ANNUAL REPORT 2012

Hibiya Engineering, Ltd.

CONTENTS

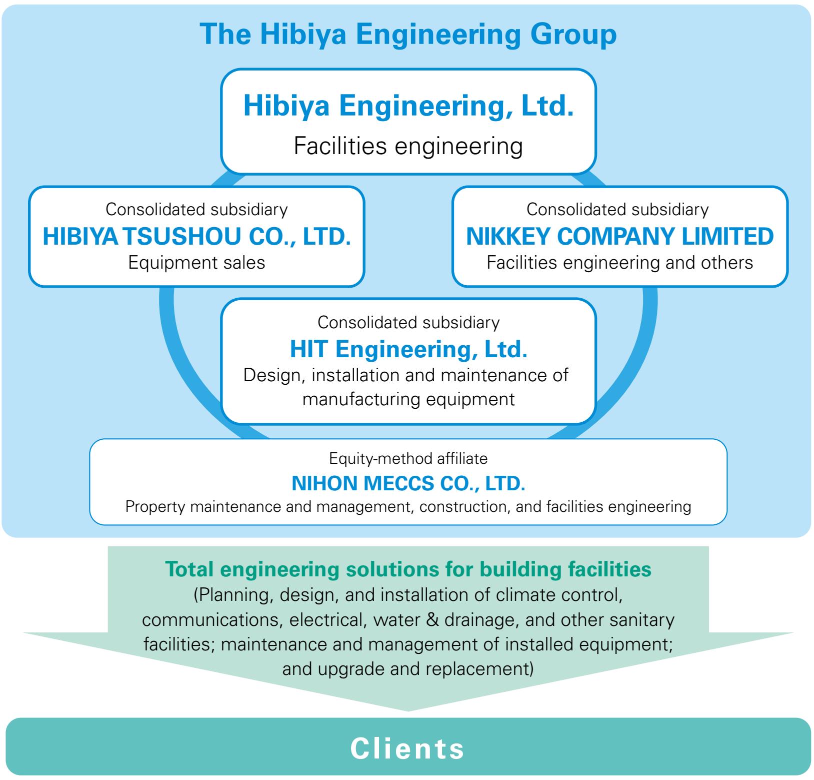
Projections and Perspectives:
This Annual Report includes projections and descriptions of prospects regarding future plans, strategies and the operating performance of the Company. Such descriptions are not based on past facts, but rather on perspectives judged to be appropriate in view of assumptions and management convictions on the strength of information available to the Company as of March 31, 2012. 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.

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.



As of March 31, 2012

Consolidated Financial Highlights

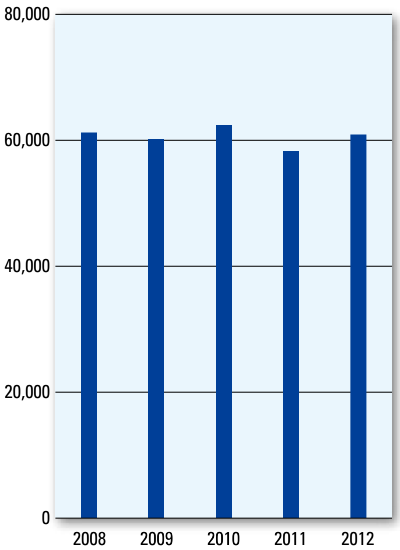
Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31

	2008	2009	2010	2011	2012	2012
	Millions of yen					Thousands of U.S. dollars
Net Sales	¥61,222	¥60,159	¥62,379	¥58,300	**¥60,919**	**$741,197**
Net Income	904	1,407	2,441	3,014	**1,657**	**20,161**
Total Assets	75,086	71,771	74,632	76,765	**76,442**	**930,064**
Net Assets	52,290	49,267	51,998	53,188	**53,368**	**649,324**
	Yen					U.S. dollars
Per share:						
Net Assets	¥1,412.46	¥1,435.82	¥1,544.43	¥1,609.71	**¥1,642.92**	**$19.99**
Net Income	24.86	39.77	73.56	92.93	**52.15**	**0.63**
Cash Dividend (non-consolidated basis)	25.00	18.50	24.50	31.50	**30.00**	**0.37**

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, 2012, which was ¥82.19 to US$1.00.

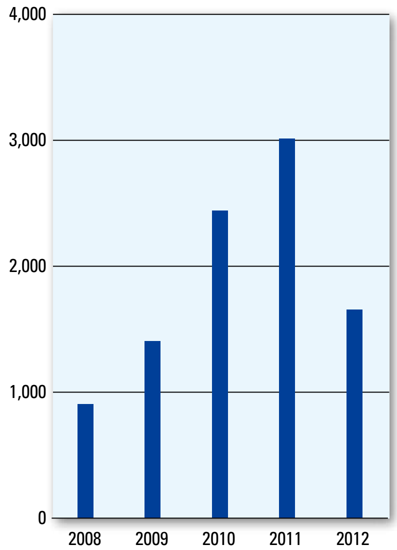
Net Sales

(¥ million)



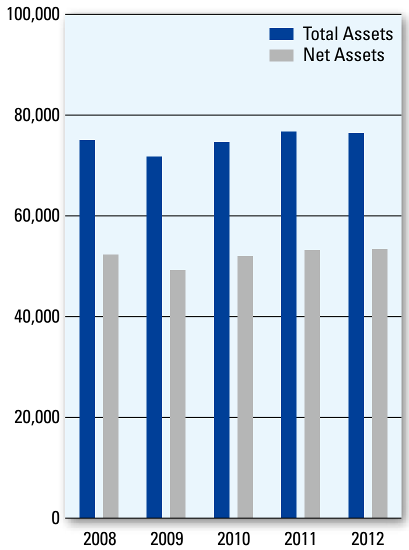
Net Income

(¥ million)



Total Assets & Net Assets

(¥ million)



The past fiscal year, which was the first year of the in the following years. Accomplishments included one priority of this plan.

Haruki Nomura
President and Representative Director

Increasing orders was the highest priority amid challenging market conditions that included the impact of the Great East Japan Earthquake.
~Review of operations for the fiscal year ended March 31, 2012~

The devastating earthquake of March 11, 2011 made the fiscal year that ended on March 31, 2012 very different from an ordinary fiscal year. Emergency recovery activities were needed early in the fiscal year and Japan focused its resources on reconstruction programs. In addition, inadequate supplies of electricity in Japan held down capital expenditures and prompted some companies to move production activities to other countries. On the other hand, the earthquake sparked greater interest in conserving electricity and other forms of energy and in business continuity planning. There was a significant difference in the level of this interest between eastern Japan, which was affected most the earthquake, and other areas of Japan. However, this interest declined somewhat later in the fiscal year, particularly in the second quarter. From a global perspective, the yen's prolonged strength and slowing economic growth caused by financial instability in Europe and other events made the economic outlook uncertain throughout the fiscal year.

In the construction industry, there were upturns in public-works expenditures and housing investments associated with recovery and reconstruction activities following the earthquake. Nevertheless, the operating environment remained difficult because of weak private-sector capital expenditures, lackluster consumer spending and intense price-based competition.

In response to these challenges, the Hibiya Engineering Group concentrated on increasing the volume of orders received. We targeted major trends in our markets and society in order to capture orders in business sectors where we can fully utilize our strength and in growing market sectors. These activities reflected the themes of our Fourth Medium-term Management Plan, a three-year plan that started in April 2011. By adopting this stance, we succeeded in increasing orders received largely as planned in many key business domains: data centers, office buildings, medical and welfare facilities, academic facilities, and U.S. military facilities. Orders associated with production equipment fell somewhat short of our goal. Our ability to develop distinctive technologies was one reason for the growth in orders. Higher orders also reflect the benefits of the steady progress made since 2010 with solution-based sales activities. We use these activities to identify customers' needs and devise solutions by working together. We were working on determining the major elements of our current medium-term plan prior to the March 2011 earthquake. After this disaster, interest has become even greater in "cloud" services, business continuity planning, smart grid technology and other business sectors. The unexpected emergence of these trends is creating more opportunities for the Hibiya

current medium-term plan, set the stage for growth progress with measures to increase orders, which is

Engineering Group to offer ideas to customers and capture orders.

Collaboration sales activities with NTT Group companies produced results that largely met our plans. There was growth in the value and number of orders received as we used this collaboration to submit highly detailed proposals in an even broader range of business domains. We have earned an increasingly stronger reputation among NTT Group companies in recent years due to our commitment to offering proposals and our advanced technologies. I believe that this reputation has made the Hibiya Engineering Group more attractive as a business partner in terms of our reliability and our ability to meet high expectations.

We want as many people as possible to know about our technologies and services. This is why we decided to participate in even more exhibitions than before as part of our sales activities. In February 2012, we had a booth at the ENEX 2012 Energy and Environment Exhibition that took place in Tokyo. The large number of people who visited our booth gave us an excellent opportunity to explain the advantage of our technologies and services.

By taking the actions I have just outlined, we recorded a large increase of 10.2% in orders received to ¥65,326 million (consolidated) in the past fiscal year. Significantly, orders were higher than one year earlier in all six of our group's strategic market sectors (see the "Fourth Medium-term Management Plan" below for more information) . Since many orders were received in the fiscal year's second half, completions of projects were less than planned. Consequently, sales did not increase as much as orders received, climbing 4.5% to ¥60,919 million. But orders carried over to the next fiscal year were ¥32,887 million, 15.5% higher than one year earlier. These orders will make a big contribution to sales in the fiscal year ending in March 2013.

Since completions of projects were below our plan, we were unable to reach our operating income goal of ¥2.5 billion. Operating income decreased 32.9% to ¥1,713 million and net income fell 45.0% to ¥1,657 million.

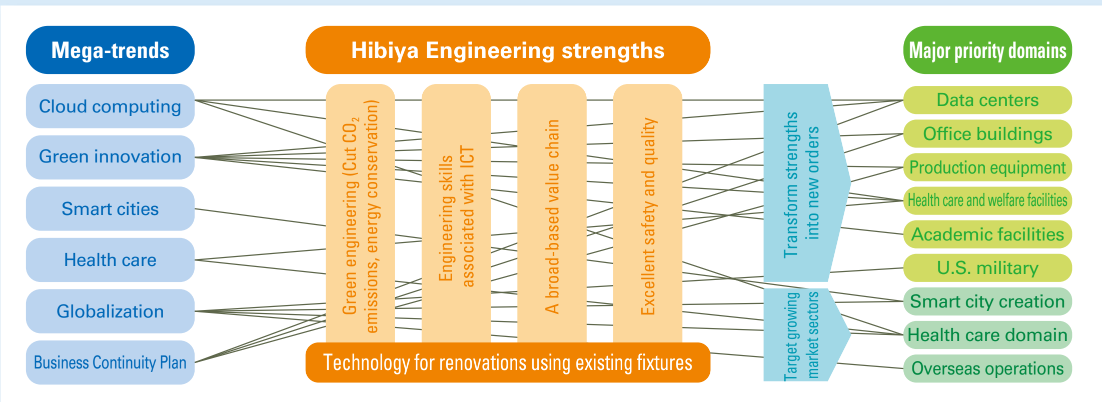
The Fourth Medium-term Management Plan (April 2011 –March 2014)

Fundamental policy

1. Increase orders received while preserving profitability by significantly increasing the number of customers, building a consistently profitable operating framework, and taking other actions.

2. Achieve steady growth of newly launched businesses and seek more business opportunities by capturing synergies between new and established businesses, targeting more new business domains, considering the start of operations outside Japan, and taking other actions.

Fundamental Strategies



A solid first step toward reaching the targets of the three-year plan ~Looking back at the first year of the Medium-term Management Plan~

In the first year of our medium-term plan, we took aggressive actions to capture orders in our strategic market sectors. Within these sectors, we had two particularly noteworthy orders at U.S. military facilities. We overcame intense competition to receive an order for a large solar thermal system, which is one of our key products. The other order was for the updating of a large electrical substation.

We have been performing research for some time concerning the use of solar heat to supply hot water and for heating and cooling. A research group that includes Hibiya Engineering and other manufacturers, universities, design companies and other organizations created a next-generation climate control system that has a low environmental impact. This system was chosen for use at the Kunitachi Central Library, which is suburban Tokyo city of Kunitachi. Another significant order was for work at a large building to be constructed for a medical facility, which is another strategic market sector of ours. This project is part of the Tamachi Station-front redevelopment project, which is near our head office in Tokyo's Minato-ku. Orders like these contributed to the growth in orders carried over to the current fiscal year and give us strong momentum for more growth in the coming years.

Outside Japan, we strengthened our reputation in the field of energy conservation consulting by providing this service in South Korea at one of the world's largest LCD factories. In Vietnam, we completed a feasibility study concerning energy conservation. This study was conducted with Mitsubishi UFJ Morgan Stanley Securities as a project of the New Energy and Industrial Technology Development Organization (NEDO). Our performance in this study led to our selection by Japan's Ministry of Economy, Trade and Industry to conduct the Project to Promote Greater Use of Technologies to Combat Global Warming in Vietnam.

Building maintenance and renovation projects have been one of our core activities for many years. To build on this strength, our Life Cycle Promotion Department is now taking the lead in offering building facility maintenance cost visualization, building diagnosis, renovation proposals and other services over a longer time frame. Providing these services helps us capture orders for the subsequent renovation and updating work.

We will continue to pursue new orders aggressively while using rigorous cost management to maintain profitability. ~Outlook for the fiscal year ending in March 2013~

We expect construction expenditures in Japan to increase primarily because of public-sector projects associated with earthquake reconstruction activity. However, an increase in the cost of crude oil, more restrictions on Japan's supply of electricity, a worsening of the European debt problem and other events could cause a downturn in Japan's economy. Consequently, our operating environment will remain challenging in the current fiscal year.

We expect to benefit from a number of trends involving growing social needs. Examples include smart cities, green innovation and business continuity planning. Furthermore, we expect these needs to remain strong. In the summer of 2012, electricity shortages are expected to become even more serious in the areas served by Kansai Electric Power, which includes the Osaka area, and Kyushu Electric Power. In these regions, we anticipate increasing demand for a number of our services. One is the Smart Lighting Controller, a product that we developed and sell with a partner company. We also foresee more demand for our Building and Energy Management System (BEMS), which optimizes building indoor environments and energy efficiency. Tighter electricity supplies will lead to more orders for energy conservation consulting and renovation work, too.

Overseas, we expect more growth in Vietnam. As this growth continues, we are considering collaborating with the NTT Group in the field of energy conservation.

Our three-year medium-term plan is a "hop, step, jump" process. Therefore, the current fiscal year is a time to make a strong step forward so that we can next achieve a big jump in our performance in the plan's final year. This is why this year is so important for the Hibiya Engineering Group.

We will continue to concentrate our resources on capturing orders in this fiscal year. Another important theme is earnings, an aspect of our performance where we fell short in the past fiscal year. To improve earnings, the newly formed Procurement Strategy Division will play a central role in managing costs, increasing centralized purchasing, supervising the acceptance of new orders and taking other actions that cover our entire group. We are determined to generate benefits that translate into higher earnings.

Strengthening our systems for safety and quality assurance and for risk management are other central themes in this fiscal year. Furthermore, we will reform our personnel system and take other actions to create a more effective and vigorous training program. All these measures are aimed at building a stronger foundation for our business operations and increasing our corporate value.

Building stronger lines of cooperation among our group companies is another important issue. I want to use sales activities of each group company to tie in with the sales activities of all other group companies. In addition, we must perform strong and persistent sales activities in a positive sense. For example, we need to combine products, systems, trading company functions and other activities of group companies with Hibiya Engineering's construction projects. Although combining these resources requires a long-term perspective, this is an important issue in order to achieve growth for the entire Hibiya Engineering Group.

By implementing these strategic initiatives in the current fiscal year, we are determined to make our operations even more efficient while increasing orders and sales and maintaining sound profitability. Our forecast for the fiscal year ending in March 2013 is orders of ¥69 billion, sales of ¥66 billion, operating income of ¥2.5 billion and net income of ¥2 billion.

Hibiya Engineering is committed to the appropriate distribution of earnings and other actions in order to remain a company that is attractive to shareholders as well.

To increase the stability of earnings distributions to shareholders, we started using the consolidated dividend-on-equity (DOE) ratio (dividends divided by equity) as the standard for dividends starting

with the past fiscal year. In accordance with this standard, we paid a year-end dividend of ¥15. With the interim dividend of ¥15, this resulted in a dividend of ¥30 per share applicable to the past fiscal year. The dividend payout ratio for the fiscal year was 57.5% and the DOE ratio was 1.8%. For the fiscal year ending in March 2013, we plan to again pay a dividend per share of ¥30, the sum of interim and year-end dividends of ¥15.

As part of our measures to increase the return on equity and return earnings to shareholders, we repurchase our stock from time to time. In the past fiscal year, we purchased 639,800 shares at a cost of ¥528 million. As we have already announced, we plan to purchase up to one million shares in the current fiscal year.

The Hibiya Engineering Group has a strong commitment to risk management and compliance. Furthermore, our business operations always reflect current trends in our markets and society along with ambitious goals. We will continue to create new technologies and be a source of extensive assistance and information for customers, investors and all other stakeholders. Thank you for your interest in Hibiya Engineering and I look forward to receiving your continued support.

H. Nomura

Haruki Nomura
President and Representative Director

Topics

Steady growth in orders received due and aggressive sales activities centered creating innovative proposals

Hibiya Engineering started the Fourth Medium-term Management Plan in April 2011. The plan establishes six strategic market sectors where we can best utilize our strengths: data centers, office buildings, production equipment, health care and welfare facilities, academic facilities, and U.S. military facilities. Group companies are leveraging expertise in technologies and offering proposals to conduct extensive sales activities.

To assist companies conserve energy, cut electricity use and lower CO_2 emissions, group companies are targeting primarily small and midsize office buildings and factories as well as warehouses, hospitals and schools. Solution-based sales activities centered on the environment made a big contribution to performance in the fiscal year that ended in March 2012.

There were extensive sales activities for our energy-conservation consulting business that emphasized our ability to help cut the cost of utilities, create business continuity plans and assist in other ways. As a result, the volume of orders from new customer segments increased, including orders for work at automotive parts factories and other manufacturing facilities. Overall, orders received from new customers were almost 40% higher than in the previous fiscal year.

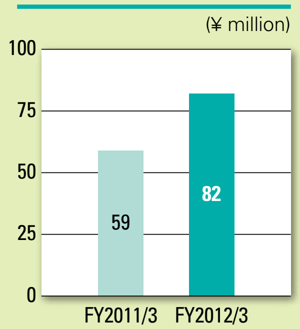
In our energy-conservation solutions business, nationwide sales activities raised orders to ¥6 billion, about 3.5 times higher than in the previous fiscal year. We used joint sales activities with property management companies to capture energy conservation projects at office buildings. Growth in these orders also reflects measures to reinforce our consulting and diagnostic services for the maintenance of building equipment.

To continue this growth, we will offer consulting services that cover public-sector subsidies, leasing schemes and other components. We will also make even greater use of ESCO proposals. Creating new projects is another goal, such as by offering proposals involving the life cycle cost of equipment. Life cycle cost proposals produce a cycle of business that extends from the visualization of maintenance costs to evaluations of aging equipment, proposals for improvements, and remodeling and upgrading work. Consequently, these proposals are an excellent opportunity to establish long-term relationships with customers and earn their trust.

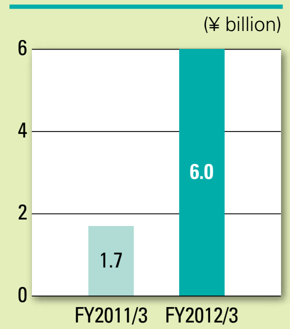
In addition, Hibiya Engineering will be participating in even more exhibitions as part of its sales activities. Exhibitions allow us to make more people aware of our technologies and services as well as to establish relationships with new customers.

We will make even greater use of our technologies and skill in creating proposals with the goal of achieving more growth in our business activities associated with the environment.

Consulting business orders



Solution business orders



Hibiya Engineering booth features energy-conservation technologies and services at the ENEX 2012 Energy and Environment Exhibition

A total of 124 companies and organizations participated in this exhibition for energy conservation and energy creation. Attendance at the three-day event was more than 12,000 and the Hibiya Engineering booth welcomed more than 900 visitors. The booth presented information about energy-conservation technologies and had demonstration terminals that visitors could use. Taking part in this event raised interest in Hibiya Engineering technologies and services and helped establish relationships with new customers.

The Hibiya Engineering booth attracted many visitors.

Primary visitors at the exhibition

Individuals from automakers, trading companies, government agencies and universities in all areas of Japan

Major themes of the Hibiya Engineering booth

(1) Solar thermal system
(2) Smart Lighting Controller
(3) EIA (Energy Visualization System)
(4) Wastewater treatment technologies
(5) Methane gas electricity generation technology

to a focus on strategic market sectors
on Hibiya Engineering's skills in technologies and

Solar Thermal System

The high energy conversion ratio of solar thermal systems makes them ideal for supplying hot water as well as for heating and cooling systems. Hibiya Engineering is performing research to create its own technologies for these systems and further increase heat collection efficiency.

A solar thermal collection panel at the Hibiya Engineering Technology Research Center

Orders for solar thermal systems

- Large solar thermal system for hot water (U.S. military facility)
- Japan's first next-generation climate control system with a low environmental impact (Kunitachi Central Library; see page 10)

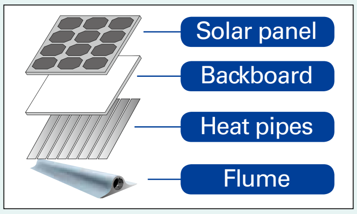
Example of R&D involving advanced technologies for the more effective use of heat from the sun

■ Ejector-type air conditioning unit (EJHP)

This solar thermal air conditioning system uses the cooling effect from the high-speed release of refrigerant steam which generated by solar thermal system.

A prototype ejector air conditioner on display

■ Development of a hybrid solar power and solar thermal system

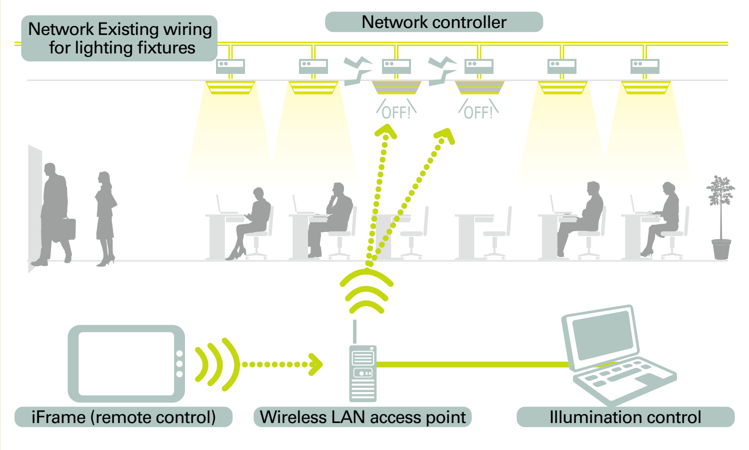


Structure of hybrid solar panel + solar thermal system

SLC (Smart Lighting Controller)

This controller allows using a wireless LAN to switch individual lights on and off in an office from a PC, smartphone or tablet. Use of this technology at Hibiya Engineering has cut electricity consumption for lighting by as much as 70%. Installation is easy because existing lighting fixtures and wiring can be used.

Demonstration of SLC showing operation from a mobile device



EIA (Energy Visualization System)

This system facilitates the centralized management of energy use by monitoring on a real-time basis the utilization of energy at many business facilities of a company. Hibiya Engineering uses the visualization data to assist in conserving energy, performing every step from creating suggestions for upgrades and improvements to confirming the benefits after work has been completed.

Sample EIA display

The HIBIYA Vision

Hibiya Engineering announced a new corporate philosophy called the HIBIYA Vision in March 2006 when the company celebrated the 40th anniversary of its establishment. Incorporating the input of a large number of executives and employees, the vision represents a strong commitment of everyone at the Hibiya Engineering Group.

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

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.

For the environment

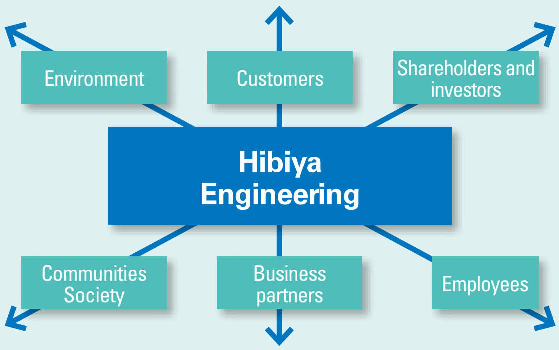
- We will develop environmental technologies.
- We will conduct environmental businesses.
- We will use our business activities to reduce our environmental impact.
- We will perform office environment protection activities, centered on the Challenge 25 Campaign.

For customers

- We will be a source of safe, secure and comfortable environments for customers and society by constantly upgrading technologies and improving quality.
- We will aim to eliminate workplace and equipment accidents based on our respect for life.
- We will use support that spans the entire life cycle to meet the needs of our customers.

For shareholders and investors

- We will strive to increase corporate value and make profit distributions that reflect our performance.
- We will disclose information in a timely and appropriate manner.



For communities and society

- For all our business activities, we will adhere to the highest standards for ethical behavior. We will comply with laws, regulations and socially accepted standards of behavior and retain a dedication to common sense and corporate ethics.
- As a responsible corporate citizen, we will participate in and support a variety of community and social activities.

For employees

- We will provide a workplace that is pleasant and stimulating.
- We will evaluate employees fairly and allow employees to improve their skills.
- We will provide jobs based on our respect for human rights.

For business partners

- We will do business in a fair and transparent manner as a trustworthy partner.
- We will cooperate in order to maintain and improve the safety and quality of construction activities.

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 11 directors, including two 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

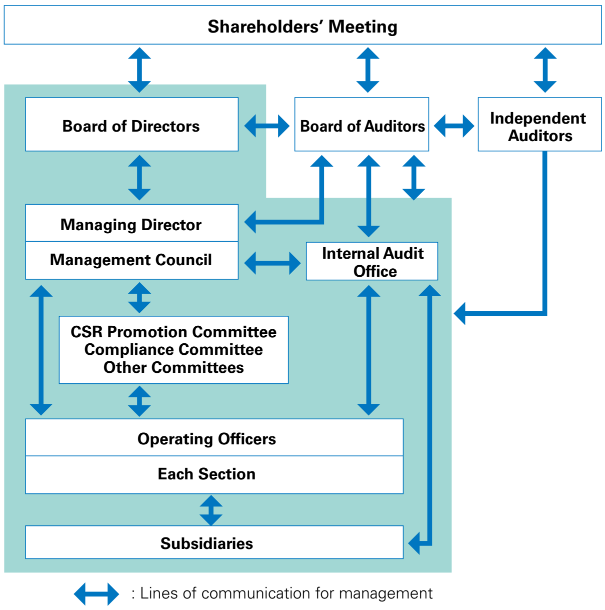
Hibiya Engineering uses the corporate auditor system and increased the number of external corporate auditors by one in June 2008. There are currently four corporate auditors, including three external auditors. Auditors attend meetings of the Board of Directors, Management Council and other important 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.

Advisory Board

Hibiya Engineering established the Advisory Board in November 2008. The primary role of the board is to provide insight and suggestions concerning various problems involving management strategies as rapid changes occur in the operating environment.



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 company-wide 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.

Kunitachi Central Library

Hibiya Engineering installed Japan's first next-generation climate control system that has a low environmental impact at this library in suburban Tokyo. The system cuts CO_2 emissions by about 35% compared with emissions of conventional heating and cooling equipment.

1. Kunitachi City, Tokyo
2. Library
3. Air conditioning and electrical systems
4. 1,510 square meters
5. 3 floors
6. January 2012

Solar thermal panels

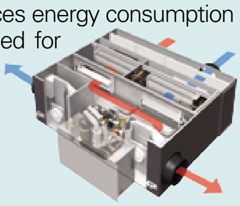
Located on the roof of a building, these panels collect heat from the sun.

Chilled beam

The chilled beam system utilizes coils filled with hot or cold water that are placed near the ceiling to control room temperature by using convection. This is the first full-scale installation of this system in Japan.

Desiccant equipment

A desiccant (drying agent) is used to lower the humidity of air that is taken in from outdoors. This equipment greatly reduces energy consumption because there is no need for excessive cooling.



Tokyo Senju Campus, Tokyo Denki University

1. Adachi-ku, Tokyo
2. Educational facility
3. Plumbing and sanitation
4. 72,675square meters
5. 14 floors, 1 underground level
6. March 2012

Science South Building, Nagoya University

1. Nagoya, Aichi Prefecture
2. Educational facility
3. Air conditioning, plumbing and sanitation
4. 13,318 square meters
5. 6 floors, 1 underground level
6. September 2011

Urbannet Uchihonmachi Building

1. Osaka, Osaka Prefecture
2. Office
3. Air conditioning, plumbing and sanitation
4. 13,886 square meters
5. 13 floors
6. September 2011

Company owned apartments in Isogo ward, Tokyo Gas

(Part of the Yokohama Smart City Project)

1. Yokohama, Kanagawa Prefecture
2. Residential building
3. Air conditioning and electrical
4. 3,350 square meters
5. 4 floors, 1 underground level
6. February 2012

This building incorporates the Home Energy Management System. Components of this system include a rooftop solar thermal system and solar power generation system, the SOLAMO gas hot water system of Tokyo Gas, which uses solar heat and is placed on a balcony, and the FC next-generation household fuel cell.

Legend: 1. Location 2. Use 3. Equipment installed 4. Floor area 5. Size (floors) 6. Completed

FINANCIAL SECTION

CONTENTS

Overview

In the fiscal year ended March 2012, there was a slow recovery of the Japanese economy following the downturn that followed the Great East Japan Earthquake. However, the outlook for the economy remained unclear because of the yen's prolonged strength and slowing economic growth worldwide because of financial instability in Europe.

In the construction industry, the operating environment continued to be challenging. There were recoveries in public-works investments and housing investments associated with earthquake recovery activities. But price-based competition became more heated as companies held down capital expenditures and consumer spending was weak.

Orders received and sales

In this environment, the Hibiya Engineering Group leveraged all of its resources to repair and restore communication and other facilities in the Tohoku area. In addition, the Group took many actions based on the fundamental strategies of the Fourth Medium-term Management Plan, which started in April 2011: capture more orders by using solution-based sales activities that link the Group's technologies and customers' needs; earn profits by constantly making construction activities more efficient and cutting the cost of construction; and maintain and upgrade safety and quality.

As a result, orders received increased 10.2% to ¥65,326 million and net sales increased 4.5% to ¥60,919 million.

Operating income

Operating income was down 32.9% to ¥1,713 million because of a decline in the gross profit margin.

Net income

Net income fell 45.0% to ¥1,657 million. Income taxes increased from ¥1,215 million to ¥1,287 million. Net income per share before dilution decreased from ¥92.93 to ¥52.15 and diluted net income per share decreased from ¥92.71 to ¥51.97.

Balance sheet and Cash flow

Balance sheets

Assets

Total assets decreased ¥323 million from the end of the previous fiscal year to ¥76,442 million. Total current assets decreased ¥1,193 million to ¥42,434 million and non-current assets increased ¥870 million to ¥34,008 million.

Major changes in current assets were increases of ¥720 million in notes receivable, accounts receivable from completed construction contracts and other and ¥562 million in short-term investment and decreases of ¥2,507 million in cash and cash equivalents and ¥299 million in deferred tax assets.

The increase in non-current assets was mainly the net result of a ¥1,883 million decrease in investments in silent partnerships and a ¥3,347 million increase in investment securities.

Liabilities

Liabilities decreased ¥503 million to ¥23,074 million. Current liabilities decreased mainly because of an increase of ¥928 million in notes payable, accounts payable for construction contracts and other and decreases of ¥788 million in income taxes payable, ¥243 million in the provision for bonuses and ¥184 million in the provision for loss on construction contracts.

Net assets

Total net assets were ¥53,368 million at the end of the fiscal year, including a ¥515 million increase in treasury stock and a contribution from net income of ¥1,657 million.

Return on equity

The return on equity, based on net income, decreased from 5.9% to 3.2%.

Cash flows

Net cash provided by operating activities was ¥24 million, down ¥2,114 million from one year earlier. Sources of cash, including income before income taxes and minority interests of ¥3,064 million, an increase in notes and accounts payable-trade and other items were lower than the increase in notes and accounts receivable-trade, income taxes paid and other uses of cash.

Net cash used in investing activities was ¥732 million, ¥2,069 million less than the positive cash flow in the previous fiscal year. This was mainly because payments for purchases of investment securities were more than proceeds from sales and redemptions of investment securities and proceeds from withdrawal of investments in silent partnerships.

Net cash used in financing activities was ¥1,799 million, ¥456 million more than one year earlier. Purchases of treasury stock and cash dividends paid were the major uses of cash.

The result of these cash flows was a net decrease of ¥2,507 million in cash and cash equivalents to ¥11,775 million at the end of the fiscal year.

Segment information

In the core construction segment, which accounted for 85.4% of consolidated sales, sales increased 6.4% to ¥52,033 million and operating income decreased

38.5% to ¥1,152 million.

In the equipment sales segment, sales decreased 7.0% to ¥5,784 million and operating income decreased 25.9% to ¥292 million.

In the equipment manufacturing segment, sales decreased 1.8% to ¥3,102 million and operating income decreased 0.04% to ¥257 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, 2012.

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 one of its consolidated subsidiaries participate in the employee pension fund of the Tokyo Air-Conditioning and Plumbing Contractors Association. An affiliate accounted for by the equity method participates in the Tokyo Metropolis Construction Industry Employees' Pension Fund. If a decline in the financial condition of either of these funds results in a revision in benefits, depending on the nature of the revision, the Group's operating performance and financial position may be affected by an increase in retirement benefit expenses.

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 market-based 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
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Assets			
Current assets:			
Cash and cash equivalents *(Note 4)*	**¥11,775**	¥14,282	**$143,266**
Notes receivable, accounts receivable from completed construction contracts and other *(Note 4)*	**25,388**	24,668	**308,894**
Short-term investment *(Notes 3 and 4)*	**2,697**	2,135	**32,814**
Costs on uncompleted construction contracts and other	**1,146**	1,212	**13,943**
Deferred tax assets *(Note 6)*	**816**	1,115	**9,928**
Other	**639**	271	**7,775**
Allowance for doubtful accounts	**(27)**	(56)	**(329)**
Total current assets	**42,434**	43,627	**516,291**
Property, plant and equipment:			
Buildings and structures	**1,473**	1,388	**17,922**
Land	**152**	152	**1,849**
Other	**921**	918	**11,206**
Total	**2,546**	2,458	**30,977**
Accumulated depreciation	**(1,927)**	(1,866)	**(23,446)**
Total property, plant and equipment	**619**	592	**7,531**
Investments and other assets:			
Investment securities *(Notes 3 and 4)*	**27,521**	24,174	**334,846**
Insurance funds	**2,900**	2,835	**35,284**
Investments in silent partnership *(Note 4)*	**1,000**	2,883	**12,167**
Deferred tax assets *(Note 6)*	**461**	649	**5,609**
Goodwill	**111**	145	**1,351**
Other	**1,396**	1,860	**16,985**
Total investments and other assets	**33,389**	32,546	**406,242**
Total assets	**¥76,442**	¥76,765	**$930,064**

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Liabilities and Net Assets			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other *(Note 4)*	**¥18,494**	¥17,566	**$225,015**
Bank loans *(Notes 4 and 5)*	**780**	780	**9,490**
Income taxes payable *(Note 6)*	**624**	1,412	**7,592**
Advances received on uncompleted construction contracts	**129**	207	**1,570**
Provision for bonuses	**870**	1,113	**10,585**
Provision for loss on construction contracts	**605**	789	**7,361**
Other	**1,059**	1,117	**12,885**
Total current liabilities	**22,561**	22,984	**274,498**
Long-term liabilities:			
Deferred tax liabilities *(Note 6)*	**20**	20	**243**
Provision for retirement benefits *(Note 8)*	**390**	446	**4,745**
Other	**103**	127	**1,254**
Total long-term liabilities	**513**	593	**6,242**
Net Assets			
Shareholders' equity *(Note 10)*:			
Capital stock: Authorized – 96,500,000 shares in 2012 and 2011 Issued – 34,000,309 shares in 2012 and 2011	**5,753**	5,753	**69,996**
Capital surplus	**5,932**	5,932	**72,174**
Retained earnings	**40,635**	40,233	**494,403**
Treasury stock: 2,534,434 shares in 2012 and 1,912,241 shares in 2011	**(1,873)**	(1,358)	**(22,788)**
Total shareholders' equity	**50,447**	50,560	**613,785**
Accumulated other comprehensive income			
Net unrealized holding gains or losses on securities	**1,249**	1,093	**15,196**
Total accumulated other comprehensive income	**1,249**	1,093	**15,196**
Subscription rights to shares	**76**	57	**925**
Minority interests	**1,596**	1,478	**19,418**
Total net assets	**53,368**	53,188	**649,324**
Total liabilities and net assets	**¥76,442**	¥76,765	**$930,064**

Consolidated Statements of Income

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales	**¥60,919**	¥58,300	**$741,197**
Cost of sales	**52,415**	48,755	**637,729**
Gross profit	**8,504**	9,545	**103,468**
Selling, general and administrative expenses *(Note 7)*	**6,791**	6,993	**82,626**
Operating income	**1,713**	2,552	**20,842**
Other income (Expenses):			
Interest and dividend income	**330**	274	**4,015**
Interest expenses	**(12)**	(13)	**(146)**
Equity in earnings of affiliates	**642**	1,248	**7,811**
Gain on sales of investment securities, net	**25**	164	**304**
Gain on redemption of investment securities	**181**	—	**2,202**
Loss on valuation of investment securities	**(15)**	(59)	**(183)**
Other, net	**200**	210	**2,434**
Other income (Expenses) - net	**1,351**	1,824	**16,437**
Income before income taxes and minority interests	**3,064**	4,376	**37,279**
Income taxes *(Note 6)*:			
Income taxes - current	**717**	1,531	**8,723**
Income taxes - deferred	**570**	(316)	**6,935**
Total income taxes	**1,287**	1,215	**15,658**
Income before minority interests	**1,777**	3,161	**21,621**
Minority interests in income	**120**	147	**1,459**
Net income *(Note 13)*	**¥ 1,657**	¥ 3,014	**$ 20,161**

	Yen		U.S. dollars (Note 1)
Per share of common stock *(Note 13)*:	**2012**	2011	**2012**
Net assets	**¥1,642.92**	¥1,609.71	**$19.99**
Net income			
Basic	**52.15**	92.93	**0.63**
Diluted	**51.97**	92.71	**0.63**
Cash dividend applicable to the year *(Note 10)*	**30.00**	31.50	**0.37**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥1,777**	¥3,161	**$21,621**
Other comprehensive income *(Note 12)*			
Net unrealized holding gains or losses on securities	**129**	(590)	**1,570**
Share of other comprehensive income of associates accounted for by using equity method	**32**	(83)	**389**
Total other comprehensive income	**161**	(673)	**1,959**
Comprehensive income	**1,938**	2,488	**23,580**
Comprehensive income attributable to:			
Owners of the parent	**1,814**	2,368	**22,071**
Minority interests	**124**	120	**1,509**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Number of shares of common stock	Shareholders' equity				Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
		Capital stock	Legal capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on securities			
	(Shares)	(Millions of yen)							
Balance at April 1, 2010	34,000,309	¥5,753	¥5,932	¥38,023	¥(854)	¥1,739	¥40	¥1,365	¥51,998
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—	2
Net income	—	—	—	3,014	—	—	—	—	3,014
Dividend from surplus	—	—	—	(804)	—	—	—	—	(804)
Purchase of treasury stock	—	—	—	—	(525)	—	—	—	(525)
Disposal of treasury stock	—	—	—	—	21	—	—	—	19
Net changes of items other than shareholders' equity	—	—	—	—	—	(646)	17	113	(516)
Balance at April 1, 2011	34,000,309	¥5,753	¥5,932	¥40,233	¥(1,358)	¥1,093	¥57	¥1,478	¥53,188
Net income	—	—	—	1,657	—	—	—	—	1,657
Dividend from surplus	—	—	—	(1,253)	—	—	—	—	(1,253)
Purchase of treasury stock	—	—	—	—	(529)	—	—	—	(529)
Disposal of treasury stock	—	—	—	(2)	14	—	—	—	12
Net changes of items other than shareholders' equity	—	—	—	—	—	156	19	118	293
Balance at March 31, 2012	**34,000,309**	**¥5,753**	**¥5,932**	**¥40,635**	**¥(1,873)**	**¥1,249**	**¥76**	**¥1,596**	**¥53,368**

	Shareholders' equity				Accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Legal capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on securities			
	(Thousands of U.S. dollars (Note 1))							
Balance at April 1, 2011	$69,996	$72,174	$489,512	$(16,522)	$13,298	$694	$17,983	$647,135
Net income	—	—	20,161	—	—	—	—	20,161
Dividend from surplus	—	—	(15,245)	—	—	—	—	(15,245)
Purchase of treasury stock	—	—	—	(6,436)	—	—	—	(6,436)
Disposal of treasury stock	—	—	(24)	170	—	—	—	146
Net changes of items other than shareholders' equity	—	—	—	—	1,898	231	1,435	3,564
Balance at March 31, 2012	**$69,996**	**$72,174**	**$494,404**	**$(22,788)**	**$15,196**	**$925**	**$19,418**	**$649,325**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hibiya Engineering, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 3,064**	¥ 4,376	**$ 37,279**
Depreciation and amortization	**254**	285	**3,090**
Amortization of goodwill	**34**	26	**414**
Increase (decrease) in allowance for doubtful accounts	**(29)**	(49)	**(353)**
Increase (decrease) in provision for retirement benefits	**(56)**	8	**(681)**
Increase (decrease) in provision for bonuses	**(243)**	71	**(2,957)**
Increase (decrease) in provision for loss on construction contracts	**(184)**	438	**(2,239)**
Interest and dividend income	**(330)**	(274)	**(4,015)**
Interest expenses	**12**	13	**146**
Loss (gain) on sales of investment securities	**(25)**	(164)	**(304)**
Loss (gain) on redemption of investment securities	**(181)**	—	**(2,202)**
Loss (gain) on valuation of investment securities	**15**	59	**183**
Equity in (earnings) losses of affiliates	**(642)**	(1,248)	**(7,811)**
Decrease (increase) in notes and accounts receivable	**(720)**	(626)	**(8,760)**
Decrease (increase) in costs on uncompleted construction contracts	**66**	200	**803**
Increase (decrease) in notes and accounts payable	**928**	436	**11,291**
Increase (decrease) in advances received on uncompleted construction contracts	**(78)**	(740)	**(949)**
Other, net	**(679)**	231	**(8,262)**
Subtotal	**1,206**	3,042	**14,673**
Interest and dividend income received	**326**	291	**3,967**
Interest expenses paid	**(12)**	(13)	**(146)**
Income taxes paid	**(1,496)**	(1,182)	**(18,202)**
Net cash provided by (used in) operating activities	**24**	2,138	**292**
Cash flows from investing activities:			
Proceeds from withdrawal of time deposits	**—**	300	**—**
Purchase of property, plant and equipment	**(136)**	(71)	**(1,655)**
Purchase of intangible assets	**(93)**	(28)	**(1,132)**
Purchase of investment securities	**(5,010)**	(610)	**(60,956)**
Proceeds from sales of investment securities	**422**	813	**5,134**
Proceeds from redemption of investment securities	**2,100**	851	**25,551**
Purchase of insurance funds	**(231)**	(120)	**(2,811)**
Proceeds from maturity of insurance funds	**339**	198	**4,125**
Proceeds from withdrawal of investments in silent partnership	**1,847**	41	**22,472**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**—**	(103)	**—**
Other, net	**30**	66	**366**
Net cash provided by (used in) investing activities	**(732)**	1,337	**(8,906)**
Cash flows from financing activities:			
Purchase of treasury stock	**(529)**	(525)	**(6,436)**
Proceeds from disposal of treasury stock	**0**	1	**0**
Cash dividend paid	**(1,253)**	(804)	**(15,245)**
Cash dividend paid to minority shareholders	**(6)**	(6)	**(73)**
Other, net	**(11)**	(9)	**(134)**
Net cash provided by (used in) financing activities	**(1,799)**	(1,343)	**(21,888)**
Net increase (decrease) in cash and cash equivalents	**(2,507)**	2,132	**(30,502)**
Cash and cash equivalents at beginning of period	**14,282**	12,150	**173,768**
Cash and cash equivalents at end of period	**¥11,775**	¥14,282	**$143,266**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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 Law 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 Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations 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, 2012, which was ¥82.19 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.

In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classification used in 2012.

2. Summary of significant accounting policies

(1) Consolidation

The 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.

Goodwill is amortized on a straight-line basis over a period of 5 years.

Investment in one affiliate is accounted for by the equity method. The silent partnership, Limited liability company NU-5 as a business person, has been excluded from the scope of application of the equity method due to withdrawal of investments. Investments in other affiliates, whose income or losses are not significant for the Company's equity, are carried at cost. Negative goodwill which is recognized in applying the equity method is amortized over a period of 3 years on a straight-line basis. Amortization of negative goodwill which is recognized in applying the equity method was ¥332 million ($4,039 thousand) and ¥332 million for the years ended March 31, 2012 and 2011, respectively.

(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").

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 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 gross 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 fiscal year.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided in amounts 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.

(6) Construction contracts

Revenues and costs of construction contracts, of which the percentage of completion 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. Contracts that commenced before April 1, 2009, whose contract amount is ¥100 million or more, schedule is more than 12 months and percentage of completion is 30% or more, are recognized by the percentage-of-completion method. The completed-contract method is applied to all other construction contracts.

(7) Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts are stated at cost using the specific identification method. Inventories of the consolidated subsidiaries are stated at cost using the specific identification method (Amounts shown on the consolidated balance sheets are determined by the method of reducing the book value due to decline in profitability).

(8) Property, plant and equipment, and depreciation

Depreciation of property, plant and equipment (not including leased assets) is computed using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations.

Leased assets are depreciated using the straight-line method over the period of the lease with no residual value.

Finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

(9) Provision for retirement benefits

The Companies provide the provision 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.

Prior 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, from the year in which they arise.

Actuarial differences are recognized in income or expense using 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, from the year in which they arise.

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

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 and open-end bond investment trusts are considered to be cash and cash equivalents.

(11) 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.

(12) Amounts per share

Net income per share is calculated by dividing net income 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 years and includes dividend to be paid after the end of the year.

(13) Derivatives

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses. As of March 31, 2012 and 2011, the Companies did not hold derivative financial instruments.

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

Notes receivable and notes payable maturing at the fiscal year-end are settled on the date of clearance. As March 31, 2012 was a bank holiday, notes receivable and notes payable maturing on that date which were not settled and were included in the ending balance of notes receivable and notes payable were as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable	**¥ 58**	**$ 706**
Notes payable	**299**	**3,638**

(15) Additional information

Effective April 1, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009), and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) that have been applied retrospectively to all prior periods.

3. Securities

(1) As of March 31, 2012 and 2011, book values (fair values) and acquisition costs of available-for-sale securities with available fair values were as follows:

(a) Available-for-sale securities

	Millions of yen		
	2012		
	Book value	Acquisition cost	Difference
Securities whose book values (fair values) exceed their acquisition costs:			
Equity securities	**¥ 4,581**	**¥ 2,498**	**¥ 2,083**
Debt securities			
Government and municipal bonds	**—**	**—**	**—**
Corporate bonds	**1,506**	**1,500**	**6**
Other bonds	**1,286**	**1,026**	**260**
Other	**110**	**102**	**8**
Sub-total	**¥ 7,483**	**¥ 5,126**	**¥ 2,357**
Securities whose book values (fair values) do not exceed their acquisition costs:			
Equity securities	**¥ 955**	**¥ 1,149**	**¥ (194)**
Debt securities			
Government and municipal bonds	**290**	**300**	**(10)**
Corporate bonds	**398**	**401**	**(3)**
Other bonds	**3,734**	**3,910**	**(176)**
Other	**160**	**189**	**(29)**
Sub-total	**¥ 5,537**	**¥ 5,949**	**¥ (412)**
Total	**¥13,020**	**¥11,075**	**¥ 1,945**

	Millions of yen		
	2011		
	Book value	Acquisition cost	Difference
Securities whose book values (fair values) exceed their acquisition costs:			
Equity securities	¥ 4,094	¥ 2,389	¥ 1,705
Debt securities			
Corporate bonds	1,003	1,000	3
Other bonds	2,815	2,345	470
Other	112	103	9
Sub-total	¥ 8,024	¥ 5,837	¥ 2,187
Securities whose book values (fair values) do not exceed their acquisition costs:			
Equity securities	¥ 1,374	¥ 1,610	¥ (236)
Debt securities			
Corporate bonds	—	—	—
Other bonds	707	710	(3)
Other	168	202	(34)
Sub-total	¥ 2,249	¥ 2,522	¥ (273)
Total	¥10,273	¥ 8,359	¥ 1,914

	Thousands of U.S. dollars		
	2012		
	Book value	Acquisition cost	Difference
Securities whose book values (fair values) exceed their acquisition costs:			
Equity securities	$ 55,737	$ 30,393	$25,344
Debt securities			
Government and municipal bonds	—	—	—
Corporate bonds	18,323	18,250	73
Other bonds	15,647	12,483	3,164
Other	1,338	1,242	96
Sub-total	$ 91,045	$ 62,368	$28,677
Securities whose book values (fair values) do not exceed their acquisition costs:			
Equity securities	$ 11,619	$ 13,980	$ (2,361)
Debt securities			
Government and municipal bonds	3,528	3,650	(122)
Corporate bonds	4,842	4,879	(37)
Other bonds	45,431	47,573	(2,142)
Other	1,948	2,299	(351)
Sub-total	$ 67,368	$ 72,381	$ 5,013
Total	$158,413	$134,749	$23,664

(2) The following summarizes book values of available-for-sale securities which are not included in the above table (1) since no readily determinable fair values were available.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities	¥1,489	¥1,524	$18,117
Total	¥1,489	¥1,524	$18,117

(3) Proceeds from sales, and gross realized gains and losses from the sale of available-for-sale securities for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Proceeds from sales			
Equity securities	¥422	¥708	$5,134
Other	—	105	—
Total	¥422	¥813	$5,134
Gross realized gains			
Equity securities	¥ 25	¥166	$ 304
Other	—	6	—
Total	¥ 25	¥172	$ 304
Gross realized losses			
Equity securities	¥ —	¥ 8	$ —
Other	—	—	—
Total	¥ —	¥ 8	$ —

(4) Securities with impairment losses

Impairment losses of ¥15 million ($183 thousand) and ¥59 million were recognized for available-for-sale securities for the years ended March 31, 2012 and 2011, respectively.

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.

(5) Investments in affiliates

The amounts of investments in affiliates were ¥15,210 million ($185,059 thousand) and ¥14,512 million as of March 31, 2012 and 2011, respectively.

4. Financial instruments

Information on financial instruments for the years ended March 31, 2012 and 2011 is as follows:

(1) Policy for financial instruments

Surplus cash from cash and cash equivalents after deduction of operating funds, new business investments and policy investments is invested.

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.

The consolidated subsidiaries have entered into overdraft contracts with their banks for efficient procurement of working capital.

(2) Details and risks of financial instruments

Trade 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.

The Companies have short-term investment securities, 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.

Bank loans of the consolidated subsidiaries are exposed to interest rate risk that the burden of interest payments may increase due to the increase in the interest rate in future.

(3) Risk management for financial instruments

Credit risk management

The Company manages the credit risk in accordance with business administrative regulations regarding trade receivables. When the Company starts business with a 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 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 investment securities and investment securities, is insignificant as the Companies invest only in bonds with high ratings.

Market risk management

The investments in short-term investment securities and investment securities are approved by the authorized person after examining the rating, yield, risk and others in accordance with the fund management policy based on the safety 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.

(4) Fair values of financial instruments

As of March 31, 2012 and 2011, book values, fair values and their differences were as follows. Items whose fair values were extremely difficult to be determined are not included in the following table.

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	**¥11,775**	**¥11,775**	**¥—**
(2) Notes receivable, accounts receivable from completed construction contracts and other	**25,388**	**25,388**	**—**
(3) Short-term investment and investment securities	**13,520**	**13,520**	**—**
Total	**¥50,683**	**¥50,683**	**¥—**
(1) Notes payable, accounts payable for construction contracts and other	**¥18,494**	**¥18,494**	**¥—**
(2) Bank loans	**780**	**780**	**—**
Total	**¥19,274**	**¥19,274**	**¥—**

	Millions of yen		
	2011		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥14,282	¥14,282	¥—
(2) Notes receivable, accounts receivable from completed construction contracts and other	24,668	24,668	—
(3) Short-term investment and investment securities	10,273	10,273	—
Total	¥49,223	¥49,223	¥—
(1) Notes payable, accounts payable for construction contracts and other	¥17,566	¥17,566	¥—
(2) Bank loans	780	780	—
Total	¥18,346	¥18,346	¥—

	Thousands of U.S. dollars		
	2012		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	**$143,266**	**$143,266**	**$—**
(2) Notes receivable, accounts receivable from completed construction contracts and other	**308,894**	**308,894**	**—**
(3) Short-term investment and investment securities	**164,497**	**164,497**	**—**
Total	**$616,657**	**$616,657**	**$—**
(1) Notes payable, accounts payable for construction contracts and other	**$225,015**	**$225,015**	**$—**
(2) Bank loans	**9,490**	**9,490**	**—**
Total	**$234,505**	**$234,505**	**$—**

Note 1: Method for calculating the fair value of financial instruments and matters relevant to securities

Assets:

(1) Cash and cash equivalents and (2) Notes receivable, accounts receivable from completed construction contracts and other

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

(3) Short-term investment and investment securities

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 bonds.

Liabilities:

(1) Notes payable, accounts payable for construction contracts and other and (2) Bank loans

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

Note 2: Financial instruments whose fair values were extremely difficult to be determined were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
	Book value	Book value	Book value
Unlisted equity securities	**¥16,699**	¥16,036	**$203,176**
Investments in silent partnership	**1,000**	2,883	**12,167**

These items are not included in "(3) Short-term investment and investment securities" because no quoted market price was available and their fair values were extremely difficult to be determined.

Note 3: Redemption schedule of monetary receivables and maturities of securities with maturities were as follows:

	Millions of yen			
	2012			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	**¥11,775**	**¥ —**	**¥ —**	**¥ —**
Notes receivable, accounts receivable from completed construction contracts and other	**25,388**	**—**	**—**	**—**
Short-term investment and investment securities				
Securities with maturities:				
(1) Government and municipal bonds	**—**	**290**	**—**	**—**
(2) Corporate bonds	**899**	**501**	**—**	**504**
(3) Other bonds	**1,798**	**3,252**	**470**	**—**
Investments in silent partnership	**—**	**1,000**	**—**	**—**
Total	**¥39,860**	**¥5,043**	**¥470**	**¥504**

	Millions of yen			
	2011			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	¥14,282	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	24,668	—	—	—
Short-term investment and investment securities				
Securities with maturity:				
(1) Government and municipal bonds	—	—	—	—
(2) Corporate bonds	—	1,003	—	—
(3) Other bonds	2,135	1,388	—	—
Investments in silent partnership	—	2,883	—	—
Total	¥41,085	¥5,274	¥—	¥—

	Thousands of U.S. dollars			
	2012			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and cash equivalents	**$143,266**	**$ —**	**$ —**	**$ —**
Notes receivable, accounts receivable from completed construction contracts and other	**308,894**	**—**	**—**	**—**
Short-term investment and investment securities				
Securities with maturities:				
(1) Government and municipal bonds	**—**	**3,528**	**—**	**—**
(2) Corporate bonds	**10,938**	**6,096**	**—**	**6,132**
(3) Other bonds	**21,876**	**39,567**	**5,718**	**—**
Investments in silent partnership	**—**	**12,167**	**—**	**—**
Total	**$484,974**	**$61,358**	**$5,718**	**$6,132**

5. Bank loans

Bank loans as of March 31, 2012 and 2011 were represented by overdraft and short-term notes, bearing weighted average interest rate of 1.513% for the years ended March 31, 2012 and 2011.

The Companies had no long-term debt as of March 31, 2012 and 2011.

For efficient procurement of working capital, two consolidated subsidiaries have entered into overdraft contracts with four financial institutions in the aggregate amount of ¥1,680 million ($20,440 thousand) as of March 31, 2012 and 2011. The unused borrowings of the consolidated subsidiaries as of March 31, 2012 and 2011 amounted to ¥1,050 million ($12,775 thousand).

6. 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, 2012 and 2011.

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, 2012 and 2011.

	2012	2011
Statutory tax rate	**40.7%**	40.7%
Non-deductible expenses	**2.9**	2.1
Non-taxable dividend income	**(1.4)**	(3.7)
Per capita inhabitant tax	**1.5**	1.0
Valuation allowance	**0.2**	(0.7)
Equity in earnings of affiliates	**(8.5)**	(10.6)
Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates	**7.3**	—
Other	**(0.7)**	(1.0)
Effective tax rate	**42.0%**	27.8%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Loss on valuation of investment securities	**¥ 415**	¥ 562	**$ 5,049**
Enterprise taxes payable	**64**	124	**779**
Provision for bonuses	**333**	451	**4,052**
Provision for loss on construction contracts	**230**	321	**2,798**
Provision for retirement benefits	**839**	1,011	**10,208**
Net unrealized holding losses on securities	**142**	77	**1,728**
Other	**444**	443	**5,402**
Valiation allowance	**(392)**	(359)	**(4,526)**
Total deferred tax assets	**¥2,095**	¥2,630	**$25,490**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**(783)**	(822)	**(9,527)**
Other	**(55)**	(64)	**(669)**
Total deferred tax liabilities	**(838)**	(886)	**(10,196)**
Net deferred tax assets (liabilities)	**¥1,257**	¥1,744	**$15,294**

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.0% for years beginning on or after April 1, 2012 and 35.6% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥130 million ($1,582 thousand) as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 increased by ¥224 million ($2,725 thousand) and net unrealized holding gains or losses on securities increased by ¥93 million ($1,132 thousand), respectively.

7. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Employees' salaries and allowances	**¥2,386**	¥2,458	**$29,030**
Provision for bonuses	**395**	506	**4,806**
Retirement benefit expenses	**196**	213	**2,385**
Provision of allowance for doubtful accounts	**(26)**	21	**(316)**
Depreciation	**222**	254	**2,701**
Rents	**945**	933	**11,498**

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were ¥164 million ($1,995 thousand) and ¥149 million, respectively.

8. Provision for retirement benefits

The Company and one of the consolidated subsidiaries have established defined benefit plans: the employees' pension fund system, defined benefit pension plan, and lump-sum retirement plan. The other consolidated subsidiaries have established the defined benefit pension plan, lump-sum retirement plan and small and medium enterprise retirement allowance mutual aid system.

Provision for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**¥(4,729)**	¥(4,897)	**$(57,537)**
Fair value of plan assets	**4,140**	4,085	**50,371**
Funded status	**¥ (589)**	¥ (812)	**$ (7,166)**
Unrecognized prior service cost	**(104)**	(116)	**(1,265)**
Unrecognized actuarial differences	**387**	482	**4,709**
Prepaid pension expenses	**84**	—	**1,023**
Provision for retirement benefits	**¥ (390)**	¥ (446)	**$ (4,745)**

*1. The consolidated subsidiaries adopt the simplified method for calculating the projected benefit obligation.
*2. Fair value of plan assets includes retirement benefit trusts for lump-sum retirement plans.

Included in the consolidated statements of income for the years ended March 31, 2012 and 2011 were employees' retirement benefit expenses consisting of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost - benefits earned during the year	**¥231**	¥251	**$2,811**
Interest cost on projected benefit obligation	**66**	67	**803**
Expected return on plan assets	**(48)**	(49)	**(584)**
Amortization of prior service cost	**(12)**	(4)	**(146)**
Amortization of actuarial differences	**97**	70	**1,180**
Contribution to the employees' pension fund system	**157**	150	**1,910**
Retirement benefit expenses	**¥491**	¥485	**$5,974**

* The service cost includes retirement benefit expenses of the consolidated subsidiaries calculated by the simplified method.

Significant assumptions used for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	**1.5%**	1.5%
Expected rate of return on plan assets	**1.0%~1.5%**	1.0%~1.5%
Amortization period of prior service cost	**10 years**	10 years
Amortization period of actuarial differences	**10 years**	10 years

The expected amount of all retirement benefits to be paid is allocated equally to each service year using the estimated number of total service years.

The Company and one of the consolidated subsidiaries participate in several contributory funded multi-employer pension plans. Information about the multi-employer plans for which the required contributions to them are accounted for as the employees' retirement benefit expenses was as follows:

	Millions of Yen		Thousands of U.S. dollars
	2011	2010	2011
Funded status of the plans			
Fair value of plan assets	¥36,013	¥39,327	$438,168
Benefit obligations under pension funding programs	41,726	41,381	507,677
Deficit (*1)	¥ (5,713)	¥ (2,054)	$ (69,510)
Ratio of total salaries of the Companies to total funds of plans as of March 31, 2011 (*2)			**12.0%**

The net balance, the above deficit (*1), as of March 31, 2011 and 2010 was mainly due to the deficit of ¥2,054 million ($24,991 thousand) carried forward from the year ended March 31, 2010 and the deficit of ¥3,659 million ($44,519 thousand) for the year ended March 31, 2011 and due to the deficit of ¥9,599 million carried forward from the year ended March 31, 2009 and the surplus of ¥7,545 million for the year ended March 31, 2010, respectively. The amounts of principal and interest of prior service cost are amortized equally over 3 years and 2 months. The above ratio (*2) does not correspond to the actual contribution ratio by the Companies.

As of March 31, 2011, plan assets of Tokyo Air-Conditioning & Plumbing Contractors Employees' Pension Fund *(Tokyo Kucho Eisei Koujigyo Kosei Nenkin Kikin)*, in which the Company and one of the consolidated subsidiaries participate, amounted to ¥36,013 million ($438,168 thousand). Although, of the amount, ¥3,751 million ($45,638 thousand) has been managed by AIJ Investment Advisors Co., Ltd. under a discretionary investment contract and most of such contract assets are certainly expected to be impaired, this is not reflected in the amount of the plan assets as of March 31, 2011.

At present, a specific accounting treatment for deficits carried forward under pension funding programs including the impaired plan assets has not been determined.

9. Leases

As discussed in Note 2. (9), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation as of March 31, 2012 and 2011 were as follows:

	Millions of yen		
	2012		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment	**¥23**	**¥21**	**¥2**
Total	**¥23**	**¥21**	**¥2**

	Millions of yen		
	2011		
	Acquisition cost	Accumulated depreciation	Net book value
Vehicle	¥ 3	¥ 3	¥0
Equipment	52	43	9
Total	¥55	¥46	¥9

	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment	**$280**	**$256**	**$24**
Total	**$280**	**$256**	**$24**

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements and the related pro forma depreciation expense and interest expense for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease payments	**¥9**	¥18	**$109**
Depreciation expense	**8**	16	**97**
Interest expense	**1**	1	**12**

Pro forma depreciation expense is computed by the straight-line method over the respective lease term with no residual value.

The excess of the total lease payment over the acquisition cost is regarded as the interest expense and allocated to each period using the interest method.

Future minimum lease payments subsequent to March 31, 2012 and 2011 for finance leases currently accounted for as operating leases were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2012	2011	**2012**
Due within one year	**¥2**	¥ 9	**$24**
Due after one year	**1**	2	**12**
Total	**¥3**	¥ 11	**$36**

10. 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 were as follows:

2012

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Record date	Effective date
June 29, 2011	Annual shareholders' meeting	Common stock	**¥775**	**$9,429**	**¥24.00**	**$0.29**	March 31, 2011	June 30, 2011
November 11, 2011	Board of directors	Common stock	**¥478**	**$5,816**	**¥15.00**	**$0.18**	September 30, 2011	December 9, 2011

2011

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
June 29, 2010	Annual shareholders' meeting	Common stock	¥560	¥17.00	March 31, 2010	June 30, 2010
November 9, 2010	Board of directors	Common stock	¥244	¥ 7.50	September 30, 2010	December 9, 2010

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

2012

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Record date	Effective date
June 28, 2012	Annual shareholders' meeting	Common stock	**¥475**	**$5,779**	Retained earnings	**¥15.00**	**$0.18**	March 31, 2012	June 29, 2012

11. 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, 2012 and 2011 amounted to ¥31 million ($377 thousand) and ¥34 million, respectively.

2. Outline of stock option

(1) The summary of stock option plans

Date of approval	June 26, 2009	June 29, 2010	June 29, 2011
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
Number of options granted	58,500 common shares	53,600 common shares	52,600 common shares
Date of grant	October 1, 2009	July 26, 2010	August 8, 2011
Vesting condition	No provisions	No provisions	No provisions
Requisite service period	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*

* Within 10 days from the day following the day on which a subscription holder loses its position as a director or a corporate officer of the Company, its stock option shall be exercised.

(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, 2012.

a) Number of stock options

Date of approval	June 26, 2009	June 29, 2010	June 29, 2011
Fiscal year ended March 31, 2012			
Non-vested	(Share)	(Share)	(Share)
April 1, 2011 – Outstanding	—	—	—
Granted	—	—	52,600
Forfeited	—	—	—
Vested	—	—	52,600
March 31, 2012 – Outstanding	—	—	—
Vested			
April 1, 2011 – Outstanding	33,100	53,600	—
Vested	—	—	52,600
Exercised	7,400	8,500	2,000
Forfeited	—	—	—
March 31, 2012 – Outstanding	25,700	45,100	50,600

b) Price information

Date of approval	June 26, 2009	June 29, 2010	June 29, 2011
Exercise price	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)
Average exercise price	¥815 ($9.92)	¥815 ($9.92)	¥858 ($10.44)
Fair value at grant date	¥686 ($8.35)	¥633 ($7.70)	¥594 ($ 7.23)

(3) Valuation 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 29, 2011
Expected volatility of the underlying stock (*1)	31.4%
Expected life of the option (*2)	6 years
Expected dividend on stock (*3)	¥31.5 ($0.38) per share
Risk-free interest rate during the expected option term (*4)	0.46%

(*1) The volatility of the stock option approved on June 29, 2011 is calculated based on the actual stock prices during the six years from August 1, 2005 to August 1, 2011. The volatility of the stock option approved on June 29, 2010 is calculated based on the actual stock prices during the six years from July 19, 2004 to July 19, 2010.

(*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 bonds whose remaining periods correspond to the above expected life of the option.

12. Comprehensive income

Reclassification adjustments and income tax benefit (expense) on other comprehensive income for the year ended March 31, 2012 were as follows:

2012	Millions of yen	Thousands of U.S. dollars
Net unrealized holding gains or losses on securities:		
Gains (losses) arising during the period	**¥237**	**$2,884**
Reclassification adjustments	**(191)**	**(2,324)**
Sub-total,before tax	**¥ 46**	**$ 560**
Income tax benefit (expense)	**83**	**1,010**
Net unrealized holding gains or losses on securities	**¥129**	**$1,570**
Share of other comprehensive income of associates accounted for using equity method:		
Gains (losses) arising during the period	**¥ 32**	**$ 389**
Total other comprehensive income	**¥161**	**$1,959**

13. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average number of shares	EPS	EPS
For the year ended March 31, 2012				
Basic EPS				
Net income available to common shareholders	**¥1,657**	**31,780**	**¥52.15**	**$0.63**
Effect of dilutive securities				
Stock acquisition rights	**—**	**110**	**—**	**—**
Diluted EPS				
Net income for computation	**¥1,657**	**31,890**	**¥51.97**	**$0.63**

	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted average number of shares	EPS
For the year ended March 31, 2011			
Basic EPS			
Net income available to common shareholders	¥3,014	32,433	¥92.93
Effect of dilutive securities			
Stock acquisition rights	—	76	—
Diluted EPS			
Net income for computation	¥3,014	32,509	¥92.71

14. Segment information

1. General information about reportable segments

Reportable segments are the constituent units of the Hibiya Engineering Group for each of which separate financial information is available and the board of directors performs 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 has 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 business 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, profit 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 its operating income.

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

3. Information about sales, profit or loss, assets and other items by reportable segment
Segment information as of and for the fiscal years ended March 31, 2012 and 2011 was as follows:

2012	Millions of yen					
	Construction	Equipment sales	Equipment manufacturing	Total	Adjustments (*1)	Consolidated (*2)
Net sales:						
Outside customers	**¥52,033**	**¥5,784**	**¥3,102**	**¥60,919**	**¥ —**	**¥60,919**
Intersegment	**3**	**3,541**	**441**	**3,985**	**(3,985)**	**—**
Total	**¥52,036**	**¥9,325**	**¥3,543**	**¥64,904**	**¥ (3,985)**	**¥60,919**
Segment income	**¥ 1,152**	**¥ 292**	**¥ 257**	**¥ 1,701**	**¥ 12**	**¥ 1,713**
Segment assets	**¥29,290**	**¥7,310**	**¥3,318**	**¥39,918**	**¥36,524**	**¥76,442**
Other items:						
Depreciation and amortization	**¥ 237**	**¥ 2**	**¥ 15**	**¥ 254**	**¥ —**	**¥ 254**
Amortization of goodwill	**34**	**—**	**—**	**34**	**—**	**34**
Increase in tangible and intangible fixed assets	**179**	**5**	**45**	**229**	**—**	**229**

2011	Millions of yen					
	Construction	Equipment sales	Equipment manufacturing	Total	Adjustments (*1)	Consolidated (*2)
Net sales:						
Outside customers	¥48,921	¥6,221	¥3,158	¥58,300	¥ —	¥58,300
Intersegment	3	3,285	372	3,660	(3,660)	—
Total	¥48,924	¥9,506	¥3,530	¥61,960	¥ (3,660)	¥58,300
Segment income	¥ 1,873	¥ 395	¥ 257	¥ 2,525	¥ 27	¥ 2,552
Segment assets	¥28,740	¥7,023	¥3,394	¥39,157	¥37,608	¥76,765
Other items:						
Depreciation and amortization	¥ 265	¥ 2	¥ 18	¥ 285	¥ —	¥ 285
Amortization of goodwill	26	—	—	26	—	26
Increase in tangible and intangible fixed assets	252	—	25	277	—	277

2012	Thousands of U.S. dollars					
	Construction	Equipment sales	Equipment manufacturing	Total	Adjustments (*1)	Consolidated (*2)
Net sales:						
Outside customers	**$633,081**	**$ 70,374**	**$37,742**	**$741,197**	**$ —**	**$741,197**
Intersegment	**37**	**43,083**	**5,365**	**48,485**	**(48,485)**	**—**
Total	**$633,118**	**$113,457**	**$43,107**	**$789,682**	**$ (48,485)**	**$741,197**
Segment income	**$ 14,016**	**$ 3,553**	**$ 3,127**	**$ 20,696**	**$ 146**	**$ 20,842**
Segment assets	**$356,369**	**$ 88,940**	**$40,370**	**$485,679**	**$444,385**	**$930,064**
Other items						
Depreciation and amortization	**$ 2,884**	**$ 24**	**$ 182**	**$ 3,090**	**$ —**	**$ 3,090**
Amortization of goodwill	**414**	**—**	**—**	**414**	**—**	**414**
Increase in tangible and intangible fixed assets	**2,178**	**61**	**548**	**2,786**	**—**	**2,786**

(*1) The 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, 2012 and 2011 were ¥38,521 million ($468,682 thousand) and ¥39,598 million, respectively, mainly consisting of cash and cash equivalents, short-term investment, investments securities, etc of the Company. Moreover, intersegment transaction eliminations included in the adjustments of segment assets as of March 31, 2012 and 2011 were ¥1,997 million ($24,297 thousand) and ¥1,991 million, respectively.

(*2) Segment income is adjusted for consistency with operating income in the consolidated statements of income.

(Related Information)

(1) Information about major customers for the years ended March 31, 2012 and 2011 was as follows:

2012	Net sales		Related reportable segments
Name of customer	Millions of yen	Thousands of U.S. dollars	
NTT FACILITIES, INC.	**¥9,876**	**$120,161**	Construction, Equipment sales, Equipment manufacturing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	**¥8,485**	**$103,236**	Construction

2011	Net sales	Related reportable segments
Name of customer	Millions of yen	
NTT FACILITIES, INC.	¥13,368	Construction, Equipment sales, Equipment manufacturing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	¥ 7,945	Construction

(2) Goodwill amortized and remaining goodwill balance by reportable segment as of and for the years ended March 31, 2012 and 2011 were as follows:

2012	Millions of yen				
	Construction	Equipment sales	Equipment manufacturing	Eliminations or Corporate	Total
Amortization of goodwill	**¥ 34**	**—**	**—**	**—**	**¥ 34**
Goodwill	**¥111**	**—**	**—**	**—**	**¥111**

2011	Millions of yen				
	Construction	Equipment sales	Equipment manufacturing	Eliminations or Corporate	Total
Amortization of goodwill	¥ 26	—	—	—	¥ 26
Goodwill	¥145	—	—	—	¥145

2012	Thousands of U.S. dollars				
	Construction	Equipment sales	Equipment manufacturing	Eliminations or Corporate	Total
Amortization of goodwill	**$ 414**	**—**	**—**	**—**	**$ 414**
Goodwill	**$1,351**	**—**	**—**	**—**	**$1,351**

15. Related party transactions and balances

The condensed financial information of major affiliates

The condensed financial information of Nihon Meccs Co., Ltd., a significant affiliate, as of and for the years ended March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Current assets	**¥32,773**	¥32,677	**$398,747**
Non-current assets	**13,997**	14,861	**170,301**
Current liabilities	**11,474**	13,023	**139,603**
Long-term liabilities	**2,811**	2,829	**34,201**
Net assets	**32,485**	31,686	**395,243**
Net sales	**52,805**	56,455	**642,475**
Income before income taxes	**1,583**	2,865	**19,260**
Net income	**717**	1,653	**8,724**

KPMG

Independent Auditor's Report

To the Board of Directors of Hibiya Engeineering, Ltd.

We have audited the accompanying consolidated financial statements of Hibiya Engeineering, Ltd. and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2012 and 2011, 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 misstatements, 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 judgement, 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 Engeineering, Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 LLC

July 31, 2012
Tokyo, Japan

Corporate Data

Investor Information

As of March 31, 2012

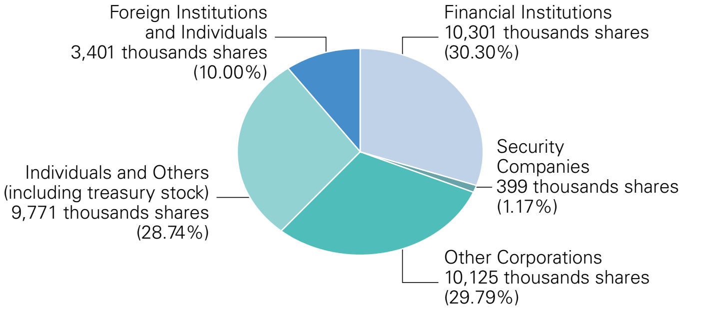
Total number of shares authorized	96,500,000 shares
Total number of shares issued	34,000,309 shares
Number of shareholders	3,029

Major Shareholders

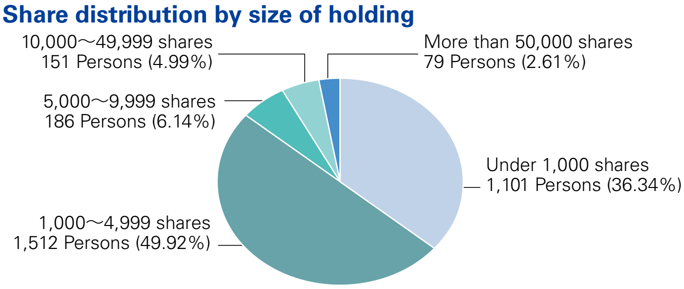
Name of shareholders	Number of held thousands shares	Percentage of shares in issue(%)
1 Japan Trustee Services Bank, Ltd. (Trust account)	1,630	5.15
2 NTT Urban Development Co.	1,371	4.33
3 Hibiya Engineering Customer Stock Ownership Plan	1,314	4.15
4 The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account, Hyakujushi Bank account)	900	2.84
5 Sumitomo Mitsui Banking Corporation	853	2.70
6 The Japan Telecommunications Welfare Associations	838	2.65
7 The Dai-ichi Mutual Life Insurance Company	818	2.58
8 Resona Bank, Limited	786	2.49
9 The Master Trust Bank of Japan, Ltd. (Trust account)	770	2.43
10 CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	709	2.24

Notes
1) The list of major shareholders does not include 2,343,743 shares of treasury stock held by the Company.
2) The 2,343,743 shares of treasury stock held by the Company are not included in the calculation of the percentages of shares issued.

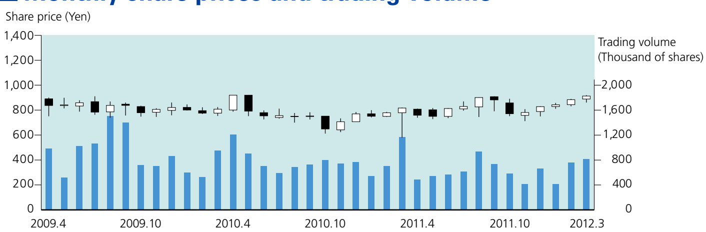
Share distribution by owner



Share distribution by size of holding



Monthly share prices and trading volume



Board of Directors

As of June 28, 2012

President and Representative Director	Haruki Nomura
Vice President and Representative Director	Shigeru Toyoda
Director	Morio Fukuki
Director	Hideo Noro
Director	Kenji Saitou
Director	Tetsuya Kamachi
Director	Shun-ichi Tajuuta
Director	Masashi Shirasaki
Director	Keisuke Shimoda
Director	Kensho Kusumi
Director	Hiroo Atsumi
Standing Corporate Auditor	Ken Yasuda
Auditor	Nobutoshi Kozuka
Auditor	Yoshinobu Yamaguchi
Auditor	Yuuji Tatsumura

Notes
1) Kensho Kusumi and Hiroo Atsumi are external directors under the terms of the Corporate Law Article 2 Section 15.
2) Ken Yasuda, Nobutoshi Kozuka and Yuuji Tatsumura are external auditors under the terms of the Corporate Law Article 2 Section 16.
3) The Company has notified the Tokyo Stock Exchange that Kensho Kusumi and Hiroo Atsumi are external directors and Ken Yasuda and Nobutoshi Kozuka are external corporate auditors.

Offices

As of March 31, 2012

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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, Kobe, Shizuoka, Akita, Okayama, Kumamoto, Okinawa, Kagoshima, Hakodate

Research Facilities
Noda in Chiba Prefecture

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