

## Summary of Consolidated Financial Results For the Third Quarter of Fiscal Year Ending March 31, 2016 [Japan GAAP]

Company: Hibiya Engineering, Ltd.

Stock exchange listing: Tokyo Stock Exchange (First Section)

Stock code: 1982

URL: <http://hibiya-eng.co.jp/>

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Date of filing of quarterly securities report: February 5, 2016 (tentative)

Date of commencement of dividend payment: -

Supplementary explanatory documents: No

Earnings presentation: No

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

### 1. Financial results for the first three quarters of the fiscal year ending March 2016 (April 1, 2015 – December 31, 2015)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters ended Dec. 2015	45,824	5.2	769	-	1,334	-	1,109	-
First three quarters ended Dec. 2014	43,553	4.7	(841)	-	(438)	-	(233)	-

Note: Comprehensive income: First three quarters of FY3/2016: 17 million yen (-97.8%)

First three quarters of FY3/2015: 803 million yen (-60.5%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Dec. 2015	37.42		37.21	
First three quarters ended Dec. 2014	(7.76)		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2015	75,248	57,410	73.5	1,876.55
As of March 31, 2015	84,725	58,939	67.2	1,912.49

Notes: Shareholders' equity

As of December 31, 2015: 55,316 million yen

As of March 31, 2015: 56,935 million yen

### 2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2015	-	16.00	-	16.00	32.00
Fiscal year ending March 2016	-	20.00	-		
Fiscal year ending March 2016 (estimate)				20.00	40.00

Note: Change in the estimation of dividend from the latest announcement: No

### 3. Forecast for the fiscal year ending March 2016 (Consolidated, April 1, 2015 to March 31, 2016)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	74,000	3.7	2,500	26.0	3,300	7.9	2,000	(24.0)	67.18

Note: Change in the forecast from the latest announcement: No

\* **Note**

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No
- (3) Changes in accounting principles and estimates, and retrospective restatement
  - (a) Changes due to revision of accounting standards: Yes
  - (b) Changes other than in (a): No
  - (c) Changes in accounting estimates: No
  - (d) Retrospective restatement: No

Note: For more information, please see 2. Other Information (Note), Changes in accounting principles and estimates, and retrospective restatement.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2015:	31,000,309	As of March 31, 2015:	31,000,309
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(b) Treasury shares

As of December 31, 2015:	1,522,631	As of March 31, 2015:	1,229,704
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2015:	29,641,929	Period ended December 31, 2014:	30,076,068
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\* Description of quarterly review procedure implementation status

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The quarterly review procedure process based upon the Financial Instruments and Exchange Act has been completed at the time of disclosure of this report.

**Forward-looking statements, important Notes, etc.**

These materials contain forward-looking statements that are based on information available to management as of the date of this report. Actual results may be materially different from these forecasts for a number of reasons.

This is an English translation of the captioned report. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.

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## 1. Results of Operations

### (1) Overview of consolidated business performance

In the first three quarters, the Japanese economy recovered slowly along with improvements in corporate earnings, jobs and personal income. However, the outlook is unclear because of the risk of an economic downturn in China and other countries and other uncertainties.

In the construction industry, public-works investments and private-sector capital expenditures were firm. But the operating environment was challenging because of the rising cost of construction as the growing demand for construction services caused the cost of materials and labor to increase.

The Hibiya Engineering Group continued to take actions aimed at becoming a comprehensive engineering services organization that is a one-stop source of services for all customer needs. In the first three quarters, orders received decreased 1.1% from one year earlier to 54,307 million yen and sales increased 5.2% to 45,824 million yen. Operating income was 769 million yen compared with an 841 million yen loss one year earlier and ordinary income improved from a 438 million yen loss to income of 1,334 million yen. These improvements were the result of ongoing cost-cutting initiatives, including more centralized purchasing and more efficient construction work. Profit attributable to owners of parent was 1,109 million yen compared with a 233 million yen loss one year earlier.

### (2) Overview of financial condition

#### Assets

Total assets were 75,248 million yen at the end of the third quarter, 9,476 million yen less than at the end of the previous fiscal year. Current assets decreased 4,886 million yen to 39,634 million yen and noncurrent assets decreased 4,590 million yen to 35,614 million yen.

The decrease in total assets was primarily the result of decreases of 10,381 million yen in notes receivable, accounts receivable from completed contracts and other and 1,862 million in investment securities.

#### Liabilities

Liabilities decreased 7,947 million yen to 17,838 million yen.

This was mainly attributable to decreases of 6,134 million yen in notes payable, accounts payable for construction contracts and other and 998 million yen in income taxes payable.

#### Net assets

Net assets were 57,410 million yen at the end of the third quarter mainly because of a 1,194 million yen decrease in valuation difference on available-for-sale securities from the end of the previous fiscal year.

### (3) Forecast for fiscal year ending in March 2016

There is no change in the forecast for the consolidated results of operations that was announced on May 12, 2015.

## 2. Other information (Note)

Changes in accounting principles and estimates, and retrospective restatement

Changes in accounting policy

(Application of accounting standard concerning business combinations and other accounting standards)

Beginning with the first quarter of the fiscal year ending on March 31, 2016, Hibiya Engineering is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As a result, when ownership changes at a subsidiary where Hibiya Engineering retains control, this difference is included in the capital surplus. In addition, the recognition of expenses associated with corporate acquisitions has been changed to the consolidated fiscal year in which the corresponding expense occurred. Furthermore, there is a revision involving the allocation of acquisition expenses for business combinations occurring on or after the first day of the first quarter of the fiscal year ending on March 31, 2016. The outlook for the allocation of acquisition expenses, based on a provisional confirmation of the accounting treatment, is now reflected in the consolidated financial statements of the quarter that includes the business combination date. There are also revisions for the presentation of quarterly net income and other items and the minority interests item is now called non-controlling interests. To reflect these changes in the presentation of the financial statements, third quarter and fiscal year consolidated financial statements for the previous fiscal year have been revised.

For the application of these three accounting standards, the transitional measures specified in Accounting Standard for Business Combinations No. 58-2 (4), Accounting Standard for Consolidated Financial Statements No. 44-5 (4) and Accounting Standard for Business Divestitures No. 57-4 (4) were used. These three accounting standards will continue to be applied starting with the beginning of the first quarter of the fiscal year ending on March 31, 2016.

The application of these accounting standards had no effect on earnings.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Third quarter ended Dec. 2015 (As of December 31, 2015)
<b>ASSETS</b>		
Current assets		
Cash and deposits	3,363	6,095
Notes receivable, accounts receivable from completed construction contracts and other	36,092	25,711
Securities	2,701	2,505
Costs on uncompleted construction contracts and other	951	1,447
Other	1,459	3,914
Allowance for doubtful accounts	(47)	(39)
Total current assets	44,520	39,634
Noncurrent assets		
Property, plant and equipment	532	510
Intangible assets	115	109
Investments and other assets		
Investment securities	33,735	31,873
Other	5,888	3,140
Allowance for doubtful accounts	(67)	(20)
Total investments and other assets	39,556	34,993
Total noncurrent assets	40,204	35,614
Total assets	84,725	75,248

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Third quarter ended Dec. 2015 (As of December 31, 2015)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	19,170	13,035
Income taxes payable	1,172	173
Advances received on uncompleted construction contracts	671	555
Provision for bonuses	976	438
Provision for warranties for completed construction	56	59
Provision for loss on construction contracts	348	246
Other	1,648	2,232
Total current liabilities	24,043	16,740
Noncurrent liabilities		
Net defined benefit liability	254	146
Other	1,487	950
Total noncurrent liabilities	1,742	1,097
Total liabilities	25,785	17,838
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	41,872	41,893
Treasury shares	(1,241)	(1,717)
Total shareholder's equity	52,316	51,861
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	4,692	3,498
Remeasurements of defined benefit plans	(72)	(42)
Total accumulated other comprehensive income	4,619	3,455
Subscription rights to shares	138	162
Non-controlling interests	1,864	1,931
Total net assets	58,939	57,410
Total liabilities and net assets	84,725	75,248

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
 Quarterly consolidated statements of income  
 For the first three quarters (April 1, 2015 – December 31, 2015)

(million yen)

	First three quarters ended December 2014 (April 1, 2014 – December 31, 2014)	First three quarters ended December 2015 (April 1, 2015 – December 31, 2015)
Net sales	43,553	45,824
Cost of sales	39,484	40,227
Gross profit	4,069	5,597
Selling, general and administrative expenses	4,910	4,828
Operating income (loss)	(841)	769
Non-operating income		
Interest income	73	61
Dividend income	152	160
Share of profit of entities accounted for using equity method	26	162
Other	156	185
Total non-operating income	409	570
Non-operating expenses		
Interest expense	2	0
Other	3	4
Total non-operating expenses	5	5
Ordinary income (loss)	(438)	1,334
Extraordinary income		
Gain on sales of investment securities	106	1,160
Total extraordinary income	106	1,160
Extraordinary losses		
Loss on sales of investment securities	5	-
Loss on insurance cancellation	-	762
Total extraordinary losses	5	762
Income (loss) before income taxes and minority interests	(336)	1,731
Income taxes-current	49	217
Income taxes-deferred	(172)	354
Total income taxes	(123)	571
Profit (loss)	(212)	1,159
Profit attributable to non-controlling interests	20	50
Profit (loss) attributable to owners of parent	(233)	1,109

Quarterly consolidated statements of comprehensive income  
For the first three quarters (April 1, 2015 – December 31, 2015)

(million yen)

	First three quarters ended December 2014 (April 1, 2014 – December 31, 2014)	First three quarters ended December 2015 (April 1, 2015 – December 31, 2015)
Profit (loss)	(212)	1,159
Other comprehensive income		
Valuation difference on available-for-sale securities	987	(1,148)
Remeasurements of defined benefit plans, net of tax	22	12
Share of other comprehensive income of entities accounted for using equity method	6	(5)
Total other comprehensive income	1,015	(1,142)
Comprehensive income	803	17
Comprehensive income attributable to owners of the parent	738	(55)
Comprehensive income attributable to non-controlling interests	64	72



(3) Notes to consolidated financial statements

(Going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None