038**	879
Asset for retirement benefits	**(28)**	(34)
Net balance of liability and asset recorded on the consolidated balance sheets	**¥ 1,010**	¥ 845

Note: Plans applying the simplified method are included.

(b) Reconciliation between retirement benefit obligations at beginning of period and end of period (excluding plans applying the simplified method) for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen	
	2019	2018
Retirement benefit obligation at beginning of period	**¥ 5,003**	¥ 4,425
Current service costs	**263**	228
Interest costs	**19**	18
Actuarial gains and losses arising during period	**102**	642
Retirement benefits paid	**(219)**	(310)
Past service cost	**—**	—
Retirement benefit obligation at end of period	**¥ 5,168**	¥ 5,003

(c) Reconciliation between plan assets at beginning of period and end of period (excluding plans applying the simplified method) for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen	
	2019	2018
Plan assets at beginning of period	**¥ 4,275**	¥ 4,288
Expected return on plan assets	**54**	54
Actuarial gains and losses arising during period	**(28)**	(1)
Contribution from employer	**91**	93
Retirement benefit paid	**(101)**	(159)
Plan assets at end of period	**¥ 4,291**	¥ 4,275

(d) Reconciliation between liabilities for retirement benefits of plans applying the simplified method at beginning of period and end of period for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen	
	2019	2018
Liability for retirement benefits at beginning of period	**¥ 118**	¥ 133
Retirement benefit expenses	**48**	18
Retirement benefit paid	**(17)**	(16)
Contribution to plans	**(16)**	(17)
Liability for retirement benefits at end of period	**¥ 133**	¥ 118

(e) The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen	
	2019	2018
Current service costs	**¥ 263**	¥ 228
Interest costs	**19**	18
Expected return on plan assets	**(54)**	(55)
Amortization of actuarial gains and losses	**159**	185
Amortization of past service costs	**(17)**	(17)
Retirement benefit expenses applying the simplified method	**48**	18
Retirement benefit expenses under defined benefit plans	**¥ 418**	¥ 377

(f) Adjustments for retirement benefits

Components of items recorded in adjustments for retirement benefits, before tax, for the years ended march 31, 2019 and 2018 are as follows:

	Millions of yen	
	2019	2018
Past service costs	**¥ (17)**	¥ (17)
Actuarial gains and losses	**29**	(458)
Total	**¥ 12**	¥ (475)

(g) Accumulated adjustments for retirements benefits

Components of items recorded in accumulated adjustments for retirement benefits, before tax, as of march 31, 2019 and 2018 are as follows:

	Millions of yen	
	2019	2018
Unrecognized past service costs	**¥ 60**	¥ 77
Unrecognized actuarial gains and losses	**(1,019)**	(1,048)
Total	**¥ (959)**	¥ (971)

(h) Plan assets

i. Components of plan assets

Percentages to total plan assets by major category are as follows:

	2019	2018
Debt securities	**30%**	30%
Equity securities	**5**	5
General account	**43**	43
Cash and cash equivalents	**12**	12
Other	**10**	10
Total	**100%**	100%

Note: Retirement benefit trusts set up for defined benefit corporate pension plans constituted 48% and 48% of the total plan assets as of March 31, 2019 and 2018, respectively.

ii. Determination of expected long-term rate of return

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation as well as the current and expected long-term rate of return on various asset categories comprising plan assets.

(i) Actuarial assumptions

Major actuarial assumptions for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	**0.3%**	0.3%
Expected long-term rate of return on plan assets	**1.0% – 1.5%**	1.0% – 1.5%

(j) Multi-employer pension plans

The Company and one consolidated subsidiary participate in several contributory funded multi-employer defined benefit corporate pension plans, for which the required contributions are accounted for as the employees' retirement benefit expenses. The amounts of required contribution to the employees' pension fund under multi-employer defined benefit corporate pension plans that should be accounted for in the same manner as defined contribution plans were ¥175 million and ¥165 million for the years ended March 31, 2019 and 2018, respectively. Most recent available information about the multi-employer plans was as follows:

	Millions of yen	
	As of March 31, 2018	As of March 31, 2017
Fair value of plan assets	**¥ 10,116**	¥ 9,039
Benefit obligations under pension funding programs	**16,986**	17,011
Deficit	**¥ (6,870)**	¥ (7,972)
Balance of actuarial past service costs	**(8,829)**	(9,468)
Surplus	**1,959**	1,496
Ratio of total salaries of the Companies to total funds of plans (*1)	**12.9%**	11.9%

Supplemental information
The amounts of principal and interest of past service costs under the plans are amortized equally over 18 years, and the Companies recorded special contributions of ¥101 million and ¥101 million related to the amortization as expenses in the consolidated financial statements for the years ended March 31, 2019 and 2018, respectively.

The ratio (*1) above does not correspond to the actual contribution ratio by the Companies.

8. Net assets

Under the Japanese Companies Act, the entire amount of payment for new shares is required to be designated as capital stock, although, generally, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital which is included in capital surplus.

Even when the total amount of additional paid-in-capital and legal earnings reserve is less than 25% of common stock, additional paid-in-capital and legal earnings reserve may be available for dividend if there are sufficient distributable surplus. Both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

The maximum amount that the Company can distribute as dividend is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese Companies Act.

Dividend paid to shareholders was as follows:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
June 29, 2017	Annual shareholders' meeting	Common stock	**¥ 728**	**¥ 25.00**	March 31, 2017	June 30, 2017
November 7, 2017	Board of directors	Common stock	**¥ 874**	**¥ 30.00**	September 30, 2017	December 4, 2017
June 28, 2018	Annual shareholders' meeting	Common stock	**¥ 739**	**¥ 30.00**	March 31, 2018	June 29, 2018
November 6, 2018	Board of directors	Common stock	**¥ 986**	**¥ 40.00**	September 30, 2018	December 3, 2018

Note 1: The amount of dividend resolved by the board of directors on November 7, 2017 includes dividend on the Company's stock held by the BIP Trust of ¥3 million.
Note 2: The amount of dividend resolved by the annual shareholders' meeting on June 28, 2018 includes dividend on the Company's stock held by the BIP Trust of ¥7 million.
Note 3: The amount of dividend resolved by the board of directors on November 6, 2018 includes dividend on the Company's stock held by the BIP Trust of ¥8 million.

Dividend of which record date is within the fiscal year but effective date is subsequent to the fiscal year was as follows:

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Record date	Effective date
June 27, 2019	Annual shareholders' meeting	Common stock	**¥ 971**	Retained earnings	**¥ 40.00**	March 31, 2019	June 28, 2019

Note: The amount of dividend includes dividend on the Company's stock held by the BIP Trust of ¥8 million.

The Japanese Companies Act also provides for companies to purchase, dispose and retire treasury stock by resolution of the board of directors. The purchasing amount should not exceed the amount available for distribution to shareholders which is determined by a certain formula.

9. Stock option plan

1. Stock option expense that was accounted for as general and administrative expenses on the consolidated statements of income for the years ended March 31, 2019 and 2018 amounted to ¥46 million and ¥46 million, respectively.

2. Outline of stock options

(1) Summary of stock option plans

Date of approval	June 26, 2009	June 29, 2010	June 29, 2011	June 28, 2012	June 27, 2013
Persons granted	9 directors of the Company 13 corporate officers of the Company	8 directors of the Company 11 corporate officers of the Company	9 directors of the Company 10 corporate officers of the Company	9 directors of the Company 10 corporate officers of the Company	9 directors of the Company 10 corporate officers of the Company
Number of options granted	58,500 common shares	53,600 common shares	52,600 common shares	45,600 common shares	38,000 common shares
Date of grant	October 1, 2009	July 26, 2010	August 8, 2011	July 23, 2012	July 22, 2013
Vesting condition	No provisions	No provisions	No provisions	No provisions	No provisions
Requisite service period	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	October 2, 2009 – October 1, 2039 *	July 27, 2010 – July 26, 2040 *	August 9, 2011 – August 8, 2041 *	July 24, 2012 – July 23, 2042 *	July 23, 2013 – July 22, 2043 *

Date of approval	June 27, 2014	June 26, 2015	June 29, 2016	June 29, 2017	June 28, 2018
Persons granted	9 directors of the Company 12 corporate officers of the Company	9 directors of the Company 12 corporate officers of the Company	8 directors of the Company 14 corporate officers of the Company	6 directors of the Company 15 corporate officers of the Company	6 directors of the Company 15 corporate officers of the Company
Number of options granted	25,800 common shares	30,500 common shares	32,000 common shares	26,200 common shares	25,100 common shares
Date of grant	July 22, 2014	July 21, 2015	July 25, 2016	July 24, 2017	July 23, 2018
Vesting condition	No provisions	No provisions	No provisions	No provisions	No provisions
Requisite service period	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	July 23, 2014 – July 22, 2044 *	July 22, 2015 – July 21, 2045 *	July 26, 2016 – July 25, 2046 *	July 25, 2017 – July 24, 2047 *	July 24, 2018 – July 23, 2048 *

* A holder of stock options may, only during the period of 10 days immediately following the day on which such holder loses the position as a director or corporate officer of the Company, exercise his/her stock options.

(2) Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended March 31, 2019.

a) Number of stock options

Date of approval	June 26, 2009	June 29, 2010	June 29, 2011	June 28, 2012	June 27, 2013
Fiscal year ended March 31, 2018					
Non-vested	(Share)	(Share)	(Share)	(Share)	(Share)
April 1, 2018 – Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2019 – Outstanding	—	—	—	—	—
Vested					
April 1, 2018 – Outstanding	1,800	8,600	10,600	12,300	14,600
Vested	—	—	—	—	—
Exercised	—	—	—	1,400	1,300
Forfeited	—	—	—	—	—
March 31, 2019 – Outstanding	1,800	8,600	10,600	10,900	13,300

Date of approval	June 27, 2014	June 26, 2015	June 29, 2016	June 29, 2017	June 28, 2018
Fiscal year ended March 31, 2018					
Non-vested	(Share)	(Share)	(Share)	(Share)	(Share)
April 1, 2018 – Outstanding	—	—	—	—	—
Granted	—	—	—	—	25,100
Forfeited	—	—	—	—	—
Vested	—	—	—	—	25,100
March 31, 2019 – Outstanding	—	—	—	—	—
Vested					
April 1, 2018 – Outstanding	12,700	18,800	27,500	26,200	—
Vested	—	—	—	—	25,100
Exercised	800	1,900	2,000	1,900	—
Forfeited	—	—	—	—	—
March 31, 2019 – Outstanding	11,900	16,900	25,500	24,300	25,100

b) Price information

Date of approval	June 26, 2009	June 29, 2010	June 29, 2011	June 28, 2012	June 27, 2013
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average exercise price	—	—	—	¥ 2,208	¥ 2,208
Fair value at grant date	¥ 686	¥ 633	¥ 594	¥ 728	¥ 904

Date of approval	June 27, 2014	June 26, 2015	June 29, 2016	June 29, 2017	June 28, 2018
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average exercise price	¥ 2,208	¥ 2,208	¥ 2,208	¥ 2,208	—
Fair value at grant date	¥ 1,479	¥ 1,544	¥ 1,508	¥ 1,763	¥ 1,841

(3) Method for estimating per unit fair value of stock options

a) Valuation method used Black-Scholes option-pricing model

b) Principal parameters and estimation method

Date of approval		June 28, 2018
Expected volatility of the underlying stock	(*1)	29.6%
Expected life of the option	(*2)	6 years
Expected dividend on stock	(*3)	¥ 60.0 per share
Risk-free interest rate during the expected option term	(*4)	(0.10)%

(*1) The volatility of the stock option is calculated based on the actual stock prices during five years from July 23, 2012 to July 23, 2018.
(*2) The expected life of the option is the estimated average period from valuation dates to each director’s and corporate officer’s expected retirement date.
(*3) The actual dividend during the past 12 months.
(*4) Yield of Japanese government bond whose remaining period corresponds to the above expected life of the option.

10. Comprehensive income

Reclassification adjustments and income tax benefit (expense) on other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Net unrealized holding gains or losses on securities:		
Gains (losses) arising during the period	**¥ 2,182**	¥ 2,602
Reclassification adjustments	**(546)**	—
Sub-total, before tax	**¥ 1,636**	¥ 2,602
Income tax benefit (expense)	**(513)**	(793)
Net unrealized holding gains or losses on securities	**¥ 1,123**	¥ 1,809
Deferred gains or losses on hedges		
Gains (losses) arising during the period	**¥ —**	¥ (0)
Income tax benefit (expense)	**—**	0
Deferred gains or losses on hedges	**¥ —**	¥ (0)
Adjustments for retirements benefits gains or losses on securities:		
Gains (losses) arising during the period	**¥ (117)**	¥ (578)
Reclassification adjustments	**129**	103
Sub-total, before tax	**¥ 12**	¥ (475)
Income tax benefit (expense)	**(4)**	145
Net unrealized holding gains or losses on securities	**¥ 8**	¥ (330)
Share of other comprehensive income of associates accounted for using equity method:		
Gains (losses) arising during the period	**¥ (92)**	¥ 133
Total other comprehensive income	**¥ 1,039**	¥ 1,612

11. Profit per share

Reconciliation of the differences between basic and diluted profit per share (“EPS”) for the years ended March 31, 2019 and 2018 was as follows:

	Millions of yen	Thousands of shares	Yen
	Profit	Weighted average number of shares	EPS
For the year ended March 31, 2019			
Basic EPS			
Profit available to common shareholders	**¥ 2,712**	**24,355**	**¥ 111.34**
Effect of dilutive securities			
Stock acquisition rights	—	**143**	—
Diluted EPS			
Profit for computation	**¥ 2,712**	**24,498**	**¥ 110.69**

	Millions of yen	Thousands of shares	Yen
	Profit	Weighted average number of shares	EPS
For the year ended March 31, 2018			
Basic EPS			
Profit available to common shareholders	¥ 7,273	27,761	¥ 262.00
Effect of dilutive securities			
Stock acquisition rights	—	139	—
Diluted EPS			
Profit for computation	¥ 7,273	27,900	¥ 260.69

In computing basic and diluted EPS, the Company’s stock held by the BIP Trust was included in treasury stock deducted for computing the weighted average number of shares (weighted average number of shares of such treasury stock for the year ended March 31, 2019 and 2018 were 224 thousand shares and 116 thousand shares, respectively).

12. Segment information

1. General information about reportable segments

Reportable segments are the constituent units of the Hibiya Engineering, Ltd. (the “Group”) for each of which separate and discrete financial information is available and the board of directors perform a regular review for the purposes of determining the allocation of resources and evaluating the results of operations.

As a comprehensive engineering organization, the Group’s business operations involve equipment used for air conditioning, plumbing and sanitation, electrical systems, data management, communications and other applications. The Company has been developing business activities, such as planning, design and installation of a broad range of equipment, and its subsidiaries have been operating the equipment sales agent and engaged in manufacture and sales of equipment. Each company is managed independently, establishes its own comprehensive strategies for its products and services, and conducts its own business activities.

Consequently, the Group’s activities are divided into three reportable segments based on the products and services of each company in the Group: construction, equipment sales and equipment manufacturing.

2. Basis of measurement for sales, income or loss, assets and other items by reportable segment

The accounting policies of the reportable segments are generally consistent with the summary of significant accounting policies (see Note 2). Also, segment income is based on operating income.

The amounts of intersegment transactions and transfers are mainly determined in accordance with actual market prices.

3. Information about sales, income or loss, assets and other items by reportable segment

Segment information as of and for the fiscal years ended March 31, 2019 and 2018 was as follows:

	Millions of yen					
	2019					
	Construction	Equipment sales	Equipment manufacturing	Total	Adjustments (*1)	Consolidated
Net sales:						
Outside customers	**¥ 61,448**	**¥ 5,819**	**¥ 2,768**	**¥ 70,035**	**¥ —**	**¥ 70,035**
Intersegment	**1**	**3,598**	**375**	**3,974**	**(3,974)**	**—**
Total	**¥ 61,449**	**¥ 9,417**	**¥ 3,143**	**¥ 74,009**	**¥ (3,974)**	**¥ 70,035**
Segment income (*2)	**¥ 1,702**	**¥ 295**	**¥ 39**	**¥ 2,036**	**¥ 13**	**¥ 2,049**
Segment assets	**¥ 29,857**	**¥ 8,928**	**¥ 2,306**	**¥ 41,091**	**¥ 41,306**	**¥ 82,397**
Other items:						
Depreciation and amortization	**¥ 139**	**¥ 11**	**¥ 25**	**¥ 175**	**¥ —**	**¥ 175**
Increase in tangible and intangible fixed assets	**178**	**12**	**6**	**196**	**—**	**196**

	Millions of yen					
	2018					
	Construction	Equipment sales	Equipment manufacturing	Total	Adjustments (*1)	Consolidated
Net sales:						
Outside customers	¥ 58,030	¥ 5,743	¥ 3,066	¥ 66,839	¥ —	¥ 66,839
Intersegment	3	4,030	470	4,503	(4,503)	—
Total	¥ 58,033	¥ 9,773	¥ 3,536	¥ 71,342	¥ (4,503)	¥ 66,839
Segment income (*2)	¥ 2,623	¥ 338	¥ 201	¥ 3,162	¥ 10	¥ 3,172
Segment assets	¥ 35,815	¥ 9,337	¥ 2,502	¥ 47,654	¥ 35,277	¥ 82,931
Other items:						
Depreciation and amortization	¥ 175	¥ 8	¥ 27	¥ 210	¥ —	¥ 210
Increase in tangible and intangible fixed assets	322	20	32	374	—	374

(*1) Adjustments of segment income are mainly due to intersegment transaction eliminations.
Corporate assets (not allocated to specific segments) included in the adjustments of segment assets as of March 31, 2019and 2018 were ¥43,158 million and ¥37,142 million, respectively, mainly consisting of cash and cash equivalents, short-term investments, investment securities, and others of the Company. Moreover, intersegment transaction eliminations included in the adjustments of segment assets as of March 31, 2019 and 2018 were ¥1,852 million and ¥1,865 million, respectively.

(*2) Segment income is reconciled to operating income in the consolidated statements of income.

(Related Information)

(1) Information by major customer for the years ended March 31, 2019 and 2018 was as follows:

2019 Name of customer	Net sales Millions of yen	Related reportable segments
NTT FACILITIES, INC.	**¥ 7,725**	Construction, Equipment sales, Equipment manufacturing

2018 Name of customer	Net sales Millions of yen	Related reportable segments
NTT FACILITIES, INC.	¥ 8,755	Construction, Equipment sales, Equipment manufacturing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	¥ 7,506	Construction

13. Related party transactions and balances

(Related party transactions and balances)

Related party transactions and fiscal year-end balances were as follows:

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
Not applicable.

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

			2018			
Category	Company name	Location	Capital or investments in capital Millions of yen	Business description	Ownership percentage of voting rights (%)	Relationship
Affiliate	Nihon Meccs Corporation	Chuo-ku, Tokyo	(Capital) **¥ 120**	Property maintenance and management	(Owning) direct 39.1	Construction work for facilities engineering Interlocking directorate

	2018		
Details of transaction	Transaction amount (*1) (*3) Millions of yen	Account	Year-end balance (*3) Millions of yen
Sales of shares in an associate (*2)			
Sales proceeds	**¥ 14,621**	—	—
Gain on sales	**4,322**	—	—

(*1) Terms of price were determined after price negotiation and terms of settlement were the same as those with general customers in accordance with the basic agreement.
(*2) The Company sold a portion of shares in Nihon Meccs Corporation held by the Company, and the terms of price were reasonably determined after consultation on the basis of net assets, and other factors.
(*3) The transaction amount is exclusive of consumption taxes, and the year-end balance is inclusive of consumption taxes.

(The condensed financial information of major affiliates)

The condensed financial information of Nihon Meccs Corporation, the significant affiliate, as of and for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Current assets	**¥ 28,729**	¥ 27,449
Non-current assets	**16,116**	15,970
Current liabilities	**14,424**	14,440
Long-term liabilities	**2,724**	2,739
Net assets	**27,697**	26,240
Net sales	**60,567**	60,209
Profit before income taxes	**2,723**	2,911
Net income	**1,855**	2,089

Note: The affiliate has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets (if any) were presented under “Investments and other assets” and deferred tax liabilities (if any) were presented under “Long-term liabilities.” The figures for the fiscal year ended March 31, 2018 have been reclassified due to the retrospective application of such Accounting Standard and others.

Independent Auditor's Report

To the Board of Directors of Hibiya Engineering, Ltd.:

We have audited the accompanying consolidated financial statements of Hibiya Engineering, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hibiya Engineering, Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 30, 2019
Tokyo, Japan

Corporate Data

Investor Information

As of March 31, 2019

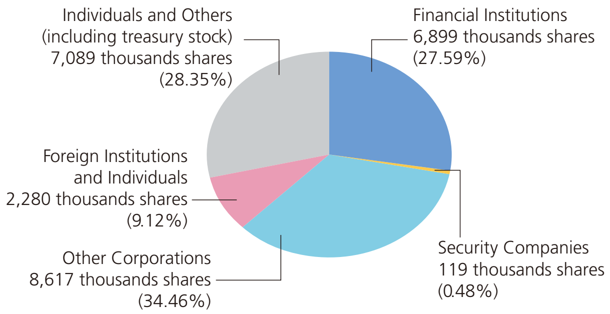
Total number of shares authorized	96,500,000 shares
Total number of shares issued	25,006,321 shares
Number of shareholders	3,235

■ Major Shareholders

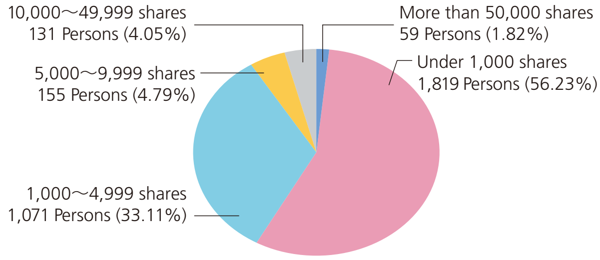
	Name of shareholders	Number of held thousands shares	Percentage of shares in issue(%)
1	Hibiya Engineering Customer Stock Ownership Plan	1,286	5.30
2	The Master Trust Bank of Japan, Ltd. (Trust account)	992	4.09
3	NTT Urban Development Co.	920	3.79
4	Sumitomo Realty & Development Co., Ltd.	920	3.79
5	The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account, Hyakujushi Bank account)	900	3.71
6	Japan Trustee Services Bank, Ltd. (Trust account)	789	3.25
7	Telecommunications Mutual Benefit Association	698	2.88
8	Hibiya Engineering Employee Stock Ownership Plan	617	2.54
9	Kyoritsu Construction Co., Ltd.	594	2.45
10	Kyowa Exeo Corporation	530	2.18

Notes
1. Hibiya Engineering has 727,821shares of treasury stock, which is 2.91% of all shares issued, excluding the shares owned by these major shareholders.
2. Shareholding percentages are based on shares issued after deducting treasury stock. Treasury stock does not include 222,097 Hibiya Engineering stock held by the Executive Compensation Board Incentive Plan Trust.

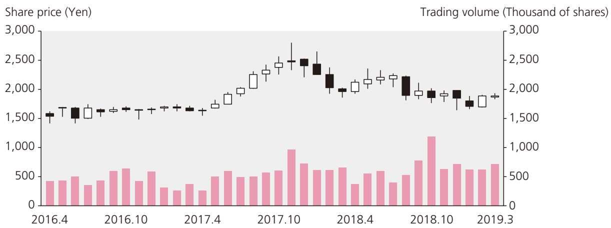
■ Share distribution by owner



■ Share distribution by size of holding



■ Monthly share prices and trading volume



Board of Directors

As of June 27, 2019

Representative Director, President & Chief Executive Officer	Yoshiharu Nishimura
Representative Director & Senior Executive Vice President	Nagahiro Kuroda
Representative Director & Senior Executive Vice President	Shigehito Katsuki
Director and Managing Executive Officer	Tetsuya Kamachi
Director and Managing Executive Officer	Hiroshi Jitsukawa
Director and Managing Executive Officer	Yuuji Yamauchi
Director	Hiroo Atsumi
Director	Seiichi Hashimoto
Director	Masako Osuna
Audit & Supervisory Board Member (standing)	Kouji Kuwahara
Audit & Supervisory Board Member (standing)	Hidekazu Uekusa
Audit & Supervisory Board Member	Akira Itou
Audit & Supervisory Board Member	Hirotaka Tadakoshi

Notes
1. Hiroo Atsumi, Seiichi Hashimoto and Masako Oosuma are external directors.
2. Kouji Kuwahara, Akira Itoh and Hirotaka Tadakoshi are external auditors.
3. The Company has notified the Tokyo Stock Exchange that Hiroo Atsumi, Seiichi Hashimoto and Masako Osuna are independent directors and Kouji Kuwahara and Akira Itou are independent corporate auditors.

Offices

As of March 31, 2019

Head Office
3-5-27 Mita, Minato-ku, Tokyo

Tokyo Main Office
3-4-1, Shibaura, Minato-ku, Tokyo

Branches
Hokkaido, Tohoku, Yokohama, Tokai, Hokuriku, Kansai, Chugoku, Shikoku, Kyushu, Okinawa

Offices
Hakodate, Iwate, Niigata, Nagano, Ibaraki, Kita-Kanto, Chiba, Shizuoka, Kobe, Okayama, Kumamoto, Kagoshima

Research Facilities
Noda in Chiba Prefecture

Hibiya Engineering,Ltd.

3-5-27 Mita, Minato-ku, Tokyo 108-6312, Japan
TEL +81-3-3454-1385 FAX +81-3-3452-4260
URL http://www.hibiya-eng.co.jp/

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