

時代にまっすぐ、技術にまじめです。

Earnings Announcement
FY3/16

 **Hibiya Engineering, Ltd.**

May 18, 2016

Hibiya Group 50th Anniversary in July 2016

These materials include forward-looking statements that incorporate risks and uncertainties and are not guarantees concerning future performance. Future performance may differ from forecasts in these materials due to changes in the operating environment and other reasons.

Financial Summary

FY3/16

Financial Highlights (Consolidated)

- Achieved fiscal year and Medium-term Management Plan targets as sales and income increased significantly from the previous fiscal year.

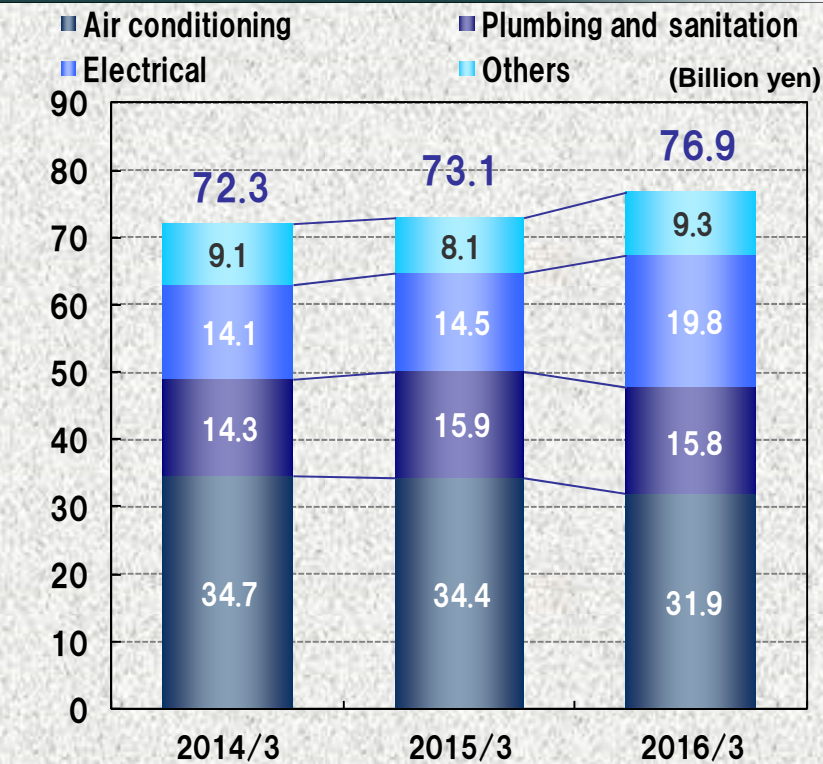
(Billion yen)

	2014/3 Actual	2015/3 Actual	2016/3 Actual	YoY (%)	2016/3 Plan	First 3 years target of Fifth Medium-term Management Plan
Orders Received	72.3	73.1	76.9	5.2%	74.0	70.0 ~
Net sales	69.4	71.3	79.4	11.3%	74.0	70.0 ~
Operating Income	1.8	1.9	4.6	135.7%	2.5	2.5 ~
Ordinary Income	2.8	3.0	6.3	107.4%	3.3	3.3 ~
Profit attributable to owners of parent	2.2	2.6	4.6	76.5%	2.0	2.0 ~

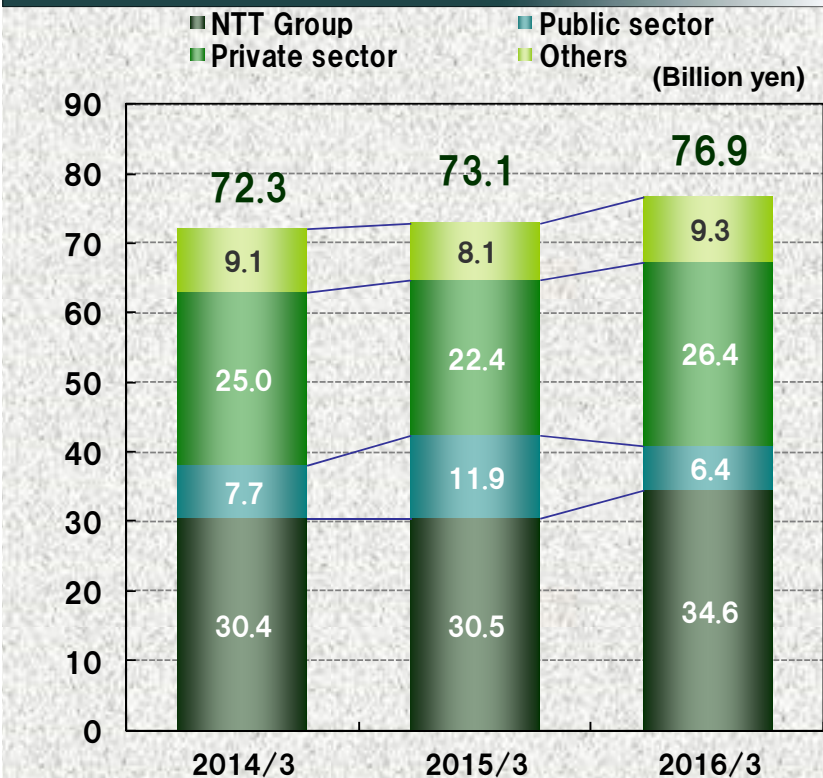
Orders Received by Category & by Customer (Consolidated)

■ Steady growth in orders due to the use of life cycle total solutions*¹

By category



By customer



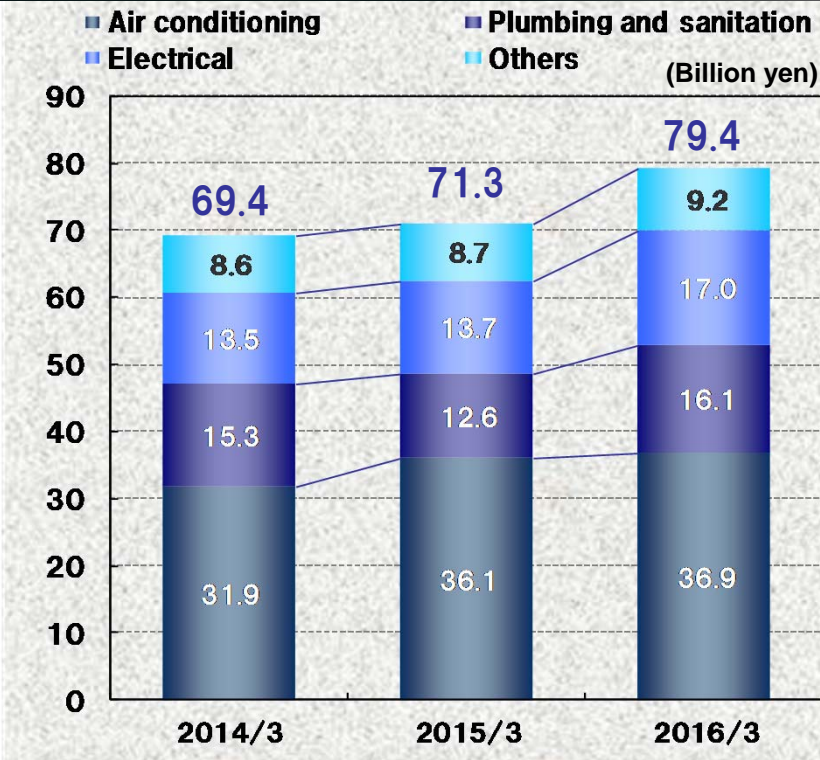
*Other orders are orders received at group companies.

*1:Hibiya Engineering aims to build “best partner” relationships with customers by enlarging services across the entire life cycle of a building in order to meet their increasingly diverse, sophisticated and multi-faceted requirements.

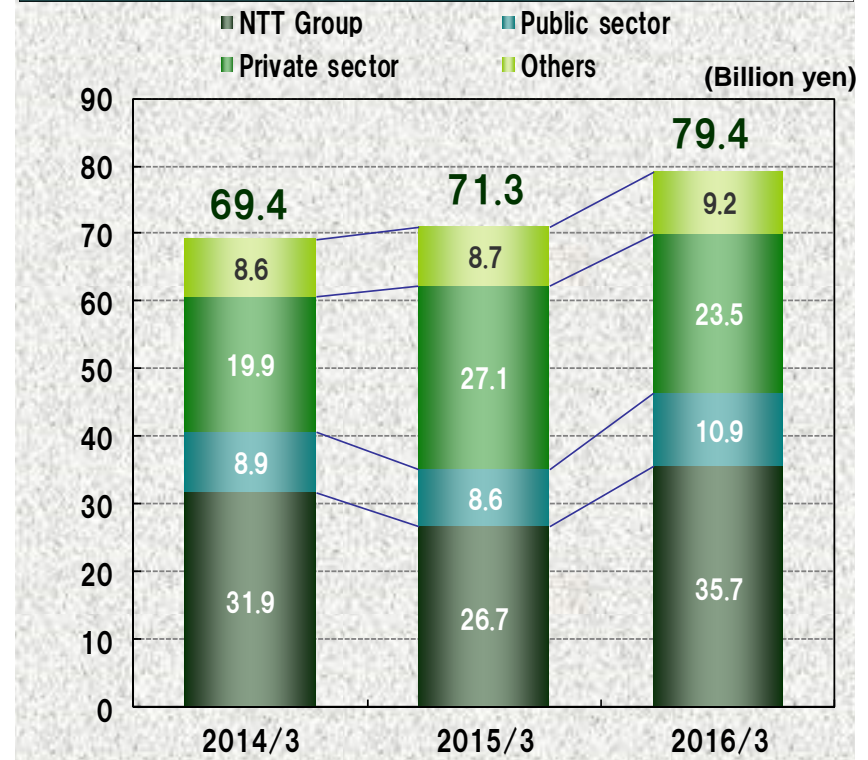
Sales by Category & by Customer (Consolidated)

- Completions of NTT contracts and large redevelopment projects fuel strong sales growth

By category



By customer



*Other orders are orders received at group companies.

Summary Income Statements (Consolidated)

- Large redevelopment projects and other contributors produce big increases in earnings as the gross profit margin increases
- The FY3/17 sales and earnings plan is higher than the medium-term plan targets

(Billion yen)

	2014/3 Actual	2015/3 Actual	2016/3 Actual	2017/3 Plan	First 3 years target of Fifth Medium-term Management Plan
Net sales	69.4	71.3	79.4	75.0	70.0~
Cost of sales	60.7	62.6	67.1	65.0	-
Gross profit	8.7	8.6	12.2	10.2	-
Gross profit margin	12.6%	12.2%	15.5%	13.6%	-
SG&A expenses	6.8	6.6	7.6	7.2	-
Operating income	1.8	1.9	4.6	3.0	2.5~
Non-operating income	1.0	1.0	1.7	1.0	-
Ordinary income	2.8	3.0	6.3	4.0	3.3~
Extraordinary income	0.5	1.0	0.4	-	-
Income taxes	1.1	1.3	2.1	-	-
Profit attributable to owners of parent	2.2	2.6	4.6	2.5	2.0~

Distributions to Shareholders

Dividends

【Basic policy】

- To provide even more stable earnings distributions for shareholders, the basic policy is to place emphasis on the consolidated dividends-on-equity (DOE) ratio.

【FY3/16】

- Increase the DOE from 1.8% to 2.1%
- Increase the dividend by 8 yen from FY3/15 to 40 yen (20 yen interim and year-end dividends)

【FY3/17】

- Reflecting more progress toward goals of the Fifth Medium-term Management Plan and the group's 50th anniversary in July 2016, plan to pay a dividend of 50 yen, including a 10 yen commemorative dividend (25 yen interim and year-end dividends, 10 yen higher than for FY3/16)

Stock purchases

【Basic policy】

- We will continue to purchase stock in a flexible manner as one way to distribute earnings to shareholders.

【 Actual/Plan 】

	[FY3/16 Actual]		[FY3/17 Plan]	
	(Million Shares)	(Million Yen)	(Million Shares)	(Million Yen)
■ Allowance of full year	0.5	800	0.5	800
■ Repurchased in FY3/16 (Progress)	0.44 (88.0%)	700 (88.1%)	--	--

Fifth Medium-term Management Plan Progress Report and Upcoming Initiatives

The Fifth Medium-term Management Plan: April 2014 - March 2017

Hibiya Group 50th Anniversary in July 2016, the final year of the Plan

The Fifth Medium-term Management Plan

(April 2014 – March 2017) (1)



Fundamental Goal

Become a **comprehensive engineering services organization** that is a one-stop source of services for all customer needs

< Core Strategy >

Supply life cycle total solutions

Increase orders in strategic domains

- Reinforce solution-based sales
- Upgrade solution technologies
- More synergies among group companies
- Make extensive use of alliances

Build a stronger foundation

- Accumulate and use information and knowledge
- Unified management for the entire group
- Focus on cost/performance to make construction more efficient
- More advanced training and emphasis on safety and quality

Confidence and safety

- Strengthen CSR and compliance activities
- Distribute more earnings to shareholders
- Improve employee satisfaction

Mega-trends

Energy

ICT/smart

BCP/
disasters

Global

Hibiya Engineering strengths

Accumulate energy and "smart" technologies

Improve solution proposal skills

Reinforce the value chain from consulting to maintenance

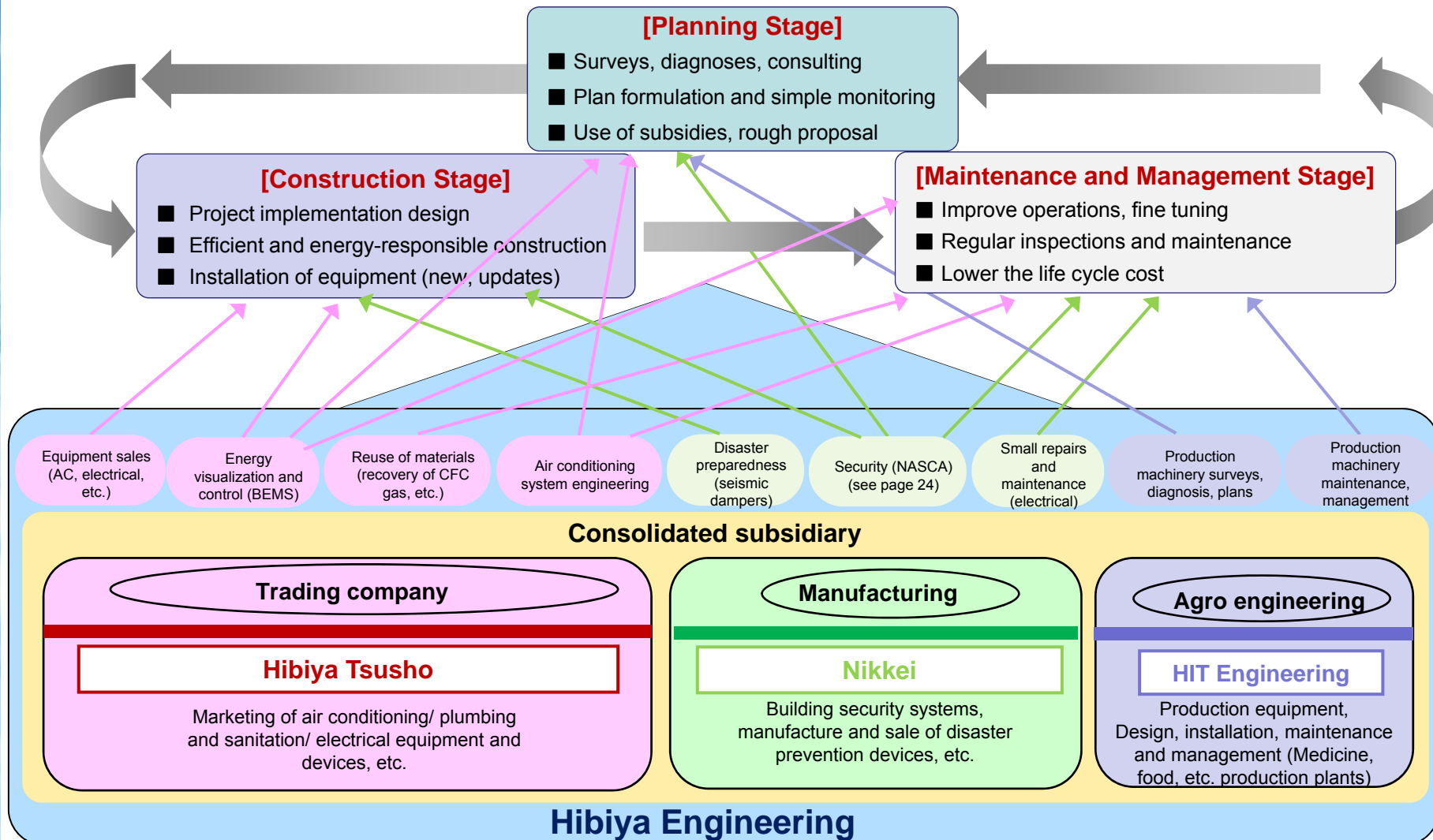
BCP, safety and quality

The Fifth Medium-term Management Plan

(April 2014 – March 2017) (2)



Supply life cycle total solutions by building on group synergies



*The Building Energy Management System uses ICT for the measurement of a building's electric power use and temperature and humidity and for the efficient control of HVAC, lights and other building facilities.

[Core Strategy] Life Cycle Total Solutions



▷ Reinforce solution-based sales activities

- Establishment of priority domains contributed to growth in three sectors: data centers/information, office buildings, and manufacturing/distribution

【Priority Domains】

Data centers/ Information



Growth by precisely targeting needs involving information/communications equipment

Office buildings



More orders by targeting opportunities created by rising demand for large office buildings and tenant remodeling needs

Manufacturing/ Distribution



Growth backed by large distribution facilities and mega-solar projects

Health care (Medical Welfare)



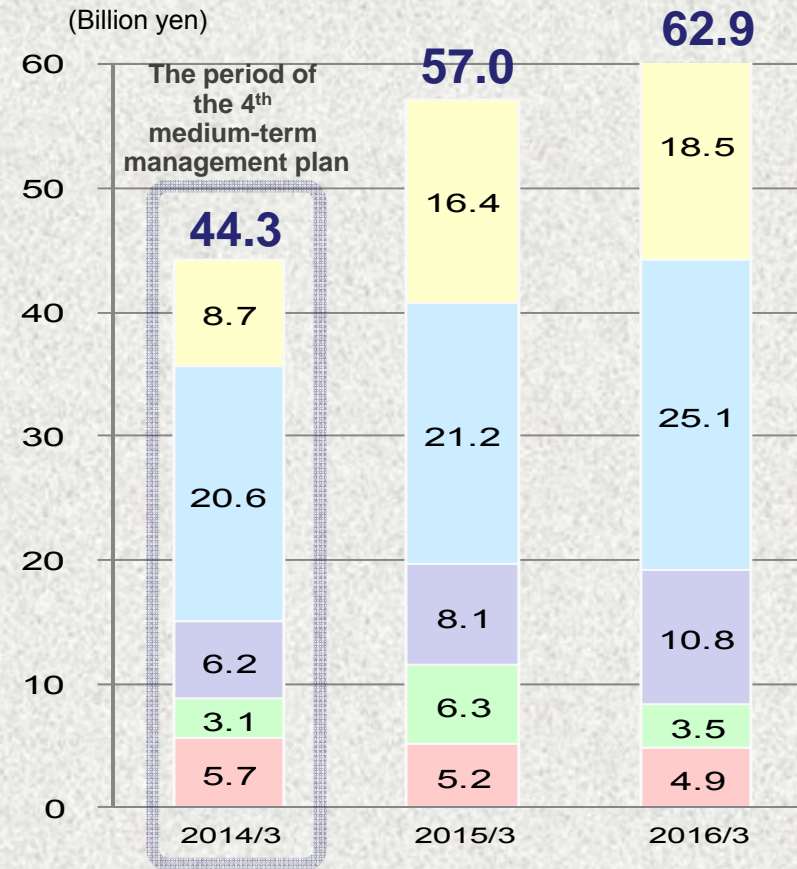
Reconstruction of aging hospitals and use of BCP proposals to create demand

Education



Energy conservation and other proposals for schools that have used Hibiya Engineering in the past

【Orders received in the priority domains】



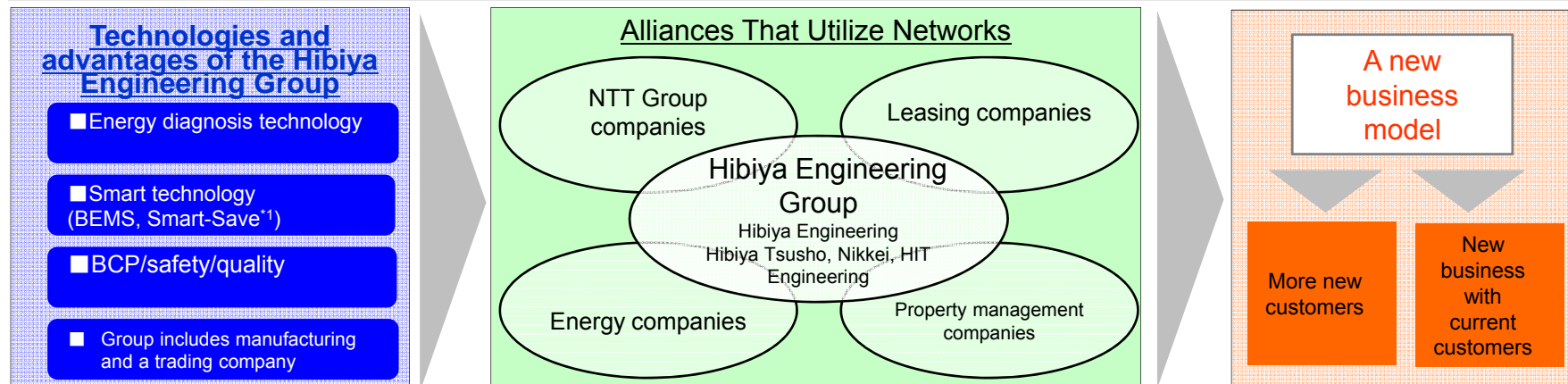
[Core Strategy] Life Cycle Total Solutions



Life Cycle Total Solutions performance

FY3/16 orders: 56.5 billion yen

Expand alliances (grow in a multitude of domains)



Examples of Life Cycle Total Solutions Activities

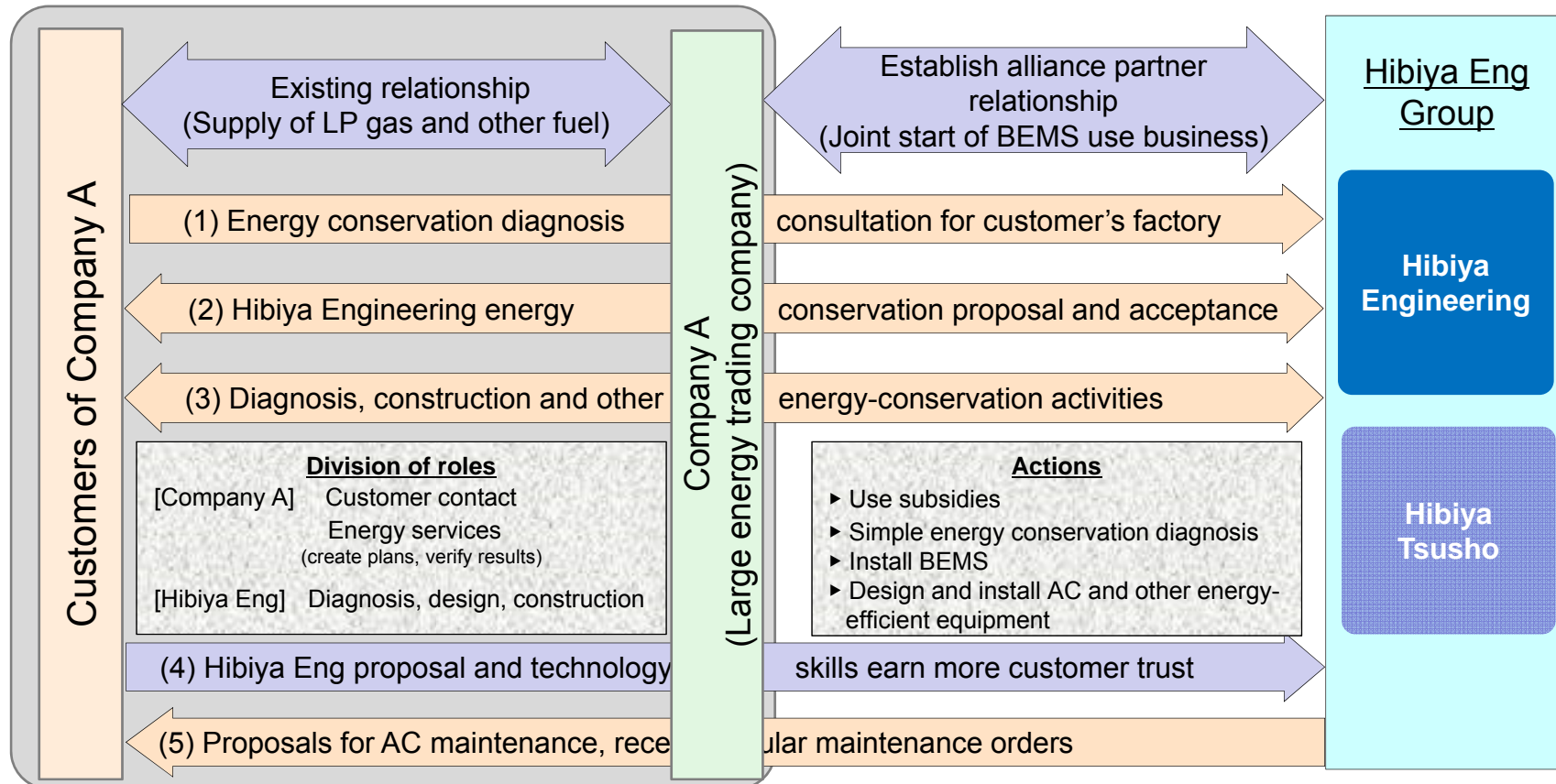
<ul style="list-style-type: none"> Energy conservation diagnosis led to orders for air conditioning system update and maintenance work 	Large energy trading company A	(Example 1 on page 10)
<ul style="list-style-type: none"> Proposal for a solution for fully utilizing an existing building 	Large property management firm General contractor A	(Example 2 on page 11)
<ul style="list-style-type: none"> Life cycle total solution proposals and alliance with NTT Group companies 	NTT Group companies Hibiya Engineering Group	(Example 3 on page 12)
<ul style="list-style-type: none"> Demonstration of Hibiya Engineering technology led to more orders (Ministry of the Environment CO₂ reduction demonstration project) 	Large home manufacturer NTT Group companies	(Example 4 on page 13)
<ul style="list-style-type: none"> Use of leasing schemes at local government office buildings and others 	Leasing companies, equipment manufacturers, installation companies, Hibiya Engineering Group	(Example 5 on page 14)

*1 An electricity load control unit developed by Hibiya Eng that automatically controls electricity use

[Core Strategy] Life Cycle Total Solutions (Example:1)



Energy conservation diagnosis led to orders for air conditioning system update and maintenance work



Benefits for Company A

- ▶ More services result in broader customer relationships
- ▶ Larger selection of products and services results in new customers and more sales

↔ Alliance partners ↔

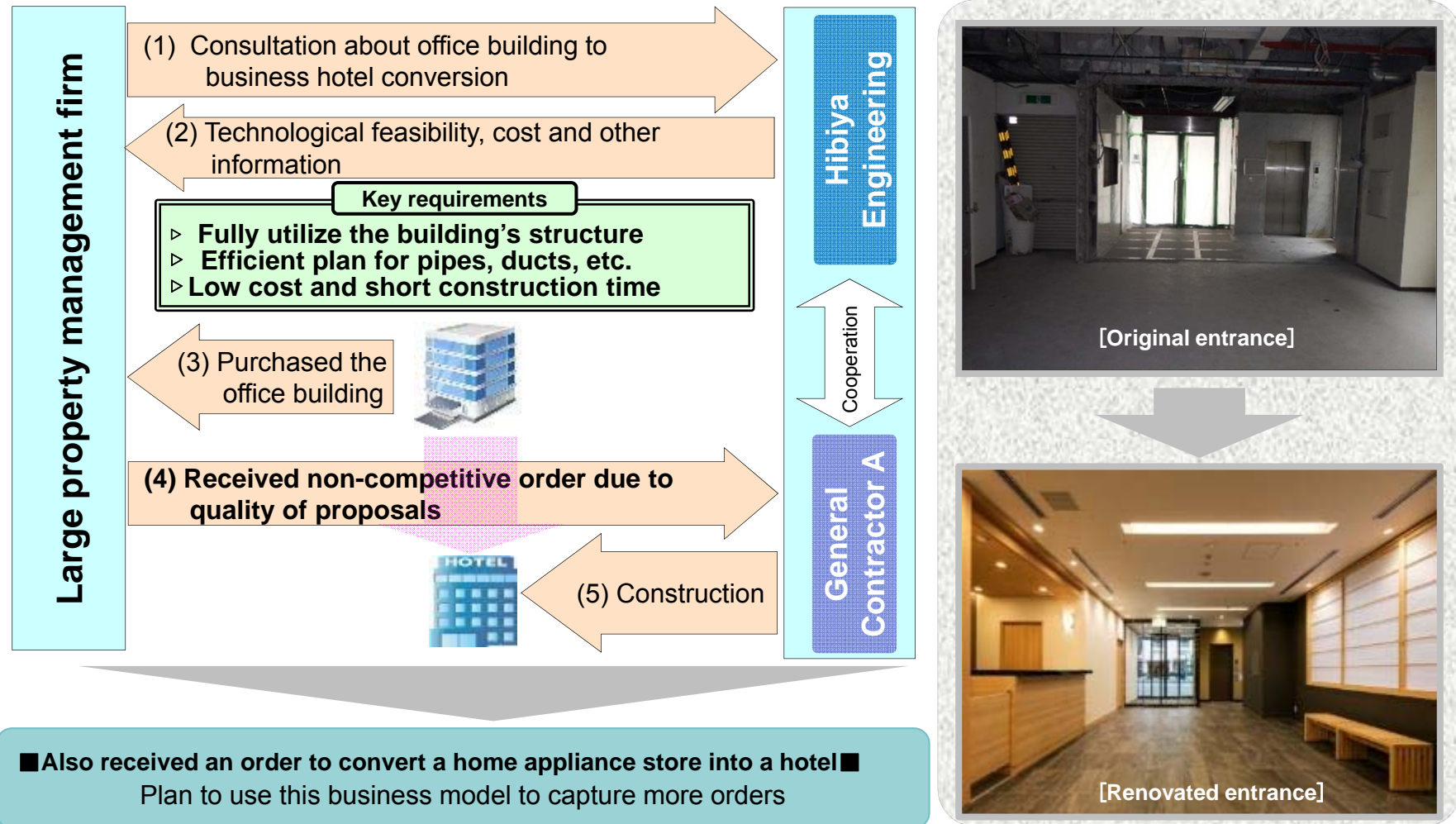
Benefits for the Hibiya Engineering Group

- ▶ Ability to provide the same services to other customers of Company A
- ▶ Ability to provide proven services to new and current customers

[Core Strategy] Life Cycle Total Solutions (Example:2)

Proposal for a solution for fully utilizing an existing building

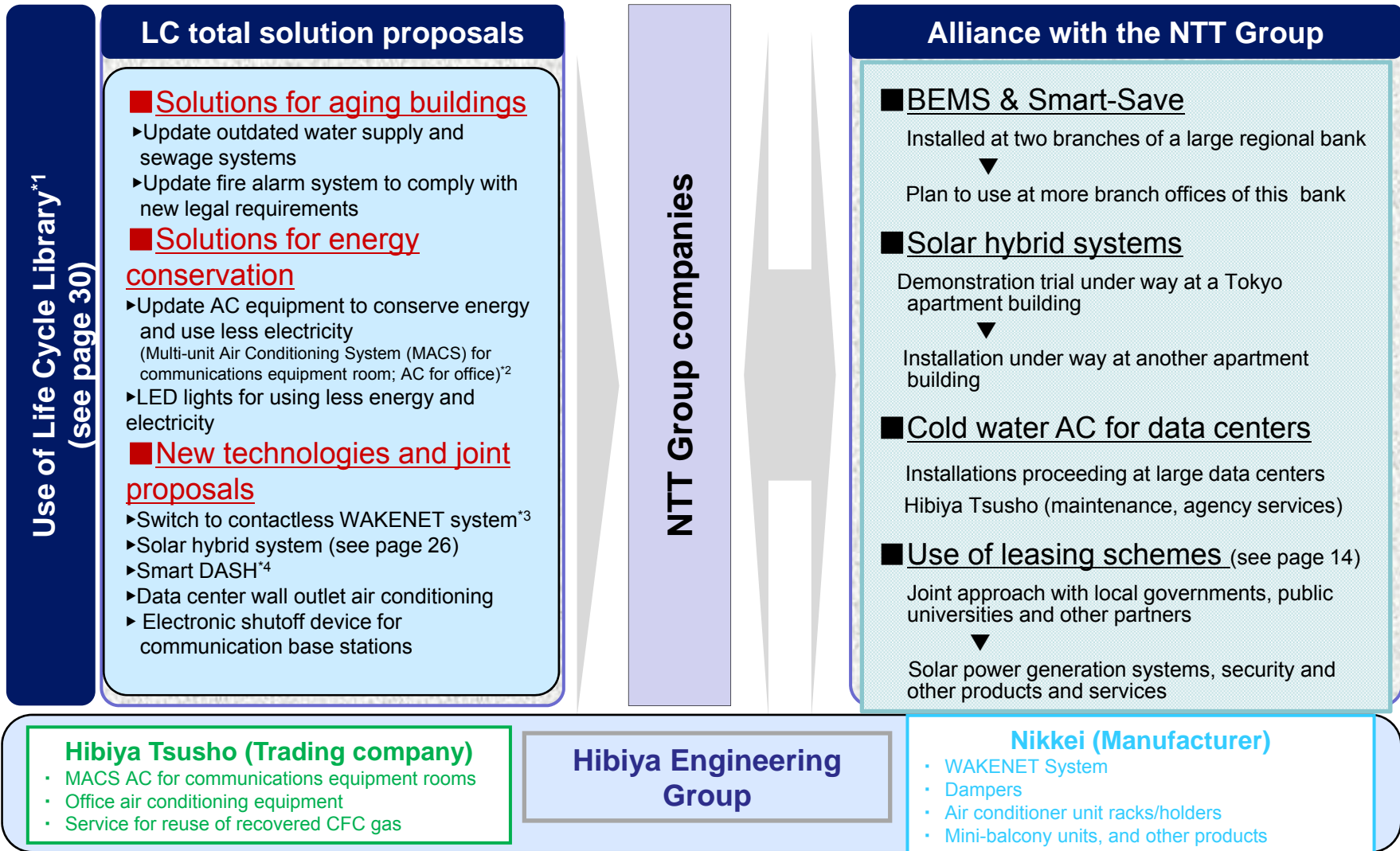
- Building use conversion proposal that meets social requirements and uses renewal technologies



[Core Strategy] Life Cycle Total Solutions (Example:3)



Life cycle total solution proposals and alliance with NTT Group companies



*1: A database of intellectual assets for construction and other activities at Hibiya Engineering to facilitate sharing throughout the entire group

*2: An AC system for communications equipment rooms developed by an NTT Group company

*3: The room access control system (copyrighted) of an NTT Group company

*4: A data center AC control system with a learning function created by an NTT Group company

[Core Strategy] Life Cycle Total Solutions (Example:4)



Demonstration of Hibiya Engineering technology led to more orders
(Ministry of the Environment CO₂ reduction demonstration project)

Hibiya Engineering technology
Use of solar thermal energy

[Jointly developed]
Solar Hybrid System

NTT Group technology
Solar power generation

Proposal for a large home manufacturer for the use of solar hybrid systems

Selected for a Ministry of the Environment CO₂ emission reduction demonstration project
(Use of a solar hybrid system at an apartment building)

■ Summary of the demonstration trial (2013 to 2015)

- ▶ Creation and evaluation of a solar hybrid panel
- ▶ Developed technologies for system design and installation method control
- ▶ Measurement of the system's benefits after installation

Benefits for the customer (large home manufacturer)

Favorable publicity

Lower energy (electricity, hot water)
cost and CO₂ emissions

Lower cost due to use of subsidies

This large home manufacturer has decided to use the solar hybrid system at another apartment building.

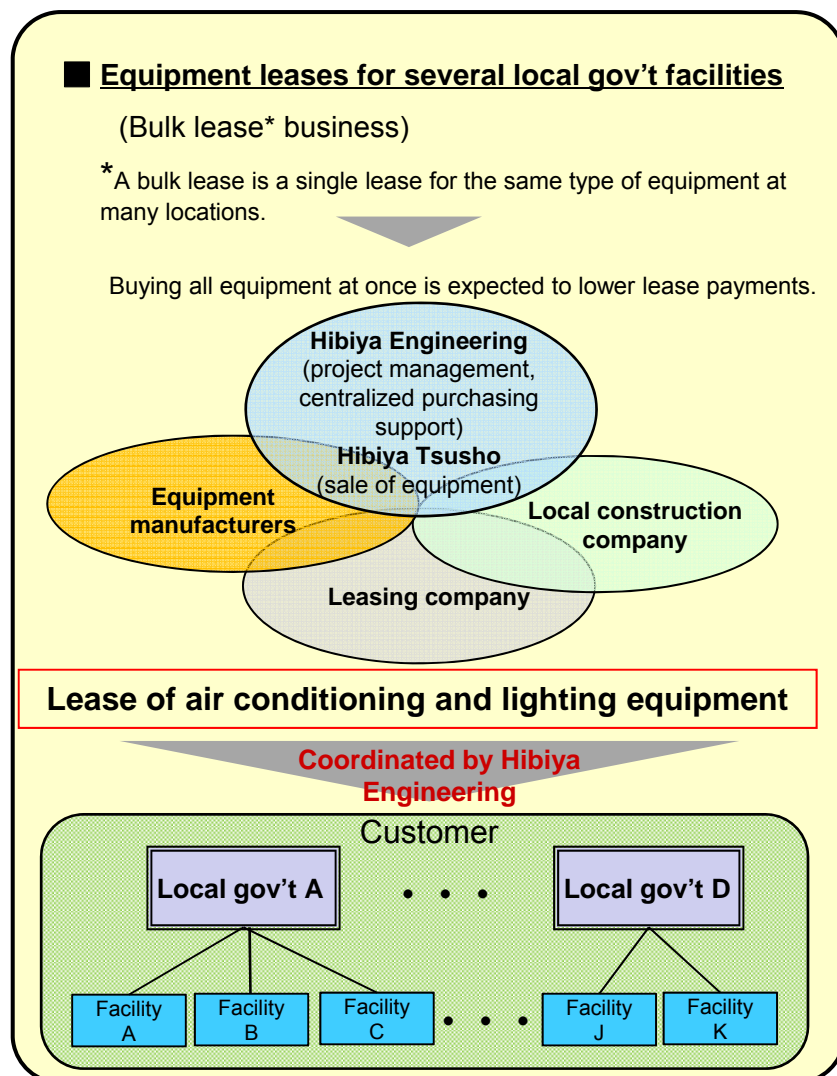
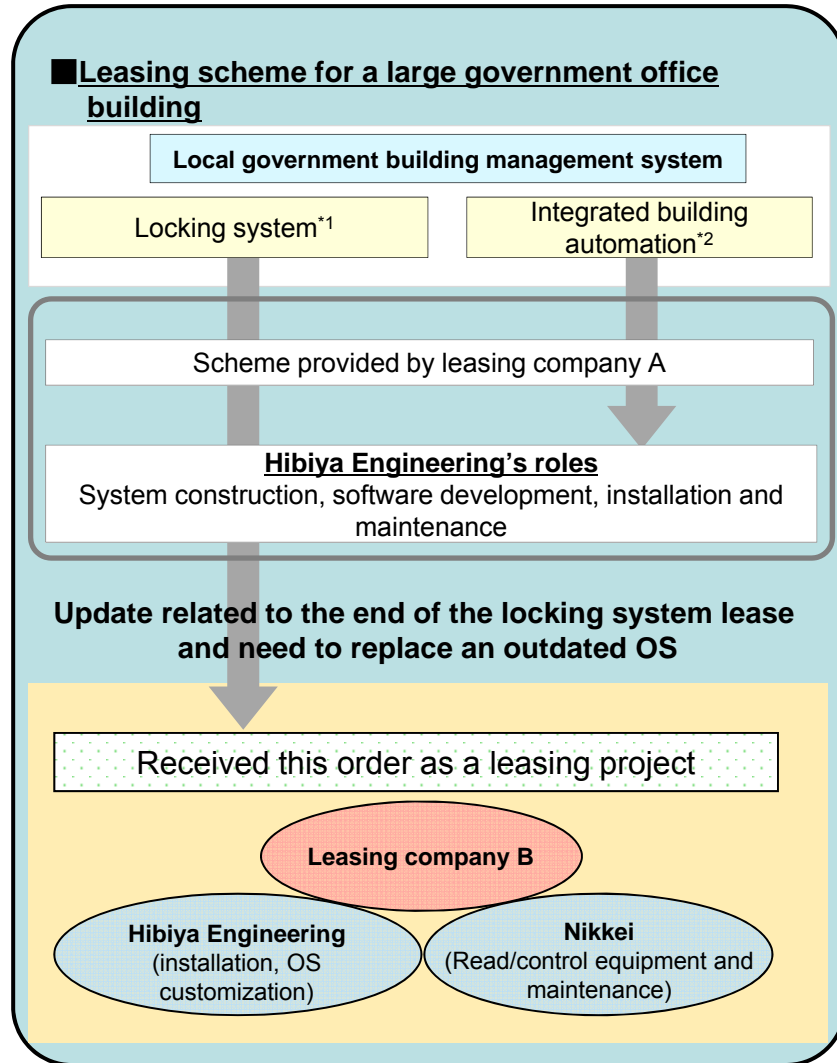
Expect increasing use of the solar hybrid system

[Core Strategy] Life Cycle Total Solutions (Example:5)



▷ Extensive use of alliances

Use of leasing schemes at local government office buildings



*1: Uses card readers and electric locks to control room access

*2: Overall supervision of a local gov't building's lights, AC, electricity use and other items

[Core Strategy] Life Cycle Total Solutions

▶ More advanced solution technologies



Projects Receiving the Cogeneration Award/Japan Resilience Award 2016

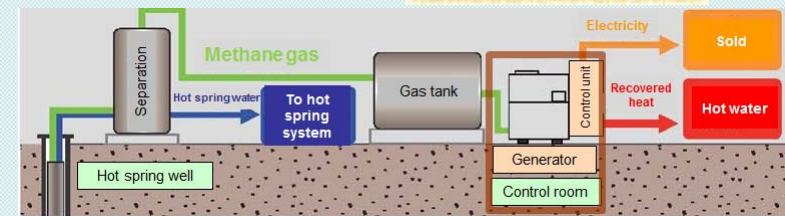
Fiscal 2015 Cogeneration Award, Private Sector Special Award

(Advanced Cogeneration and Energy Utilization Center)

◆ A cogeneration system at a resort hotel that uses byproduct gas produced by a hot water spring (see page 28)



- ◎ Award was given jointly to three organizations
Tapic Okinawa Co., Ltd. (project leader)
Ryuseki Construction Co., Ltd.
Hibiya Engineering, Ltd.



Japan Resilience Award 2016, Outstanding Achievement Award

(Association for Resilience Japan)

◆ Conversion of restaurant to a disaster response support center
(A dual electricity/fuel cogeneration system gives this center a self-reliant energy supply.)



- ◎ Award was given jointly to three organizations
Suzuhiko Kamaboko Honten Co., Ltd. (project leader)
Hibiya Engineering, Ltd.
Odawara Gas Co., Ltd.



The restaurant
(Kazamatsuri, Odawara city Kanagawa pref.)



[Core Strategy] Life Cycle Total Solutions



▷ More advanced solution technologies

The society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE),
FY2015 6th Sustainable Construction Award

NTT FACILITIES Shin-Ohashi Building Received Two Awards

SHASE FY2015 Building Equipment Category Construction Award

(The society of Heating, Air-Conditioning and Sanitary Engineers of Japan)

◆ Environmental equipment plan for Tokyo Square Garden

- ◎ Award was given jointly to several organizations
Takasago Thermal Engineering Co., Ltd. and Asahi Industries Co., Ltd. (AC equipment), Hibiya Engineering (sanitary facilities), Kinden Co., Ltd. (electrical equipment), and others

◆ NTT FACILITIES Shin-Ohashi Building

- ◎ Award was given jointly to several organizations
NTT Facilities, Inc. (owner, final inspections)
Takenaka Corp. (construction)
Hibiya Engineering (AC), and others



Tokyo Square Garden (owners)
Kyobashi Development SPC, Dai-ichi Life Insurance, Katakura Industries, Shimizu Jisho, Kyobashi 3-chome SPC, J&S Insurance Services



6th Sustainable Construction Awards, Small Building Category Chairman's Award

(Institute for Building Environment and Energy Conservation)

◆ NTT FACILITIES Shin-Ohashi Building

- ◎ Award was given jointly to four organizations
NTT Facilities Co., Ltd. (owner, design)
Takenaka Corp./Kyoritsu Construction JV (construction)
Hibiya Engineering (AC and sanitary facilities)
Kandenko Co., Ltd. (electrical equipment)



Photo courtesy of NTT Facilities



Stronger operations with priority on confidence and safety (1)

Many actions for efficient construction and profit management

■ Use more cooperation among group companies to cut costs and become more competitive

- ▶ Use joint activities to lower procurement prices.
- ▶ Jointly develop tools and other equipment for higher efficiency.



[Using iPads for accident prediction training]

■ Established a purchasing center

- ▶ Centralization of equipment purchases for all projects started lowering purchase prices in the past fiscal year.

■ Tighter oversight of budgets and orders to sub-contractors

- ▶ Budget Management Committee measures to prevent exceeding budgets; earnings improvement due to more rigorous preliminary examinations before placing sub-contractor orders

■ Job site management and safety management using IT tools

- ▶ Use of iPads for dangerous process data, faster accident prevention activities, and digital construction drawings

■ Use the life cycle library for information sharing throughout the group

- ▶ Gather and use information about outstanding processes and accomplishments at similar projects in the priority domains.
- ▶ Regular conferences for presentations about outstanding achievements (7 projects) and the quick use of this know-how throughout the group
- ▶ Database of close-call workplace incidents for sharing this information (55 key incidents)



[A construction diagram displayed on an iPad]

Unified group management

- Unified personnel/compensation system and the unified operation of accounting and other administrative operations
- Cut administrative expenses by sharing systems (saved 68 million yen)



[A dialogue-style training seminar]

Employee training

- More education and dialogue-style training (total of 54 sessions) for upgrading skills and the use of job rotations (97 people were rotated)
- Measures to support the advancement of female employees (promotions to management positions, female employee conferences, provision of career paths)

CSR and compliance

- Purchasing hotline helps ensure that purchasing activities are done properly
- Compliance training sessions for all group executives and employees (9 sessions)
- Completed ISMS* certification at all group business sites in January 2016



[A compliance training session]

*International standard for information security management systems

The main title "Major completed projects" is centered on the page. The text is in a large, bold, black sans-serif font. A thin red horizontal line is positioned directly beneath the text. The background of the entire slide is a blue-tinted image of the Earth from space, showing the continents and oceans.

Major completed projects

【Completed Projects】

Medical Institution Using District Heating/Cooling and Heat Recovery Technology



New Aiiiku Hospital Building – AC and Sanitary Systems

[AC Systems]



Air conditioning machinery room



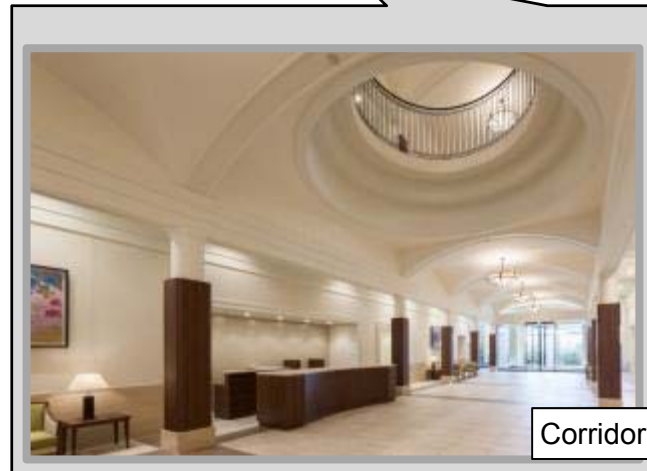
Ceiling reflective panels
in a hospital room



[Sanitary Systems]



Water supply feed pump



Corridor



Hot water tank

【Completed Projects】

Regional Medical Center and Technology Development Facility



Kaga Medical Center

- The core medical facility for this area of Japan
- Hibiya Engineering installed sanitary equipment



Technology Innovation Center

- Used by Daikin Industries to create new technologies
- Hibiya Engineering installed sanitary equipment in the testing building

【Completed Projects】

Large Multi-purpose Development and Large Shopping Center



Sumitomo Realty & Development Shinjuku Garden Tower

- Incorporates business continuity planning for disaster preparedness
- A futuristic model for a city-center building, featuring much greenery
- Hibiya Engineering installed AC equipment for parts of this building



Tokyu Plaza Ginza

- One of the largest retail buildings in the Ginza district
- Hibiya Engineering installed sanitary equipment

【Completed Projects】

Urban Redevelopment Projects with Outstanding Environmental and BCP Features



Shinagawa Season Terrace

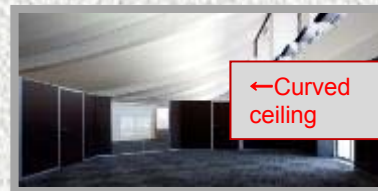
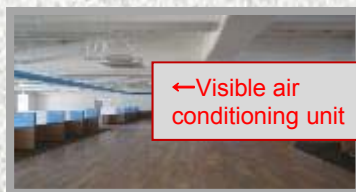
- Among the largest office floors in Japan (almost 5,000m²)
- Constructed above a sewage treatment facility
- Hibiya Engineering installed the light electrical equipment



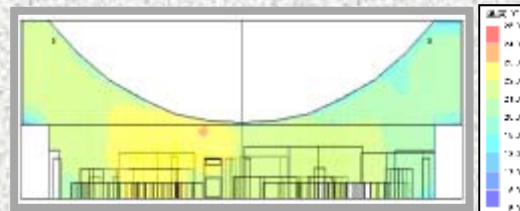
Tokyo Nihonbashi Tower

- A landmark tower designed to be a disaster response center for this area of Tokyo
- Hibiya Engineering installed the air conditioning equipment

New Activities Using Hibiya Engineering Technologies



Air flow analysis (temperature distribution)



Himi Municipal Office Building

- A major renovation to convert a school gymnasium into a city hall building
- Required large-space analysis of air flows and temperature
- Hibiya Engineering performed AC, sanitary and electrical work



Separate equipment



Gas holder and control room



Electricity generator

Yuinchi Hotel Nanjo

- Natural gas cogeneration system* using Hibiya Engineering technology
- Hibiya Engineering performed every step from design to installation for the cogeneration system.

*Uses natural gas to produce electricity and hot water (see page 28)

Reference (technologies)

Services and Technologies of Hibiya Engineering Group

Hibiya Tsusho Trading company

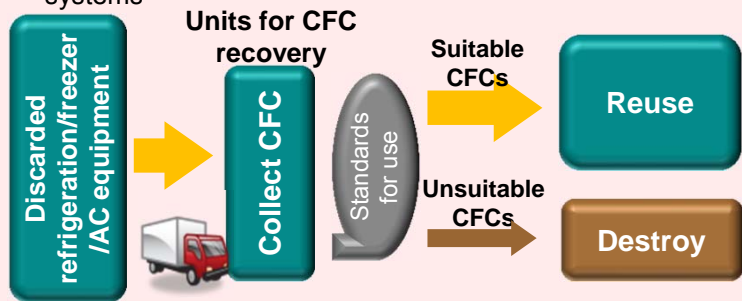
Reuse of recovered chlorofluorocarbons (CFCs)

Highlights of processing CFCs for reuse

- ◆ Little energy needed for reuse of CFCs
- ◆ Minimal release of CO₂ during processing
- ◆ Less expensive than destroying CFCs
- ◆ Processing produces little industrial waste
- ◆ Recovered CFCs can be used effectively

Processing of recovered CFCs and reuse

- ◎ CFCs collected from refrigeration/freezer/air conditioning equipment and converted to a CFC gas by a recovery system
- ◎ The gas is reused mainly by using it to refill air conditioning systems



CO₂ emissions from the reuse of CFCs are only 1/12 of emissions from CFC destruction

Source: Refrigerant Collection and Processing Technologies (published by Refrigerant Collection Promotion and Technology Center)

Nikkei Manufacturer

Manufacture of equipment, disaster response units, etc.

Damper with high-pressure blower



- ▶ Unitized high-pressure blower, damper and connection duct
- ▶ Cuts amount of labor required at the jobsite

Environmentally responsible support brackets



- ▶ Used to suspend air conditioning systems
- ▶ Lighter than conventional brackets and less costly to transport

Mini-balcony unit



- ▶ Decorative duct cover for an apartment building balcony
- ▶ Combines air supply, refrigerant and drain pipes for compact placement

【Reference】

HA(Hibiya-Active)-BEMS

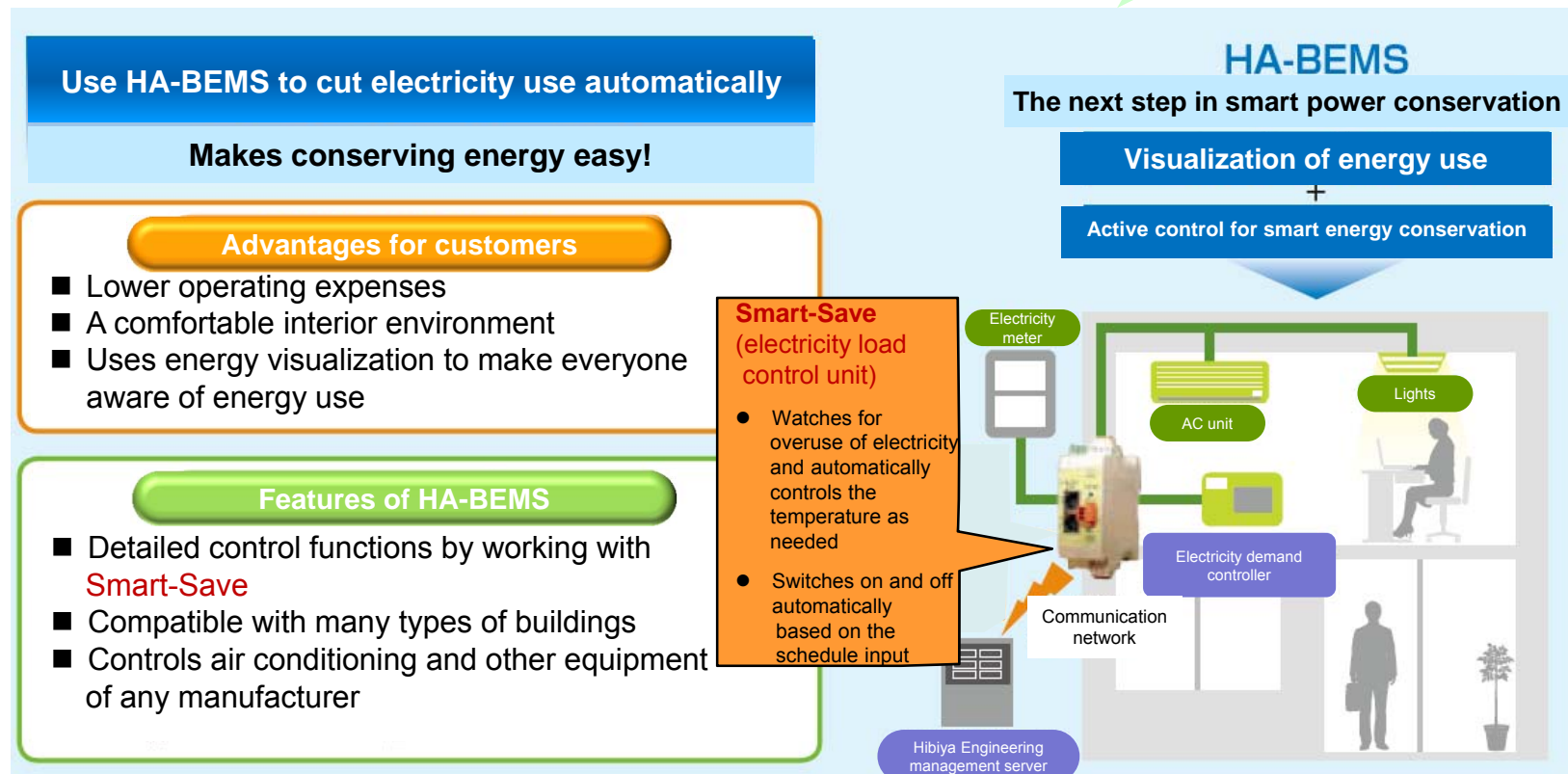


HA-BEMS (Hibiya-Active Building Energy Management System)

Uses ICT to measure a building's electricity use, humidity and temperature as well as efficiently control climate control, lights and other items.

Why choose HA-BEMS?

Provides visualization along with **outstanding control functions** in association with Smart-Save



[Reference]

Solar Hybrid System



■ Joint demonstration test of solar hybrid system with NTT Facilities

Advantages

- Solar energy comprehensive conversion rate of more than 40%
- Reduction in power generation loss caused by high temperature of solar cells
- Supplies both electricity and hot water
- Uses less roof space by combining power generation and heat collection in a single panel

[Major applications]

Health care facilities
(senior/nursing care facilities, hospitals)

Restaurants
(suburban and roadside locations)

Residential buildings
(houses and apartment buildings)

Selected for Ministry of the Environment Project

Hibiya Engineering and two other companies were selected by Japan's Ministry of the Environment (and received a subsidy) to perform a demonstration project for the development of inductive technology that further cuts CO₂ emissions.

Location: Apartment buildings in Tokyo
* Completed at the end of February 2016

[Solar hybrid systems]



Solar hybrid panels are similar to photovoltaic panels.



Solar heat collection units are placed under the photovoltaic panels.

[Reference]

The NASCA Security System

■ An embedded contact-free IC card reader for simplicity with outstanding performance



Advantages of the contact-free IC card reader

- Compact size and ability to connect with two switch boxes
- Semi-transparent LCD panel with antenna on the back
- A multi-card reader compatible with ISO14443 type A and B cards and FeliCa cards
- Audio guidance and error detection
- Touch-panel display with three-color backlight for a variety of images
- Can be customized to display English and pictures
- Easy to operate and includes a sensor to conserve energy when not in use

Features of the NASCA security system

Flexible system construction to match the size of the application

Can create a room access security system with many functions

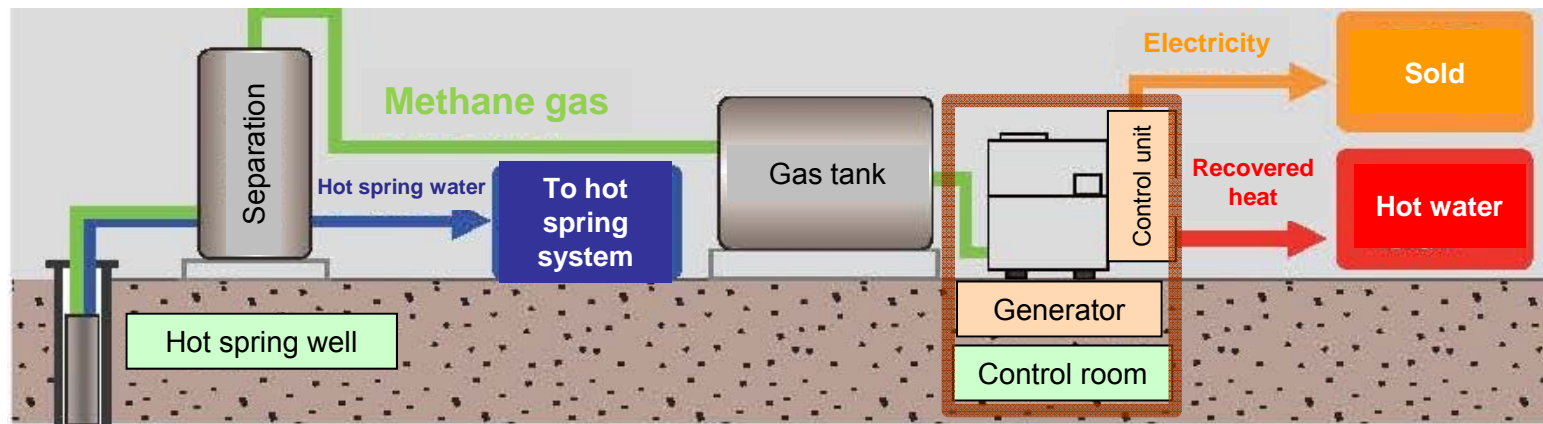
Also compatible with many authorization devices, elevator floor access and other functions

A variety of system settings to match many operating methods

Natural Gas Cogeneration System

This system uses natural gas to supply electricity and hot water.

- Natural gas is separated from hot spring water, processed and stored to power the generator.
- The electricity is sold to reduce the amount of power purchased.
- Heat recovered from power generation is used to produce hot water, which cuts the cost of fuel.



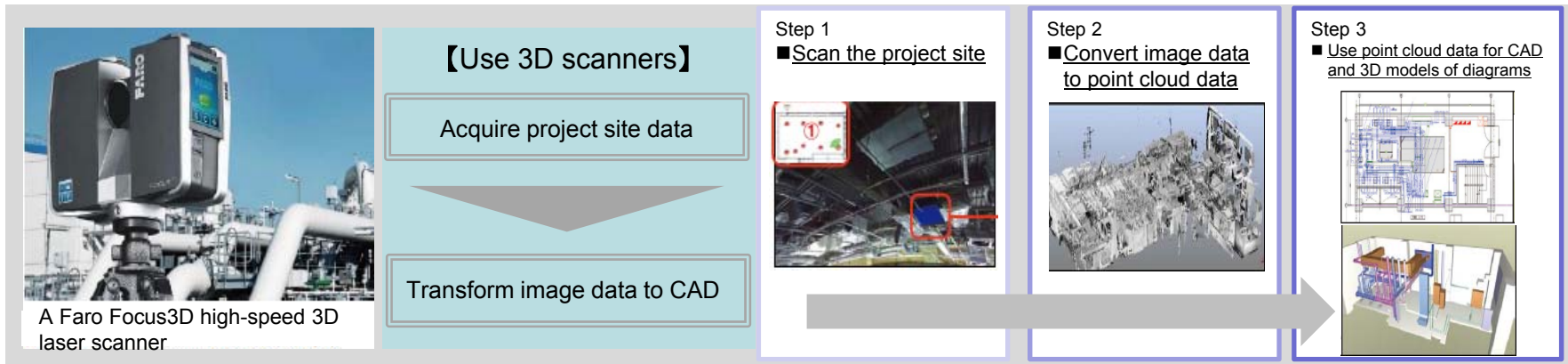
- With an energy efficiency of more than 80%, a gas cogeneration system is an environmentally responsible technology that greatly lowers wasted energy compared with the conventional generation of electricity.

【Reference】

3D Scanners



Use state-of-the-art technology (3D scanners) for more technological advances



【Advantages】

- Reduces number of people and time needed to perform jobsite surveys
- Improves the safety of jobsite surveys
- Increases the accuracy of construction drawings
- Produces CAD and 3D models quickly

Started using this method as a support system for project site surveys

【Use of 3D scanners】 (2011 to 2015 1H)

Used mainly in the following locations

NTT Group

Educational institutions

Hotels

Factories

Number of projects

Construction support (about 40 projects)
[NTT Group buildings, historic structures, hotels, schools, gymnasiums, others]

Maintenance support (about 55 projects)
[NTT Group buildings, historic structures, hotels, schools, gymnasiums, others]

Utilizing this technique as much as possible as a renovation technology

【 Reference 】

The Life Cycle Library

Life cycle total solution ideas for the NTT Group

Hibiya Engineering strengths

Superior technologies, including for use of existing facilities

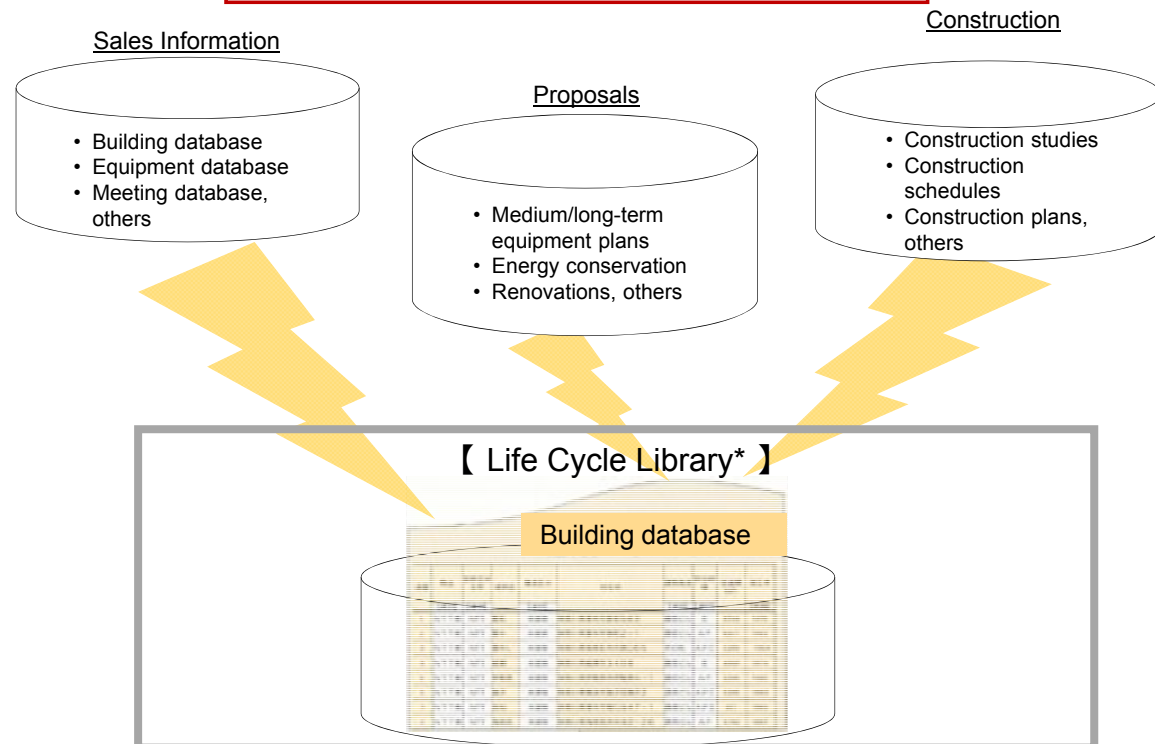
Much experience with communication facilities

Skill in determining a building's life cycle

Fast follow-up sales after completion

To create the best possible solution proposals

A Database of Hibiya Eng. Projects



Better proposals by sharing information and knowledge!

*A database containing intellectual property involving construction and other Hibiya Engineering Activities to enable this knowledge to be shared and used throughout the Hibiya Engineering Group.

時代にまっすぐ、技術にまじめです。

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