HIBIYA
Hibiya Engineering, Ltd.

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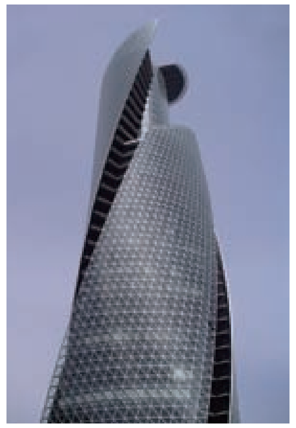
Printed in Japan

Hibiya Engineering, Ltd.

ANNUAL REPORT 2008

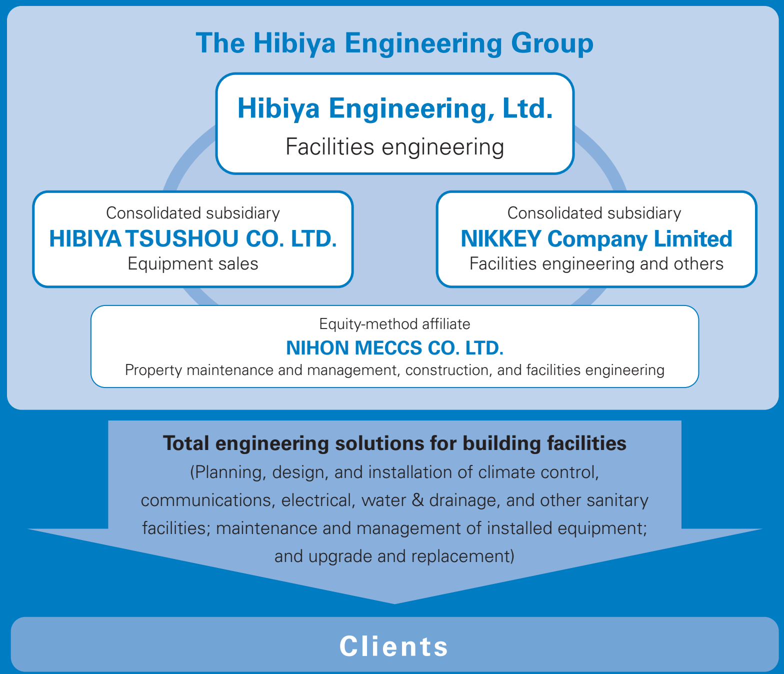


PROFILE

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.



CONTENTS

Projections and Perspectives:

This Annual Report includes projections and descriptions of prospects regarding future plans, strategies and the operating performance of the Company.

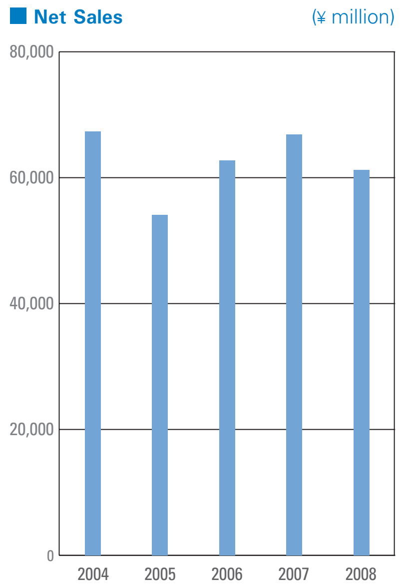
Such descriptions are not based on past facts, but rather on perspectives judged to be appropriate in view of assumptions and management convictions on the strength of information available to the Company as of March 31, 2008. Such projections of operating performance may vary from management's initial anticipation as result of general economic trends, changes in the business environment, possible revisions to the tax code and to other factors.

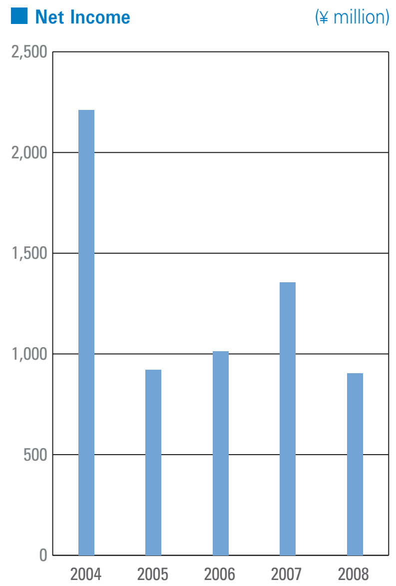
Consolidated Financial Highlights

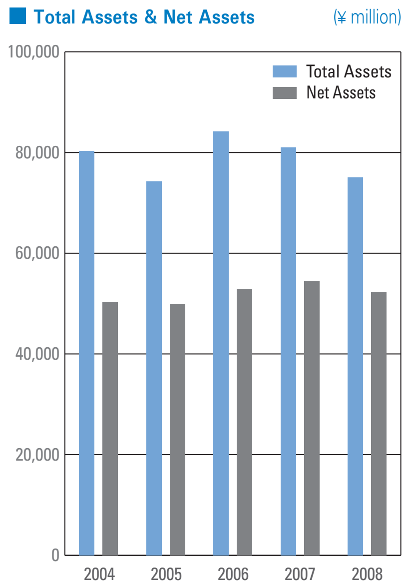
Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31

	2004	2005	2006	2007	**2008**	**2008**
	Millions of yen					Thousands of U.S. dollars
Net Sales	¥67,317	¥54,065	¥62,771	¥66,898	**¥61,222**	**$611,059**
Net Income	2,211	922	1,014	1,356	**904**	**9,023**
Total Assets	80,311	74,212	84,128	81,034	**75,086**	**749,436**
Net Assets	50,222	49,888	52,838	54,465	**52,290**	**521,908**
	Yen					U.S. dollars
Per share:						
Net Assets	¥1,362.08	¥1,388.28	¥1,452.01	¥1,462.94	**¥1,412.46**	**$14.10**
Net Income	57.24	24.55	26.25	37.27	**24.86**	**0.25**
Cash Dividends (non-consolidated basis)	15.00	15.00	25.00	15.00	**25.00**	**0.25**

Note: The expression of Japanese yen amounts in U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate of March 31, 2008, which was ¥100.19 to US$1.00.







A Message from the President

Shinya Kimura
President and Representative Director

Although the total volume of orders received by the Group increased from the previous fiscal year due to proactive marketing activities, year-on-year profits decreased as a result of increased costs, mainly due to hikes in raw material prices.
~Review of the year ended March 31, 2008~

I would like to take this opportunity to express my earnest thanks and appreciation to our shareholders and investors for continued support and consideration.

Looking back on the term under review, market conditions in the construction business, the main sphere of the Company's operations, were relatively favorable in the first half of 2007, but gradually became sluggish in the second half. Business was, considerably affected by the revised Building Standard Law, implemented in June 2007, and the global impact of the subprime housing loan crisis in the United States.

In this market environment, the Hibiya Engineering Group steadily promoted various measures in accordance with its Third Medium-Term Management Plan, including exploitation of new business fields and reinforcement of proposal-based marketing. As a result, the Group's total orders received for the term under review amounted to ¥57,672 million (up 3.0% year on year) on a consolidated basis, consolidated net sales were ¥61,222 million (down 8.5%) and consolidated operating income was ¥667 million (down 27.6%). Consolidated net income for the term was ¥904 million (down 33.3%). This figure reflects a ¥694 million loss on the devaluation of investment securities under extraordinary gains recorded due to an impairment for Company-held investment securities that saw a considerable fall in market value.

On a non-consolidated basis, the volume of orders received amounted to ¥54,690 million (up 2.9% year-on-year), net sales were ¥50,347 million (down 11.8%), operating income was ¥206 million (down 60.9%) and net income for the term was ¥402 million (down 52.6%).

Looking back on the market environment by client, orders received from Nippon Telegraph and Telephone Corporation (NTT) and the NTT Group declined slightly from the initial targets, as NTT curtailed investment in building projects.

At government and other public offices, some volatility and confusion in the market resulted from several dumping cases that occurred partly due to the effects of a review in the bidding method in relation to bid-rigging issues. Nevertheless, the market environment gradually calmed since during 2007 on expanded use of the comprehensive evaluation method, in which the proposal-making capability of tendering contractors and other factors are evaluated as an integrated whole. Reflecting our concerted efforts to reinforce just such a proposal-making capability, the Company succeeded in winning more orders than initially planned. In addition, direct orders from the U.S. Forces Japan (USFJ) continued to increase.

In the private-sector market, the number of new construction projects has trended down since early 2008. The market environment has become more stringent, partly due to the intensifying competition. Competition has also intensified in the construction-based renovation business, shorter-term projects an area on which the Company focuses.

We promoted business under the five key initiatives that we defined at the beginning of the year.

1. Increase earnings of established businesses

We addressed reinforcement of our earnings capability to receive orders focused on profit and to execute management that places greater emphasis on improving safety and quality. This initiative saw partial success with a better performance in the number of construction orders received than in the previous year. However, earnings failed to achieve the expected level for several projects, and we need to address more stringent risk management of costs in coming years.

In established businesses, our marketing activities were conducted by market segment.

NTT and NTT Group companies are the Company's largest clients, and our core strategy was to maintain a solid partnership with them, with safety as the keyword. We increased attention to safety-related operations to prevent accidents resulting in injury or death and communication-related accidents. This strategy proved successful, as the efforts of all concerned parties, including our employees, ensured that we had no serious accidents. A variety of proposal-based activities to spread the adoption of our technologies have proved favorable and won a steady increase in the number of orders for collaborative projects every year. We intend to actively address these marketing activities in the coming years.

The proposal-making capability, which demonstrates a Company's true merit, has become increasingly important with the widespread adoption of the comprehensive evaluation method by government and other public offices. We have established a marketing system that allows us to present more sophisticated solutions through integrated teams of marketing staff and engineers.

In the private sector, our marketing staff is now trained to evaluate orders not just in terms of profitability but also risk management, and to be selective in receiving orders.

We also worked to extend and diversify our business channels. For example, we enhanced our direct approach to individual customers, so as to jointly discuss and consider projects directly with the clients themselves, no longer limiting our target to general contractors. The medical care and welfare fields are particularly promising markets for this approach, and some fruitful projects have surfaced from our proactive initiatives in these fields.

Real estate development is a challenging new business, and a real estate redevelopment project was completed successfully in March 2008. A joint special-purpose company (SPC) with Nomura Real Estate Urban Net Co., Ltd., was established to handle the project. For more details please see TOPICS on page 7.

2. Extend operations into new markets

The most noteworthy step taken by the Group during the year under review was the full-fledged entry and startup in a new business field, integrating building automation systems and security, by the in-house establishment of the "Building System Integration Business Project (BI-PT)" on June 1, 2007. As a result of aggressive nationwide marketing activities, BI-PT-related orders received in the year totaled ¥611 million, surpassing the initial target of ¥500 million in annual sales projected at the beginning of the fiscal year.

Furthermore, the Company entered into a capital and business alliance with O-ence Co., Ltd., on January 31, 2008, as an initiative associated with the entry into this new business field. This alliance will not only allow the Company to engage in building maintenance for completed buildings on which the Company worked, but also to pursue synergies with the partner's PPP business and property management business in the service field. Both companies are currently striving to establish more solid, long-term cooperation through business consultations held once or twice a month. For details of O-ence, please see TOPICS on page 7.

The Third Medium-term Management Plan, April 2007 to March 2011

■ Basic strategy under the Plan

1. Business domain expansion strategy

In existing businesses, we are reinforcing our business model based on building life cycles. We will strive to extend a business model based on our customers' diverse needs in adjacent business areas and to expand business into different categories.

2. Profit-raising strategy for existing businesses

We aim to achieve stable orders received for high profitability projects through the enhanced conversion of the sales method in the sales divisions. In the construction divisions, we intend to improve productivity by raising the efficiency of the safety- and quality-based construction system, and strive to control costs.

3. Growth strategy for new businesses

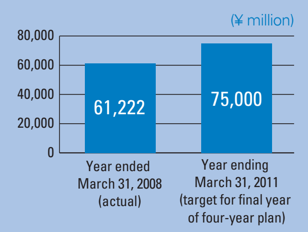
Toward achieving sales of ¥5 billion by fiscal 2010, the Company intends to utilize external resources to promote measures to accelerate growth in the "Building automation security" and "Environment & energy" fields.

■ Financial targets and major business indices (consolidated)

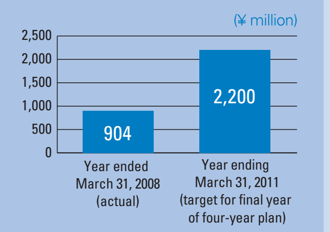
(Millions of yen)

	Year ended March 31, 2008 (actual)	Year ending March 31, 2011 (target)
Net Sales	¥61,222	¥75,000
Operating Income	667	2,700
Net Income	904	2,200
Operating Profit Margin	1.1%	3.6%
Return on Equity	1.7%	4.2%

Net sales (consolidated)



Net income (consolidated)



In-house study meetings and other training sessions are held regularly in the pursuit of exploiting businesses in the new market. Several reviews are under way relative to these efforts, and we will constantly heighten our sensitivity to business opportunities.

Net sales in this business segment for the year ending March 2011 are projected at ¥5,000 million. However, we will monitor the market, and if more daring measures seem appropriate we will take them.

3. Improve safety and quality of services

This initiative has performed well, on the whole, as initially planned. We suffered no serious accidents, and most quality-related issues were addressed satisfactorily. We also formulated the BCP (Business Continuity Plan) and carried out the objective of companywide extension of the ISO 14001 certification. We will focus more closely on our continuing themes of quality and safety.

4. Raise efficiency and sophistication of administrative sections

The Company has been conducting a new operational reform project, "Re-Born Project," where the primary target is to shift general affairs and accounting operations previously handled at each branch to the companywide level. This shift is continuing on schedule, and the integrated operations are expected to result in a considerable reduction of costs.

The term under review also saw introduction of the Japanese version of the Sarbanes-Oxley Act (known as J-SOX), which all listed companies are required to implement. I am pleased to report that this was completed on schedule.

5. Strengthen group management systems

As shown by cooperation between the Company and a subsidiary in the manufacture and sales of the NASCA room-access management system, Group companies now have a greater awareness of Group management, even in respect of corporate management. The Hibiya Engineering Group actively promotes this initiative with such measures as the continuing Presidents' Conference among Group companies.

Effective from the year under review, we initiated the Third Medium-Term Management Plan, covering the period from April 2007 to March 2011.

The management objectives set out in the Third Medium-Term Management Plan are "to pursue higher earnings in Construction as a core business" and "to exploit and develop second and third mainstay businesses through the entry into new business fields."

Key initiatives implemented during the year under such themes as "increase earnings in established business by reinforcing business models" and "extend operations into new markets" were generally favorably executed. However, we failed to achieve the plan's first year financial targets, due to such negative factors as the sluggish private-sector market, the hike of raw material prices, including crude oil prices, higher costs due to increased labor expenses and unprofitable work in several projects. Of particular note, our established business fields saw a continued shortage of workers, aging industrial manpower and higher labor costs.

In these circumstances, we will endeavor to increase earnings in established businesses through enhanced cost management.

We will continue to promote diverse measures in accordance with the Third Medium-Term Management Plan and aggressively promote our entry into new businesses and markets.
~Outlook for the year ending March 2009~

There is concern for uncertainty in the market during the next fiscal year. Above all, I am concerned about a greater negative impact from the subprime loan crisis. Based on this perspective, our basic stance will be to continue smooth business operations in the tough business environment we anticipate. Not only management but every employee, too, must have an awareness of risk management.

Measures to reinforce corporate governance will include reducing the term of office of directors from two years to one year. In addition, the Company plans to establish an Advisory Board that will provide the president with advice on major business policies. Despite the difficult market environment, the Group already has orders for projects to bring forward from the current fiscal year that exceed the corresponding number recorded on April 1, 2007. Consequently, I believe we will continue to conduct stable business operations in the year ending March 31, 2009.

We will take appropriate management measures in line with the Third Medium-Term Management Plan. More particularly, we are determined go beyond last year's performance and advance to the next level, and to identify second and third promising businesses in respect of reinforcing development marketing, entering into new businesses and extending business into new markets. In this regard, we anticipate new opportunities in environment-related businesses, and expect them to be stimulated by the July 2008 Earth Summit in Japan.

The Group projects consolidated net sales of ¥63.5 billion and consolidated operating income of ¥1.15 billion for the year ending March 31, 2009.

Celebrating 30 years of listing on the Tokyo Stock Exchange.

The Company welcomes the 30th anniversary of its listing on the Tokyo Stock Exchange. As we reach this auspicious milestone I really appreciate the continued support of all stakeholders, including shareholders. To express our gratitude to shareholders, management decided to declare a ¥25 per share dividend for the term under review. This comprises an interim dividend of ¥7.5 per share, already paid, a year-end dividend of ¥7.5 per share, and a commemorative dividend of ¥10 per share.

The Company intends to carry out the purchase and retirement of treasury stock as a measure to improve capital efficiency and the distribution of profits to shareholders. Plans call for the purchase a maximum of one million shares of treasury stock at an acquisition price of up to ¥1.0 billion in the period from June 30, 2008, to November 10, 2008.

The coming fiscal year is the second year of the Third Medium-Term Management Plan. Toward shaping an ideal Hibiya Engineering, I want to steadily establish solid foundations for thoroughly pursuing earnings-focused marketing activities. I also want to express my most sincere gratitude to all of our shareholders and investors for your anticipation of further growth and for your continuing support of Hibiya Engineering Ltd.

Shinya Kimura
President and Representative Director

Topics

TOPIC 1 Capital and business alliance agreement with O-ence concluded.

Pursuant to the resolution at the Board of Directors meeting held on December 21, 2007, the Company entered into a capital and business alliance agreement with O-ence Co., Ltd., with a primary focus on building maintenance, on January 31, 2008.

O-ence has expanded its business to real estate consulting and facilities operation, around its core business in building management. Its strategy is not limited to these physical businesses, however, and it now aims to start to strengthen non-physical services and to enter into new public business markets, such as the "designated manager system," the "PFI (Private Finance Initiative) business" and "market testing." The goals are to raise the utility value of public facilities, including consideration of environmental friendliness, and to contribute to revitalizing local communities in these new markets by making the most of management know-how and planning and proposal-making capabilities.

Given the shrinking construction market, both companies separately concluded that maximizing the leverage of marketing and engineering capabilities and know-how would be an effective approach to meeting demanding and diversifying customer needs for facilities management, and to gain the trust of their respective clients. In seeking to establish a long-term, solid cooperative relationship, both agreed that Hibiya would acquire 15% of all the issued shares of O-ence, and to establish a working group to discuss the modalities of collaboration and role sharing in the joint business so as to enhance synergies.

Pursuant to the aforementioned agreement, the Company purchased 15% of issued O-ence shares on February 6, 2008.

Outline of O-ence

1. Company name:	O-ence Co., Ltd.
2. Major business:	Maintenance of buildings
3. Incorporation:	June 1, 1959
4. Head office:	9F, Ginza-Ono Building, 1-17, Tsukiji 4-chome, Chuo-ku, Tokyo
5. Representative:	Kazuo Ooki, President
6. Paid-in capital:	¥100 million
7. Number of employees:	Approx. 2,000
8. Web site address:	http://www.o-ence.co.jp/ (Japanese only)

TOPIC 2 Kaihin-Makuhari Station Project, our first SPC-based real estate development project, completed in March 2008

- Ensuring appropriate profit in the Company's construction business (air conditioning, plumbing and sanitation, and electrical equipment).
- Ensuring investment returns while reducing risk

The Company acquired a development lot of 3,227m² for a commercial complex in Chiba Prefecture in front of the Kaihin-Makuhari Station on the JR Keiyo Line, one of the major commuter rail links between Tokyo's metropolitan centers and the city's eastern suburbs, through a joint venture special-purpose company (SPC) with Nomura Real Estate Urban Net Co., Ltd. Construction work started in February 2007 and was completed in March 2008, and ownership was sold to investors. The commercial complex opened on March 18, 2008, as *Su:k Kaihinmakuhari.*

Su:k Kaihinmakuhari is a nine-story facility for diverse applications with a total floor area of 16,000m². It consists of four commercial floors, occupied by 22 tenant stores under the theme of "Eating and Entertainment," and a multistory parking garage that can accommodate up to 288 cars.

Operations by segment

Construction

The value of completed construction work during the year decreased by 11.7%, to ¥50,775 million. Operating income in the segment was ¥289 million, a decrease of 52.4%.

Orders for air conditioning systems totaled ¥27,019, an increase of 2.1% over the previous year, while the value of completed work decreased by 9.8%, to ¥25,471 million. Orders for plumbing and sanitation increased by 5.2%, to ¥15,042 million, while the value of completed work decreased by 11.1%, to ¥13,933 million. Electrical equipment orders increased by 1.8%, to ¥13,058 million, while the value of completed works decreased by 16.4%, to ¥11,371 million.

Equipment

Sales in the equipment segment totaled ¥7,894 million, an increase of 13.4% over the previous year. Operating income increased by 34.9%, to ¥224 million.

Other (manufacture and sale of construction-use equipment)

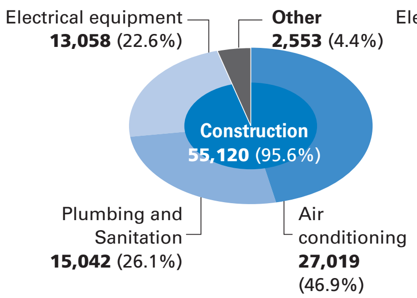
Sales in the other segment increased by 6.2%, to ¥2,553 million. Operating income was ¥129 million, an increase of 131.2%.

Orders, order balance, and completed work by business, year ended March 31, 2008

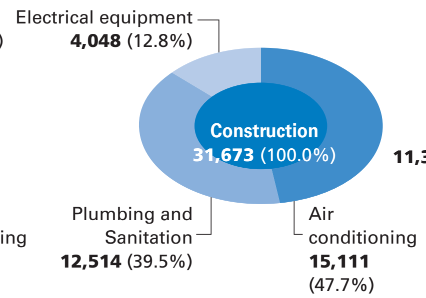
(¥ million)

The facilities sales and maintenance segment shows an order balance of zero, since the Hibiya Engineering group does not manufacture equipment on a made-to-order basis. Similarly, the other operations segment has an order balance of zero.

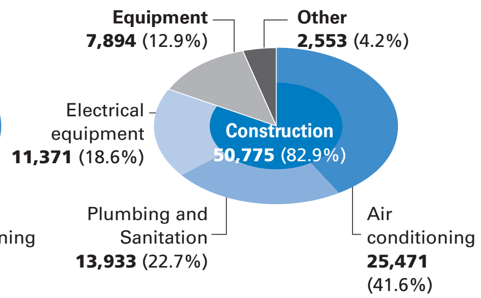
Orders received



Order backlogs



Sales from completed work



Sales and operating income by segment, year ended March 31, 2008

(¥ million)

	Construction	Equipment	Other	Total	Eliminations or corporate	Consolidated
Sales						
1) Sales to customers	¥50,775	¥7,894	¥2,553	¥61,222	¥ —	¥61,222
2) Internal sales and transfers	—	3,765	512	4,277	(4,277)	—
Total	50,775	11,659	3,065	65,499	(4,277)	61,222
Reference: Year ended March 31, 2007 Sales	*57,531*	*10,420*	*3,066*	*71,017*	*(4,119)*	*66,898*
Operating expenses	50,486	11,435	2,936	64,857	(4,302)	60,555
Reference: Year ended March 31, 2007 Operating expenses	*56,923*	*10,254*	*3,010*	*70,187*	*(4,209)*	*65,978*
Operating income	289	224	129	642	25	667
Reference: Year ended March 31, 2007 Operating income	*608*	*166*	*56*	*830*	*90*	*920*

Corporate Governance

The Company has adopted the corporate auditor system, and three of the four corporate auditors as of June 27, 2008 were external auditors. The Company has also appointed two external directors, who are allowed to take part in deliberations on important management matters at meetings of the Board of Directors and who serve to reinforce oversight of directors in the execution of their duties.

The Internal Audit Office was established with the express purpose of reinforcing the internal operational audit function. The Office has a two-strong dedicated staff who audit the operations of business divisions in respect of precision and efficiency, and in accordance with the audit plan for the business year. Audit results are reported to the Management Council and the Board of Corporate Auditors. The Internal Audit Office also evaluates the effectiveness of internal controls, a requirement under the Financial Products and Exchange Act. Audits by the corporate auditors are conducted in an appropriate manner, based on the audit plan, including the attendance of the auditors at important corporate meetings, such as the meeting of the Board of Directors, and the examination of important documents for approval. The Company's corporate auditors work in collaboration with the Internal Audit Office and exchange opinions with the Independent Auditors and corporate auditors of the subsidiaries, as necessary, to carry out effective auditing. The Company has entered into an agreement with KPMG AZSA & Co. to entrust audits of the Company's accounts to this auditing firm.

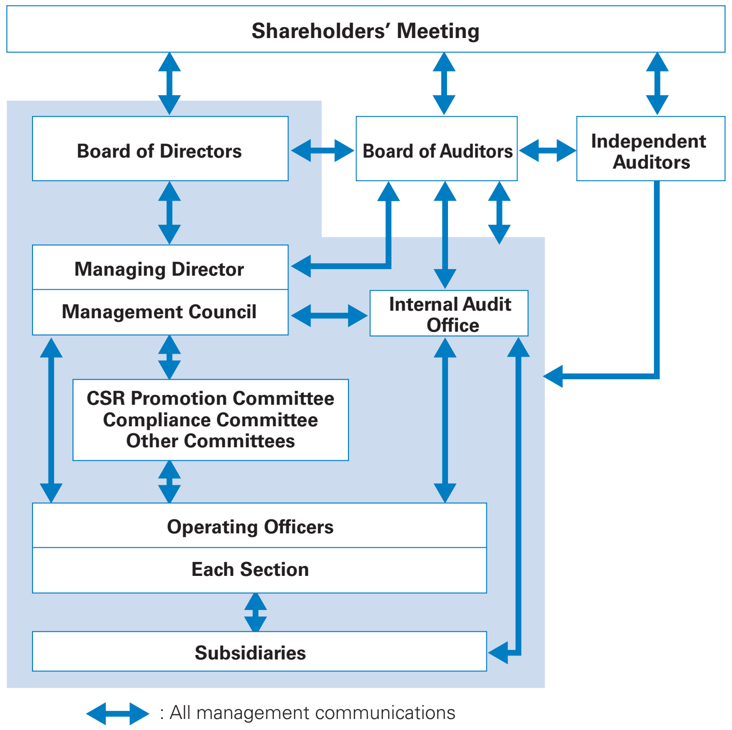
The Board of Directors meets once a month, in principle, to discuss, resolve and report on important management matters. The number of directors has been set at a maximum of 11, and their term of office is fixed at one year under the Company's articles of incorporation, for the express purpose of strengthening and revitalizing the functions of the Board of Directors in respect of improving corporate governance. To reinforce oversight of the directors in the performance of their duties, the Company has implemented an operating officer system.

Meetings of the Management Council are held twice per month with the attendance of the corporate auditors. The Management Council strives to conduct swifter, more appropriate decision-making on important matters related to the performance of business operations, the determination of business strategies and reviews of business operating systems.

Compliance

Under the concept of "a corporation should be a good citizen of society," the Company endeavors to achieve thorough compliance in its CSR-based business operations and be a sound, highly transparent company by ensuring that all its executives and employees act with a high sense of ethics, in compliance with laws and regulations, the articles of incorporation and the Action Guidelines.

The Company established the Compliance Committee, with the President as the chairperson, as the controlling body for the company-wide compliance-promotion system. Its activities include the formulation of basic compliance policy and action programs, holding training sessions for all employees, deciding on important matters, and operation of the Hibiya Hot Line, an internal whistle-blowing system.



Hibiya Engineering, Ltd. (the Company) faced a difficult business environment during the year ended March 31, 2008 that impacted on consolidated earnings. Sales decreased by 8.5% from the previous year, operating income by 27.6%, and net income by 33.3%.

Orders increased 3% from the previous fiscal year to ¥57,672 million, in parallel with moves to reinforce profitability and to enhance safety and quality with the introduction of new construction management systems. However, consolidated net sales decreased from ¥66,898 million in the previous fiscal year to ¥61,222 million.

Segment information

Sales and operating income decreased in the mainstay construction segment, which accounted for 82.9% of the Company and its consolidated subsidiaries (the "Companies") total sales. Sales decreased by 11.7%, from ¥57,531 million to ¥50,775 million, while operating income decreased by 52.4%, from ¥608 million to ¥289 million.

Sales in the equipment segment rose marginally but operating income increased from ¥166 million in the previous year to ¥224 million.

Expenses

Operating income decreased by 27.6% to ¥667 million, mainly due to a decrease in gross profit from completed construction resulting from rapid increases in materials costs compared with the previous fiscal year.

Net income decreased by 33.3% to ¥904 million. Income taxes decreased from ¥931 million to ¥865 million. Net income per share decreased from ¥37.27 (non-diluted) and ¥37.14 (diluted) to ¥24.86 (non-diluted) and ¥24.83 (diluted).

Balance sheet

Assets

Total consolidated assets decreased by ¥5,948 million during the year. This was principally the function of a ¥2,264 million decrease in current assets and a loss on devaluation of investment securities.

Liabilities

Consolidated current liabilities decreased by ¥2,343 million during the year, principally through a reduction of advances received on uncompleted contracts (¥204 million). The Companies' long-term liabilities decreased by ¥1,430 million because of a ¥1,241 million reduction in deferred tax liabilities.

Equity

The Companies' equity increased by ¥104 million, although this was almost entirely due to the reclassification of minority interests. The number of treasury stock as of March 31, 2008, was 892,485 shares. The consolidated shareholders' equity ratio improved from 65.7% to 67.9%.

Capital efficiency

The result of this performance was to decrease the return on equity (net income as a proportion of shareholders' equity) from 2.6% to 1.7%.

Cash flow

Net cash provided by operating activities was ¥1,940 million, an increase of ¥4,475 million from the previous fiscal year. This was the net result of ¥1,880 million in income before income taxes, a decrease in accounts receivable, an increase in the income of equity-method affiliates, and a decrease in notes and accounts payable.

Investment activities represented a cash inflow of ¥320 million, compared to ¥790 million in the previous year. This was due to income from the maturity of investment securities in the public sector and from reversal of investment in a silent partnership that was offset against the cost of purchase of investment securities.

Financing activities represented an ¥806 million use of cash, compared to ¥876 million in the previous year. This is mainly because the increased dividend payments, as well as repurchases of the Company's stock.

Cash and cash equivalents at the end of the year under review increased by ¥1,454 million, from ¥10,878 million to ¥12,332 million.

Business risks

Of the business and accounting conditions stated in the Annual Report, the following are factors that may have a significant effect on the judgment of investors. Future related matters were considered by the Hibiya Engineering Group as of March 31, 2008, the end of fiscal 2007.

1. Risk of dependence on a specific customer

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

2. Risk related to business partners

The Japanese construction market remains difficult, with restrictions on public investment and intensifying competition for orders and price competition. Under such circumstances, should creditworthiness of any business partner deteriorate, the Group's operating performance and financial position might be affected by bad debt from trade receivables.

3. Risk related to material procurement prices

Should there be any price increases in facilities 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 might be affected.

4. Risk related to unprofitable work

Should the Group, in any of its work, be obliged to undertake unprofitable work during project execution, due to the cost of additional work, etc., that was initially unforeseeable, provision of an allowance for losses on construction contracts might become necessary, and the Group's operating performance and financial position might be affected.

5. Safety-related risk

The Group conducts many renovations of buildings owned by the NTT Group. If an accident resulting in injury or property damage was to occur during a renovation that causes serious failure to NTT's advanced public communications network, the Group might be obliged to make a large, lump-sum compensation payment, and the Group's operating performance and financial position might be affected.

6. Risk related to the retirement benefit system

The Company and one of the consolidated subsidiaries participate in the employee pension fund of the Tokyo Air-Conditioning and Plumbing Contractors Association. The affiliate accounted for by the equity method participates in the Tokyo Metropolis Construction Industry Employees' Pension Fund. Should any important components of either of these funds be institutionally reviewed for revision in view of a worsened financial situation, the Group's operating performance and financial position might be affected by an increase in retirement benefit expenses.

7. Risk related to the dilution of stock value

The Company issues gratis stock acquisition rights as stock options to directors, corporate auditors, executive officers and some employees, with the aim of enhancing the willingness and morale of those persons in order to increase operating performance and retain talented human resources. If the qualified persons exercise their rights, a dilution of stock value might occur.

8. Securities-related risk

Should a considerable decline occur in the market price of any stocks held by the Group, influenced by market conditions and the performance of the companies whose stock is held, impairment might occur. Moreover, dividends expected at the beginning of the year might not be received.

For bonds, interest and principal may not be recoverable due to a default of the issuer. For bonds with an interest rate interlocked with the exchange rate, the market interest rate and/or any other market index, the interest expected at the time of acquisition or at the beginning of the year might not be received, depending on market conditions.

9. Risk related to the recoverability of 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.

Should the operating performance of the company and/or its consolidated subsidiaries deteriorate, deferred tax assets would need to be reduced on the basis of judgment on the recoverability of the deferred tax assets, and the Group's operating performance and financial position might be affected.

10. Seasonal variations in operating performance

Given ordinary sales activities, the Group's construction revenue, the value of completed construction work, is typically larger in the second fiscal half than in the first half. Consequently, operating revenue differs considerably between the first half and the second half, generating clear seasonal variations in terms of operating performance for the two half-year periods.

Consolidated Balance Sheets

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Assets			
Current assets:			
Cash and cash equivalents *(Note 3)*	¥12,332	¥10,878	$123,086
Marketable securities *(Note 4)*	109	502	1,088
Notes and accounts receivable-trade	23,057	26,529	230,133
Allowance for doubtful accounts	(27)	(33)	(270)
Cost of uncompleted contracts	2,451	2,474	24,464
Deferred tax assets *(Note 7)*	475	592	4,741
Other	1,523	1,242	15,201
Total current assets	39,920	42,184	398,443
Property, plant and equipment, at cost:			
Land	175	182	1,747
Buildings and structures	1,394	1,385	13,913
Other	728	720	7,266
Total	2,297	2,287	22,926
Accumulated depreciation	(1,630)	(1,546)	(16,269)
Total property, plant and equipment, net	667	741	6,657
Investments and other assets:			
Investment securities *(Note 4)*	16,226	20,653	161,952
Investments in affiliates *(Note 4)*	12,123	11,800	121,000
Long-term loans receivable	37	41	369
Long-term insurance premium	2,837	2,812	28,316
Investments in silent partnership	1,154	1,216	11,518
Deferred tax assets *(Note 7)*	278	40	2,775
Other	1,959	1,611	19,554
Allowance for doubtful accounts	(115)	(64)	(1,148)
Total investments and other assets	34,499	38,109	344,336
Total assets	¥75,086	¥81,034	$749,436

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Liabilities			
Current liabilities:			
Notes and accounts payable-trade	¥18,524	¥20,349	$184,889
Short-term borrowings *(Note 6)*	780	780	7,785
Income taxes payable *(Note 7)*	573	854	5,719
Advance received on uncompleted contracts	993	1,197	9,911
Accrued bonuses	622	652	6,208
Allowance for warranty for construction damages	39	51	389
Allowance for losses on construction contracts	15	66	150
Other	530	470	5,290
Total current liabilities	22,076	24,419	220,341
Long-term liabilities:			
Deferred tax liabilities	126	1,367	1,258
Allowance for retirement benefits for employees *(Note 10)*	460	620	4,591
Allowance for retirement benefits for directors and corporate auditors	119	163	1,188
Other	15	—	150
Total long-term liabilities	720	2,150	7,187
Contingent liabilities *(Note 12)*	—	—	—
Net Assets			
Owners' equity *(Note 13)*:			
Common stock: Authorized – 96,500,000 shares in 2008 and 2007 Issued – 37,000,309 shares in 2008 and 38,000,309 shares in 2007	5,753	5,753	57,421
Additional paid-in capital	5,932	5,932	59,207
Retained earnings	38,076	38,523	380,038
Treasury stock, at cost: 892 thousand shares in 2008 and 1,585 thousand shares in 2007	(602)	(1,153)	(6,009)
Total owners' equity	49,159	49,055	490,657
Valuation and translation adjustments			
Net unrealized holding gains on securities	1,842	4,218	18,385
Total valuation and translation adjustments	1,842	4,218	18,385
Minority interests	1,289	1,192	12,866
Total net assets	52,290	54,465	521,908
Total liabilities and net assets	¥75,086	¥81,034	$749,436

Consolidated Statements of Income

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Net sales *(Note 15)*	**¥61,222**	¥66,898	**$611,059**
Cost of sales	**54,853**	60,212	**547,490**
Gross profit	**6,369**	6,686	**63,569**
Selling, general and administrative expenses *(Note 8)*	**5,702**	5,766	**56,912**
Operating income	**667**	920	**6,657**
Other income (expenses):			
Interest and dividend income	**470**	502	**4,691**
Interest expense	**(18)**	(14)	**(180)**
Gain on sales of marketable securities	**—**	149	**—**
Loss on sales of marketable securities	**(6)**	—	**(60)**
Equity in earnings of affiliates	**1,117**	383	**11,149**
Loss on the office relocation	**—**	(19)	**—**
Gain on reversal of allowance for doubtful accounts	**9**	45	**90**
Gain on sales of investment securities	**139**	46	**1,387**
Gain on securities contributed to employees' retirement benefit trust	**—**	148	**—**
Gain on sales of land	**—**	12	**—**
Loss on sales of land	**(3)**	—	**(29)**
Loss on devaluation of investment securities	**(694)**	—	**(6,927)**
Loss on disposal of inventory	**(7)**	—	**(70)**
Loss on disposal of property, plant and equipment *(Note 9)*	**—**	(25)	**—**
Other, net	**206**	225	**2,056**
	1,213	1,452	**12,107**
Income before income taxes and minority interests	**1,880**	2,372	**18,764**
Income taxes *(Note 7)*:			
Current	**634**	998	**6,328**
Deferred	**231**	(67)	**2,306**
	865	931	**8,634**
Minority interests	**111**	85	**1,107**
Net income	**¥ 904**	¥ 1,356	**$ 9,023**

	Yen		U.S. dollars (Note 1)
Per share of common stock:	**2008**	2007	**2008**
Net assets per share	**¥1,412.46**	¥1,462.94	**$14.10**
Net income per share:			
Basic	**24.86**	37.27	**0.25**
Diluted	**24.83**	37.14	**0.25**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Number of shares of common stock	Common stock (Note 13)	Additional paid-in capital (Note 13)	Retained earnings (Note 13)	Treasury stock	Net unrealized holding gain on securities	Minority interest	Total net assets
	(shares)	Millions of yen						
Balance at March 31, 2006	38,000,309	¥5,753	¥5,932	¥38,134	¥(1,202)	¥4,221	¥1,122	¥53,960
Net income	—	—	—	1,356	—	—	—	1,356
Cash dividends paid	—	—	—	(913)	—	—	—	(913)
Bonuses to directors and corporate auditors	—	—	—	(48)	—	—	—	(48)
Loss on disposal of treasury stock	—	—	—	(6)	—	—	—	(6)
Net changes in unrealized holding gain on securities	—	—	—	—	—	(3)	—	(3)
Net changes in treasury stock	—	—	—	—	49	—	—	49
Increase in minority interests	—	—	—	—	—	—	70	70
Balance at March 31, 2007	38,000,309	¥5,753	¥5,932	¥38,523	¥(1,153)	¥4,218	¥1,192	¥54,465
Net income	—	—	—	904	—	—	—	904
Cash dividends paid	—	—	—	(548)	—	—	—	(548)
Loss on disposal of treasury stock	—	—	—	(3)	—	—	—	(3)
Net changes in unrealized holding gain on securities	—	—	—	—	—	(2,376)	—	(2,376)
Acquisition of treasury stock	—	—	—	—	(279)	—	—	(279)
Sales of treasury stock	—	—	—	—	30	—	—	30
Retirement of treasury stock	(1,000,000)	—	—	(800)	800	—	—	—
Increase in minority interests	—	—	—	—	—	—	97	97
Balance at March 31, 2008	**37,000,309**	**¥5,753**	**¥5,932**	**¥38,076**	**¥ (602)**	**¥1,842**	**¥1,289**	**¥52,290**

	Common stock (Note 13)	Additional paid-in capital (Note 13)	Retained earnings (Note 13)	Treasury stock	Net unrealized holding gain on securities	Minority interest	Total net assets
	Thousands of U.S. dollars (Note 1)						
Balance at March 31, 2007	$57, 421	$59,207	$384,500	$(11,508)	$42,100	$11,897	$543,617
Net income	—	—	9,023	—	—	—	9,023
Cash dividends paid	—	—	(5,470)	—	—	—	(5,470)
Loss on disposal of treasury stock	—	—	(30)	—	—	—	(30)
Net changes in unrealized holding gain on securities	—	—	—	—	(23,715)	—	(23,715)
Acquisition of treasury stock	—	—	—	(2,785)	—	—	(2,785)
Sales of treasury stock	—	—	—	299	—	—	299
Retirement of treasury stock	—	—	(7,985)	7,985	—	—	—
Increase in minority interests	—	—	—	—	—	969	969
Balance at March 31, 2008	**$57,421**	**$59,207**	**$380,038**	**$(6,009)**	**$18,385**	**$12,866**	**$521,908**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 1,880**	¥ 2,372	**$ 18,764**
Depreciation and amortization	**141**	123	**1,407**
Gain on securities contributed to employees' retirement benefit trust	**—**	(148)	**—**
Increase (decrease) in allowance for doubtful accounts	**46**	(71)	**459**
Decrease in allowance for retirement benefits for employees	**(160)**	(610)	**(1,597)**
Decrease in allowance for retirement benefits for directors and corporate auditors	**(44)**	(0)	**(439)**
Decrease in accrued bonuses	**(29)**	(56)	**(289)**
Increase (decrease) in allowance for warranty for construction damages	**(12)**	1	**(121)**
Decrease in allowance for losses on construction contracts	**(51)**	(39)	**(509)**
Interest and dividend income	**(470)**	(502)	**(4,691)**
Interest expense	**18**	14	**180**
Loss (gain) on sales of marketable securities	**6**	(149)	**60**
Gain on sales of investment securities	**(139)**	(46)	**(1,387)**
Loss on devaluation of investment securities	**694**	—	**6,927**
Equity in earnings of affiliates	**(1,117)**	(383)	**(11,149)**
Decrease (increase) in notes and accounts receivable-trade	**3,471**	(4,272)	**34,644**
Decrease in inventories	**23**	3,130	**229**
Increase (decrease) in notes and accounts payable	**(1,826)**	50	**(18,225)**
Decrease in advance received on uncompleted contracts	**(204)**	(1,669)	**(2,036)**
Consumption taxes	**216**	23	**2,156**
Other	**(88)**	126	**(878)**
Subtotal	**2,355**	(2,106)	**23,505**
Interest and dividend received	**497**	566	**4,961**
Interest paid	**(18)**	(14)	**(180)**
Income taxes paid	**(894)**	(981)	**(8,923)**
Net cash provided by (used in) operating activities	**1,940**	(2,535)	**19,363**
Cash flows from investing activities			
Payments for time deposits	**(300)**	(500)	**(2,994)**
Proceeds from sales of marketable securities	**—**	21	**—**
Proceeds upon maturity of bonds	**2,000**	3,801	**19,962**
Payments for purchase of property, plant and equipment	**(47)**	(237)	**(469)**
Payments for purchase of intangible assets	**(64)**	(46)	**(639)**
Proceeds from sales of land	**4**	30	**40**
Payments for purchase of investment securities	**(2,001)**	(2,887)	**(19,972)**
Proceeds from sales of investment securities	**285**	57	**2,845**
Payments for insurance contribution	**(275)**	(294)	**(2,745)**
Proceeds from reversal of long-term security money	**67**	1,123	**669**
Proceeds from reversal of insurance contribution	**344**	151	**3,433**
Proceeds from reversal of Investments in silent partnership	**500**	—	**4,990**
Other	**(193)**	(429)	**(1,926)**
Net cash provided by investing activities	**320**	790	**3,194**
Cash flows from financing activities			
Payments for purchase of treasury stock	**(279)**	(27)	**(2,785)**
Proceeds from sales of treasury stock	**27**	70	**270**
Cash dividends paid	**(548)**	(913)	**(5,470)**
Cash dividends paid to minority shareholders	**(6)**	(6)	**(60)**
Net cash used in financing activities	**(806)**	(876)	**(8,045)**
Net increase (decrease) in cash and cash equivalents	**1,454**	(2,621)	**14,512**
Cash and cash equivalents at beginning of year	**10,878**	13,499	**108,574**
Cash and cash equivalents at end of year (*Note 3*)	**¥12,332**	¥10,878	**$123,086**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

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

The accompanying consolidated financial statements have been restructured 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 Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, "Hibiya Tsushou Co., Ltd." and "NIKKEY Company Limited", in the years ended March 31, 2008 and 2007. All significant inter-company balances and transactions are eliminated in consolidation.

Investments in affiliates are accounted for by the equity method, except for the investments in affiliates whose income or losses are not significant for the Company's equity, are carried at cost.

(b) Marketable securities and investment securities

The Company and its consolidated subsidiaries (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").

No trading securities and held-to-maturity debt securities have been owned by the Companies. Equity securities issued by subsidiaries 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 market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gain on sale such securities is computed using the average cost.

(c) 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 using the rate of actual collection losses in the past with respect to the remaining receivables.

(d) Allowance for warranty for construction damages

Allowance for warranty for construction damages is provided at the amount calculated based on the estimated compensation to the completed construction for which the Companies are responsible.

(e) Allowance for losses on construction contracts

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

(f) Construction contracts

Long-term construction contracts, whose contract amount is ¥100 million or more, construction schedule is more than 12 months and percentage of completion is 30% or more, are accounted for by the percentage of completion method.

Prior to April 1, 2006, the Companies adopted the completion method for contracts with the construction period of 12 months or longer, the contract amount of ¥1,000 million or more and percentage of completion equal to or in excess of 30%. In the year ended March 31, 2007, the Companies changed the criteria of applying percentage of completion method to construction contracts with the intent to enhance disclosure in light of the fact that amounts of orders received became smaller in size and this trend is considered to continue in the future and in view of the established quarterly disclosure system.

As a result of this change, net sales increased by ¥3,557 million. Operating income decreased by ¥91 million. Income before income taxes and minority interests decreased by ¥93 million, compared with the amounts which would have been recognized under the previous method of accounting.

The construction revenues accounted for by the percentage of completion method are ¥5,372 million ($53,618 thousands) and ¥4,088 million for the years ended March 31, 2008 and 2007, respectively.

(g) Cost of uncompleted contracts

Cost of uncompleted contracts for the Company and inventories for the consolidated subsidiaries are stated at cost using the specific identification method.

(h) Property, plant and equipment, and depreciation

Depreciation of property, plant and equipment is computed using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations.

In line with the amendment of the Corporation Tax Law [Law for Partial Amendment of the Income Tax Law, etc. (March 30, 2007, Law No. 6) and Cabinet Order for Partial Amendment of the Corporation Tax Law Enforcement Ordinance (March 30, 2007, Cabinet Order No. 83)], the Companies compute depreciation expenses for property, plant and equipment acquired on or after April 1, 2007 by the method specified in the amended Corporation Tax Law. This change will have only minor impact on the consolidated statements of income.

In the year ended March 31, 2008, after having fully depreciated tangible fixed assets acquired on and before March 31, 2007, the Companies have depreciated the assets, using a straight-line method over 5 years. This change will have only minor impact on the consolidated statements of income.

(i) Retirement benefits

The Companies have tax qualified pension plans and employee severance indemnities covering substantially all of their employees. In addition the Company and a certain consolidated subsidiary participate in employee pension fund of Tokyo Air-Conditioning and Plumbing Contractors Associations.

The Companies provide allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the year-end. Actuarial gains and losses are recognized in income or expense using the straight-line method over the average of the estimated remaining service lives of 10 years commencing from the year in which they arise.

The Company established the retirement benefits trust in the year ended March 31, 2007. The effect of this was ¥147 millions, which is included in other income.

In addition, directors and corporate auditors of the Companies are customarily entitled to lump-sum payments under their respective unfunded retirement benefits plans. Severance and retirement allowance for directors and corporate auditors are recorded at the amount that would be required if they retired at each balance sheet date.

(j) Leases

Non-cancelable leases are accounted for as operating leases (whether such leases are classified as operating or finance lease) except that leases, which stipulate the transfer of ownership of the leased assets to the lessee, are accounted for as finance leases.

(k) Cash flow statement and cash and cash equivalents

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

(l) Income taxes

The Companies compute the provision for income taxes based on the pretax income included in the consolidated statement of income and recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

(m) Amounts per share

Net income per share is calculated by dividing net income available to common shares by the weighted average number of common shares outstanding during the year.

(n) Derivatives

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses. At March 31, 2008 and 2007, the Companies did not hold derivative financial instruments.

(o) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet"(Statement No. 5 issued by the Accounting Standard Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007 and 2006.

(p) Accounting standards for statement of changes in net assets

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Companies prepared the statement of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards.

(q) Notes receivable and notes payable maturing at fiscal year-end

Notes receivable and notes payable are settled on the date of clearance. As March 31, 2007 was a bank holiday, notes receivable and notes payable maturing on that date could not be settled and were included in the ending balance of notes and accounts receivable-trade, notes and accounts payable-trade as follows:

	Millions yen
Notes receivable	¥ 75
Notes payable	215

3. Cash and cash equivalents

Cash and cash equivalents at March 31, 2008 and 2007 for the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and bank deposits	**¥ 9,833**	¥ 7,881	**$ 98,144**
Marketable securities	**2,608**	3,499	**26,030**
Marketable securities other than open bond investment trust	**(109)**	(502)	**(1,088)**
Cash and cash equivalents	**¥12,332**	¥10,878	**$123,086**

4. Marketable securities and investment securities

(1) At March 31, 2008 and 2007, acquisition cost, book value and fair value of securities with available fair values were as follows:

(a) Available-for-sale securities

	Millions of yen		
	2008		
	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	**¥3,712**	**¥ 6,253**	**¥2,541**
Debt securities			
Government bonds	**—**	**—**	**—**
Corporate bonds	**83**	**102**	**19**
Other bonds	**4,042**	**4,764**	**722**
Others	**83**	**88**	**5**
Total	**¥7,920**	**¥11,207**	**¥3,287**
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	**¥1,443**	**¥ 1,369**	**¥ (74)**
Debt securities			
Government bonds	**—**	**—**	**—**
Corporate bonds	**499**	**498**	**(1)**
Other bonds	**1,002**	**999**	**(3)**
Others	**409**	**367**	**(42)**
Total	**¥3,353**	**¥ 3,233**	**¥ (120)**

	Millions of yen		
	2007		
	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	¥4,174	¥10,554	¥6,380
Debt securities			
Government bonds	—	—	—
Corporate bonds	83	169	86
Other bonds	4,242	4,999	757
Others	404	467	63
Total	¥8,903	¥16,189	¥7,286
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	¥ 943	¥ 797	¥ (146)
Debt securities			
Government bonds	—	—	—
Corporate bonds	198	198	(0)
Other bonds	2,306	2,290	(16)
Others	—	—	—
Total	¥3,447	¥ 3,285	¥ (162)

	Thousands of U.S. dollars		
	2008		
	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	**$37,050**	**$ 62,411**	**$25,361**
Debt securities			
Government bonds	**—**	**—**	**—**
Corporate bonds	**829**	**1,018**	**189**
Other bonds	**40,343**	**47,550**	**7,207**
Others	**828**	**878**	**50**
Total	**$79,050**	**$111,857**	**$32,807**
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	**$14,403**	**$ 13,664**	**$ (739)**
Debt securities			
Government bonds	**—**	**—**	**—**
Corporate bonds	**4,980**	**4,970**	**(10)**
Other bonds	**10,001**	**9,971**	**(30)**
Others	**4,082**	**3,663**	**(419)**
Total	**$33,466**	**$ 32,268**	**$ (1,198)**

(2) At March 31, 2008 and 2007, book values of securities with no available fair values were as follows:

(a) Securities in non-consolidated subsidiaries and affiliates

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Investments in affiliates	**¥12,123**	¥11,800	**$121,000**
Total	**¥12,123**	¥11,800	**$121,000**

(b) Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Unlisted equity securities	**¥1,345**	¥1,131	**$13,424**
Commercial paper	**2,499**	2,997	**24,943**
Others	**550**	550	**5,490**
Total	**¥4,394**	¥4,678	**$43,857**

(3) At March 31, 2008 and 2007, maturities of available-for-sale securities with maturity were as follows:

	Millions of yen				
	2008				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Corporate bonds	**102**	**498**	**—**	**—**	**600**
Other bonds	**—**	**3,947**	**1,061**	**805**	**5,813**
Others	**7**	**20**	**46**	**382**	**455**
Total	**¥109**	**¥4,465**	**¥1,107**	**¥1,187**	**¥6,868**

	Millions of yen				
	2007				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	367	—	—	367
Other bonds	502	5,018	1,031	789	7,340
Others	—	36	77	354	467
Total	¥502	¥5,421	¥1,108	¥1,143	¥8,174

	Thousands of U.S. dollars				
	2008				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Corporate bonds	**1,018**	**4,970**	**—**	**—**	**5,988**
Other bonds	**—**	**39,395**	**10,590**	**8,035**	**58,020**
Others	**70**	**199**	**459**	**3,813**	**4,541**
Total	**$1,088**	**$44,564**	**$11,049**	**$11,848**	**$68,549**

Sale of securities classified as available-for-sale securities for the years ended March 31, 2008 and 2007 amounted to ¥285 million ($2,845 thousand) and ¥76 million, respectively, and net realized gains amounted to ¥139 million ($1,387 thousand) and ¥54 million, respectively.

5. Derivative financial instruments

At March 31, 2008 and 2007, the Companies did not hold any derivative financial instruments.

Types, purpose and policy related to derivative financial instruments

The Company does not hold derivative transactions or balances. However, the Company holds the bonds containing derivatives for utilizing floating cash. The Company has no intention to use derivatives for dealing or speculative purposes.

Risks related to derivative financial instruments

Derivative instruments are subject to credit risk and market risk. Credit risk is the possibility that a loss may results from a counter party's failure to perform according to the terms and conditions of the contract. As the derivative transactions are made solely with major financial institutions that have high creditworthiness, the Company believes that the overall credit risk related to its financial instruments is insignificant.

Market risk is the exposure created by potential fluctuations in market condition.

Controls over derivative financial transactions

Derivative transactions are executed, upon approval by the director who is responsible for finance, through control by each appropriate department for transaction purpose, maximum limitation, selection of partners, and risk content. Transactions with large fluctuations are constantly monitored for market price, analyzed, and reported to the director. Other transactions are monitored and reported periodically.

Additional note

The face value of bonds containing derivatives does not represent the amount of risk. The fair value used for re-valuation is based on the information in the guidelines of the Japan Securities Dealers Association provided by the financial institution from which the Company acquired the bonds.

6. Short-term borrowings

Short-term borrowings from banks, at March 31, 2008 and 2007 were represented by overdraft and short-term notes, bearing weighted average interest rate of 1.887% and 1.863% for the years ended March 31, 2008 and 2007 respectively.

The Companies had no long-term debt at March 31, 2008 and 2007.

For efficient procurement of working capital, the consolidated subsidiaries have entered into overdraft contracts with 4 financial institutions in the aggregate amount of ¥1,680 million ($16,768 thousand) and ¥1,530 million as of March 31, 2008 and 2007. The unused facilities maintained by the consolidated subsidiaries as of March 31, 2008 and 2007 amounted to ¥1,050 million ($10,480 thousand) and ¥900 million.

7. Income taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes. The aggregate statutory tax rate on income before income taxes was approximately 40.7% for the years ended March 31, 2008 and 2007.

The actual effective tax rate in the accompanying 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 financial statement purposes for the years ended March 31, 2008 and 2007:

	2008	2007
Statutory tax rate	**40.7%**	40.7%
Non-deductible expenses	**3.6**	2.8
Non-taxable dividend income	**(1.5)**	(1.5)
Per capital inhabitant tax	**2.9**	2.2
Valuation allowance	**9.5**	0.4
Equity in earnings of affiliates	**(7.7)**	(6.6)
Other	**(1.5)**	1.2
Effective tax rate	**46.0%**	39.2%

Significant components of the Companies deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Loss on revaluation of marketable securities	**¥ 559**	¥ 353	**$ 5,579**
Enterprise taxes payable	**63**	87	**629**
Accrued bonuses	**254**	266	**2,535**
Allowance for retirement benefits for employees	**1,005**	1,171	**10,031**
Allowance for retirement benefits for directors and corporate auditors	**53**	70	**529**
Loss from devaluation of guaranty deposits	**30**	29	**299**
Unrealized holding losses on securities	**331**	66	**3,304**
Other	**340**	390	**3,394**
Valuation allowance	**(364)**	(185)	**(3,633)**
Total deferred tax assets	**2,271**	2,247	**22,667**
Deferred tax liabilities:			
Cost of uncompleted contracts	**—**	(9)	**—**
Deferred gain on land	**—**	(1)	**—**
Unrealized holding gains on securities	**(1,571)**	(2,909)	**(15,680)**
Other	**(73)**	(63)	**(729)**
Total deferred tax liabilities	**(1,644)**	(2,982)	**(16,409)**
Net deferred tax assets (liabilities)	**¥ 627**	¥ (735)	**$ 6,258**

8. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Salaries for employees	**¥2,062**	¥2,169	**$20,581**
Allowance for bonuses	**246**	264	**2,455**
Allowance for retirement benefits for employees	**160**	218	**1,597**
Allowance for retirement benefits for directors and corporate auditors	**36**	35	**359**
Depreciation expense	**91**	73	**908**
Allowance for doubtful accounts	**54**	—	**539**
Office rent	**876**	854	**8,743**

The aggregate amounts of research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were ¥194 million ($1,936 thousand) and ¥171 million, respectively.

9. Loss on disposal of property, plant and equipment

Significant components of the loss on disposal of property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Buildings and structures	**¥ —**	¥19	**$ —**
Other	**—**	6	**—**
Total	**¥ —**	¥25	**$ —**

10. Retirement benefits

Allowance for retirement benefits for employees included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation			
Tax qualified pension plan	**¥(2,338)**	¥(2,403)	**$(23,336)**
Severance indemnities	**(2,407)**	(2,489)	**(24,024)**
Fair value of pension assets			
Tax qualified pension plan	**2,161**	2,215	**21,569**
Severance indemnities	**2,110**	2,073	**21,060**
Unrecognized actuarial differences	**14**	(16)	**140**
Allowance for severance and retirement benefits			
Tax qualified pension plan	**43**	48	**429**
Severance indemnities	**417**	572	**4,162**

The consolidated subsidiaries adopt the simplified method of calculating the Projected benefits obligation.

Included in the consolidated statements of income for the years ended March 31, 2008 and 2007 are employees' severance and retirement benefit expense consisting of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Severance and retirement benefit expense	**¥442**	¥531	**$4,412**
Service costs – benefits earned during the year	**261**	283	**2,605**
Interest cost on projected benefit obligation	**113**	117	**1,128**
Amortization of actuarial differences	**9**	5	**90**
Expected return on plan assets	**(83)**	(15)	**(828)**
Contribution to employee pension fund of Tokyo Air-Conditioning and Plumbing Contractors Associations	**142**	141	**1,417**

Service cost includes pension expenses of the consolidated subsidiaries calculated by the simplified method.

The discount rates on benefits obligation used by the Companies are 2.5% for the years ended March 31, 2008 and 2007. The rate of expected return on plan assets by tax qualified pension plan used by the Companies are 1.58% and 0.78% for the years ended March 31, 2008 and 2007, respectively. The rate of expected return on plan assets by retirement benefit trust used by the Companies are 2.50% for the year ended March 31, 2008 and 2007. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized as income or expense in equal amounts over 10 years commencing from the year in which they arise.

The Company and a certain consolidated subsidiary participate several contributory funded multi-employer pension plans. The required contribution to which is recognized as a net pension cost for the year. Of these pension plans are as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Funded status of the entire plan as March 31, 2007		
Fair value of plan assets	¥40,350	$402,735
Benefit obligations	39,544	394,690
Deficit (*1)	¥ 806	$ 8,045
Proportion of the Companies' contributions to the entire plan (*2)		12.5%

The net balance above deficit (*1) is mainly due to the prior service liabilities of ¥413 million ($4,122 thousand) and general reserves of ¥1,219 million ($12,167 thousand). The prior service liabilities are being amortized over 7 years and 2 months. The above proportion (*2) does not conform to the actual charge ratio applied to the Companies.

11. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if finance lease were capitalized currently accounted for as operating leases:

	Millions of yen		
	2008		
	Acquisition costs	Accumulated depreciation	Net book value
Vehicle	**¥ 19**	**¥10**	**¥ 9**
Equipment	**143**	**74**	**69**
Total	**¥162**	**¥84**	**¥78**

	Thousands of U.S. dollars		
	2008		
Vehicle	**$ 190**	**$100**	**$ 90**
Equipment	**1,427**	**738**	**689**
Total	**$1,617**	**$838**	**$779**

	Millions of yen		
	2007		
	Acquisition costs	Accumulated depreciation	Net book value
Vehicle	¥ 22	¥ 9	¥13
Equipment	148	87	61
Total	¥170	¥96	¥74

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements and the related depreciation expense and interest expense for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Lease payments	**¥45**	¥45	**$449**
Depreciation expense	**37**	39	**369**
Interest expense	**6**	6	**60**

Depreciation expense is computed by the straight-line method over the respective lease terms assuming a nil residual value.

Future minimum lease payments subsequent to March 31, 2008 and 2007, for finance leases currently accounted for as operating lease are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within one year	**¥33**	¥32	**$329**
Due after one year	**57**	47	**569**
Total	**¥90**	¥79	**$898**

12. Contingent liabilities

The Company went to arbitration to the "Central dispute committee of construction works". Because it is reserved payment, that the Company constructed and completed in 2006, by the reason of a defect. The construction cost was ¥162 million (US$1,617 thousand). At present, the result of arbitration is not predictable.

13. Net assets

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common 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.

Japanese Companies Act ("the Act") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code was repealed ("the Code").

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. Under the Act, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in-capital or legal earnings reserve. Under the Code, additional paid-in capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Act, 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 dividends if there are sufficient distributable surplus. Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the Board of Directors. Under the Act, 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 dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

At the annual shareholders' meeting held on June 27, 2008, the shareholders resolved cash dividends amounting to ¥635 million (US$6,338 thousand) as described in Note 16. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations will be recognized in the period when they are resolved.

14. Stock option plan

Summarized information on the stock options outstanding as of March 31, 2008 is as follows:

(1) Stock option plan approved by the shareholders on June 27, 2002

	Stock options granted on September 25, 2002	Total
Number of shares for options granted	500,000 share	500,000 share
Number of shares for options outstanding	0 share	0 share
Exercise price	¥689	
Option term	July 1, 2004 – June 30, 2007	

(2) Stock option plan approved by the shareholders on June 27, 2003

	Stock options granted on September 25, 2003	Total
Number of shares for options granted	700,000 share	700,000 share
Number of shares for options outstanding	302,000 share	302,000 share
Exercise price	¥796	
Option term	July 1, 2005 – June 30, 2008	

The stock options activity is as follows:

Approved day	Stock option on June 27, 2002	Stock option on June 27, 2003	Total
For the year ended March 31, 2008			
Non-Vested	(Share)	(Share)	(Share)
March 31, 2007 – Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2008 – Outstanding	—	—	—
Vested			
March 31, 2007 – Outstanding	71,000	308,000	379,000
Vested	—	—	—
Exercised	31,000	6,000	37,000
Canceled	40,000	—	40,000
March 31, 2008 – Outstanding	—	302,000	302,000
Exercise price	¥ 689 ($6.88)	¥ 796 ($7.94)	
Average stock price at exercise	¥ 945 ($9.43)	¥ 989 ($9.87)	

15. Segment information

The Company and its consolidated subsidiaries (the "Companies") are mainly engaged in construction business and sale and production of equipment.

Summaries of net sales, operating income and assets by industry segment for the years ended March 31, 2008 and 2007 were as follows:

2008	Millions of yen					
	Construction	Equipment	Other	Total	Eliminations or Corporate	Consolidated
Net sales:						
Outside customers	**¥50,775**	**¥ 7,894**	**¥2,553**	**¥61,222**	**¥ —**	**¥61,222**
Inter-segment	**—**	**3,765**	**512**	**4,277**	**(4,277)**	**—**
Total	**50,775**	**11,659**	**3,065**	**65,499**	**(4,277)**	**61,222**
Operating expenses	**50,486**	**11,435**	**2,936**	**64,857**	**(4,302)**	**60,555**
Operating income	**¥ 289**	**¥ 224**	**¥ 129**	**¥ 642**	**¥ 25**	**¥ 667**
Assets and others:						
Assets	**¥29,526**	**¥ 7,858**	**¥2,625**	**¥40,009**	**¥35,077**	**¥75,086**
Depreciation	**113**	**1**	**29**	**143**	**—**	**143**
Capital Expenditures	**104**	**8**	**27**	**139**	**—**	**139**

2007	Millions of yen					
	Construction	Equipment	Other	Total	Eliminations or Corporate	Consolidated
Net sales:						
Outside customers	¥57,531	¥ 6,963	¥2,404	¥66,898	¥ —	¥66,898
Inter-segment	—	3,457	662	4,119	(4,119)	—
Total	57,531	10,420	3,066	71,017	(4,119)	66,898
Operating expenses	56,923	10,254	3,010	70,187	(4,209)	65,978
Operating income	¥ 608	¥ 166	¥ 56	¥ 830	¥ 90	¥ 920
Assets and others:						
Assets	¥32,891	¥ 6,744	¥2,801	¥42,436	¥38,598	¥81,034
Depreciation	97	1	27	125	—	125
Capital Expenditures	289	2	20	311	—	311

2008	Thousands of U.S. dollars					
	Construction	Equipment	Other	Total	Eliminations or Corporate	Consolidated
Net sales:						
Outside customers	**$506,787**	**$ 78,791**	**$25,481**	**$611,059**	**$ —**	**$611,059**
Inter-segment	**—**	**37,578**	**5,111**	**42,689**	**(42,689)**	**—**
Total	**506,787**	**116,369**	**30,592**	**653,748**	**(42,689)**	**611,059**
Operating expenses	**503,903**	**114,133**	**29,304**	**647,340**	**(42,938)**	**604,402**
Operating income	**$ 2,884**	**$ 2,236**	**$ 1,288**	**$ 6,408**	**$ 249**	**$ 6,657**
Assets and others:						
Assets	**$294,700**	**$ 78,431**	**$26,200**	**$399,331**	**$350,105**	**$749,436**
Depreciation	**1,128**	**10**	**289**	**1,427**	**—**	**1,427**
Capital Expenditures	**1,038**	**80**	**269**	**1,387**	**—**	**1,387**

Common assets included in "Eliminations or Corporate" column under "Assets" amounted to ¥36,831 million ($367,612 thousand) and ¥40,425 million as of March 31, 2008 and 2007, respectively. The significant assets included in the amount were surplus operating funds (cash and marketable securities) and long-term investment fund (investment securities) of the Company.

Depreciation and capital expenditure includes long-term prepaid expenses and amortization of them.

None of segment information by geographic segments or overseas sales is shown as the Companies have no foreign operations or oversea sales.

16. Subsequent event

On May 15, 2008, acting on the Japanese Companies Act, the Company's Board of Directors decided to repurchase the Company's common stock of within 1,000,000 shares for within ¥1,000 million ($9,981 thousand) during the period from June 30, 2008 to November 10, 2008.

The following appropriations of retained earnings at March 31, 2008, was approved at the annual shareholders meeting of the Company held on June 27, 2008.

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥17.5 ($0.17) per share	¥635	$6,338

Independent Auditors' Report

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Hibiya Engineering, Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hibiya Engineering, Ltd. and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 27, 2008

Corporate Data

Investor Information

As of March 31, 2008

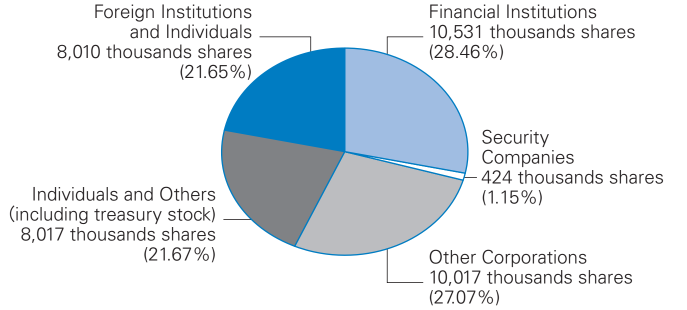
Total number of shares authorized	96,500,000 shares
Total number of shares issued	37,000,309 shares
Number of shareholders	3,210

Major Shareholders

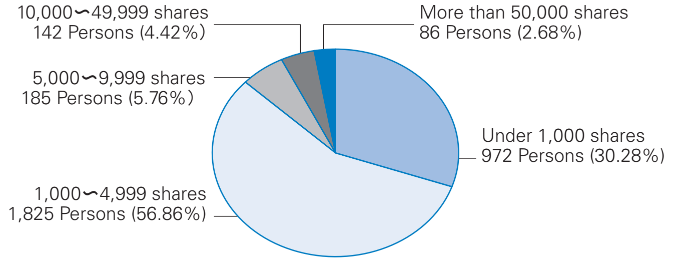
	Name of shareholders	Number of held thousands shares	Percentage of shares in issue(%)
1	Japan Trustee Services Bank, Ltd. Trust a/c	1,635	4.5
2	NTT Urban Development Co.	1,371	3.8
3	Credit Suisse Euro PB Client SFP VL	1,297	3.6
4	BBH for Fidelity Low Price Stock Fund	1,134	3.1
5	Hibiya Engineering Customer Stock Ownership Plan	1,126	3.1
6	The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account, Hyakujushi Bank account)	900	2.5
7	Sumitomo Mitsui Banking Corporation	853	2.4
8	Mizuho Corporate Bank, Ltd.	853	2.4
9	The Japan Telecommunications Welfare Associations	838	2.3
10	The Dai-ichi Mutual Life Insurance Company	818	2.3

Notes
1) Although Blandes Investment Partners L.P. submitted a revision report regarding the mass shareholding report as of December 12, 2007, to the competent Local Finance Bureau, Ministry of Finance, Japan, the company name is not included in the above list of Major Shareholders because the nominees of the relevant shares and several other items could not be confirmed. Important points in the revision report regarding the mass shareholding report were as follows:
Mass shareholder: Blandes Investment Partners L.P.
Number of shares held: 3,602,000 (representing 9.48% of the total number of shares issued)
2) The Company holds 740,723 shares of treasury stock.

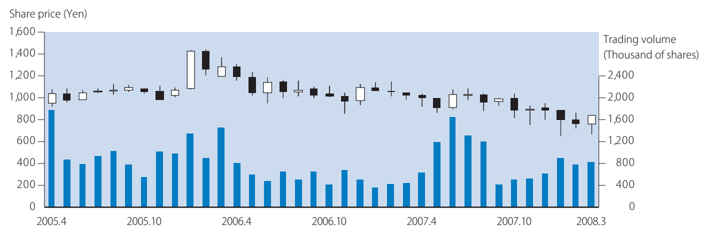
Share distribution by owner



Share distribution by size of holding



Monthly share prices and trading volume



Board of Directors

As of June 27, 2008

President and Representative Director	Shinya Kimura
Vice President and Representative Director	Yoshiaki Ugaki
Director	Toshiya Kubota
Director	Yasuo Shinoda
Director	Morio Fukuki
Director	Satoshi Katou
Director	Yasuji Uemura
Director	Hideo Noro
Director	Hideaki Iwata
Director	Toshikazu Chinzei
Standing Corporate Auditor	Ken Yasuda
Auditor	Michihiro Matsumoto
Auditor	Makoto Satou
Auditor	Nobutoshi Kozuka

Notes
1) Hideaki Iwata and Toshikazu Chinzei are external directors under the terms of the Corporate Law Article 2 Section 15.
2) Ken Yasuda, Makoto Satou and Nobutoshi Kozuka are external auditors under the terms of the Corporate Law Article 2 Section 16.

Offices

As of March 31, 2008

Head Office
Sumitomo Fudosan Mita Twin Building East, 4-2-8, Shibaura, Minato-ku, Tokyo

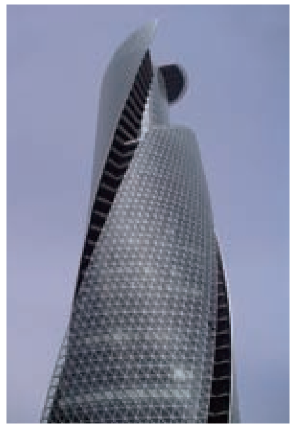
Tokyo Main Office
3-4-1, Shibaura, Minato-ku, Tokyo

Branches
Yokohama, Osaka, Shikoku, Nagoya, Hokuriku, Tohoku, Hiroshima, Kyushu, Sapporo

Offices
Kita-Kanto, Nagano, Niigata, Chiba, Ibaraki, Tama, Kawasaki, Kobe, Kyoto, Takamatsu, Shizuoka, Toyama, Morioka, Akita, Yamaguchi, Okayama, Kumamoto, Okinawa, Kagoshima, Hakodate

Research Facilities
Noda in Chiba Prefecture

Hibiya Engineering, Ltd.
ANNUAL REPORT 2008

HIBIYA
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Hibiya Engineering is dedicated to supporting forests in Japan by using products that incorporate materials from trees grown in Japan whenever possible. Participation in the Tree Growing Campaign of Japan's Forest Agency is one way. This publication is printed on paper made using pulp from trees grown in Japan, helping increase the amount of CO2 absorbed by Japan's forests.

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