

時代にまっすぐ、技術にまじめです。

**Earnings Announcement  
For the First Half of FY3/16**

 **Hibiya Engineering, Ltd.**

November 17, 2015

Hibiya Group 50th Anniversary in July 2016

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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.

The main title of the document is centered on the page. It reads "Financial Summary" in a large, bold, black sans-serif font, followed by "For the First Half of FY3/16" in a slightly smaller, bold, black sans-serif font. A thin red horizontal line is positioned below the text.

# **Financial Summary**

## **For the First Half of FY3/16**

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# Financial Highlights (Consolidated)

- First half orders received and sales were generally as planned.
- Earnings improved from one year earlier; aiming for the FY targets while strengthening many initiatives

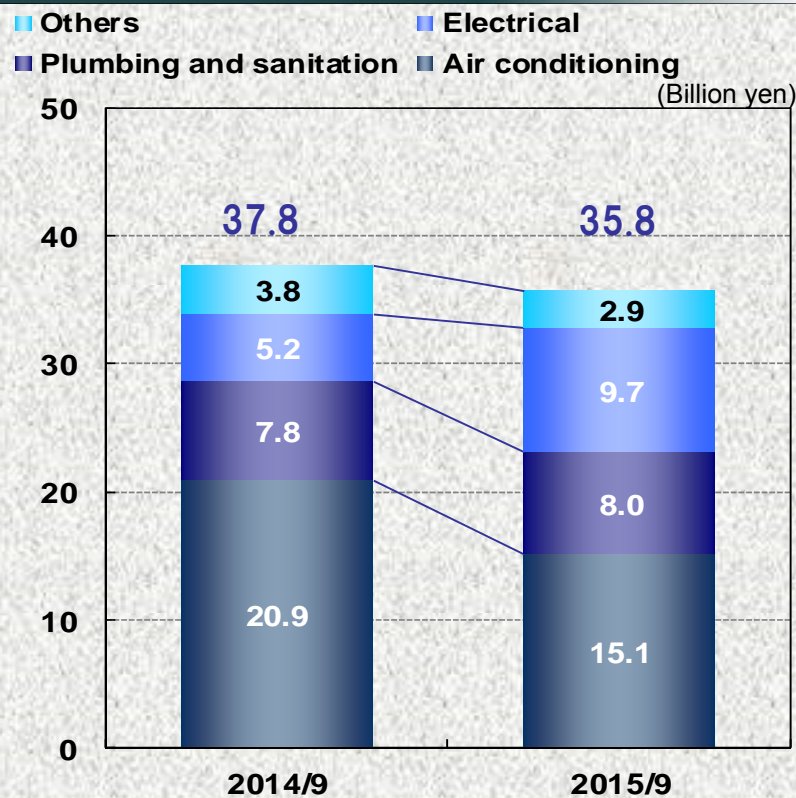
(Billion yen)

	2014/9 Actual	2015/9 Actual	YoY (%)	2016/3 Plan	First 3 years target of Fifth Medium-term Management Plan
Orders Received	37.85	35.86	(5.3%)	74.0	70.0 ~
Net sales	28.10	27.25	(3.0%)	74.0	70.0 ~
Operating Income	(0.97)	(0.53)	—	2.5	2.5 ~
Ordinary Income	(0.75)	(0.33)	—	3.3	3.3 ~
Net Income	(0.49)	(0.27)	—	2.0	2.0 ~

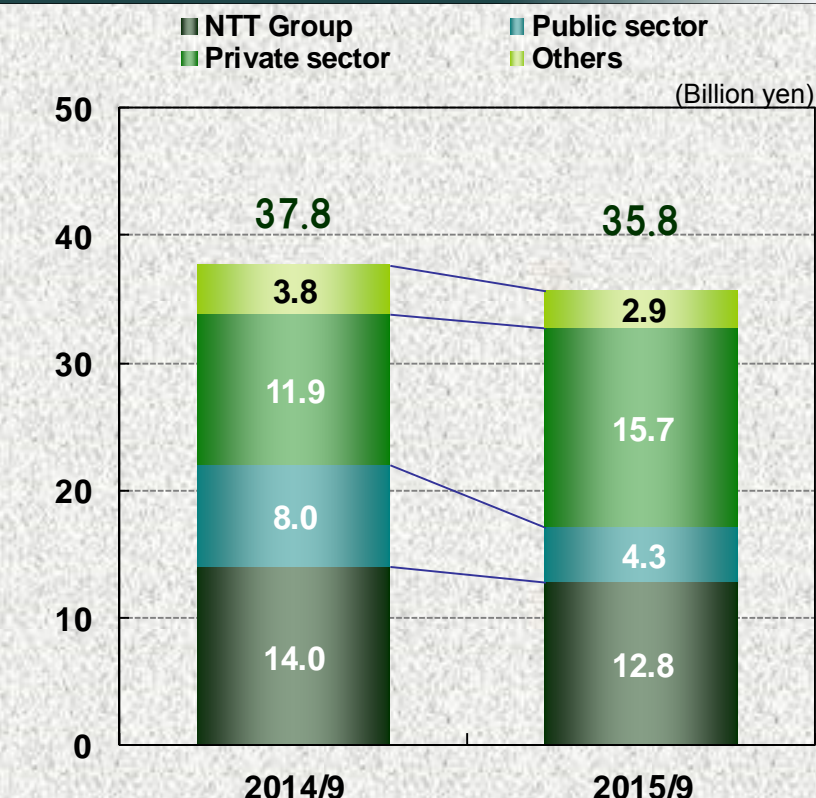
## Orders Received by Category & by Customer (Consolidated)

- Using life cycle total solutions\*<sup>1</sup> to improve profitability
- Orders have a good balance among air conditioning, plumbing and sanitation, and electrical projects

### By category



### By customer



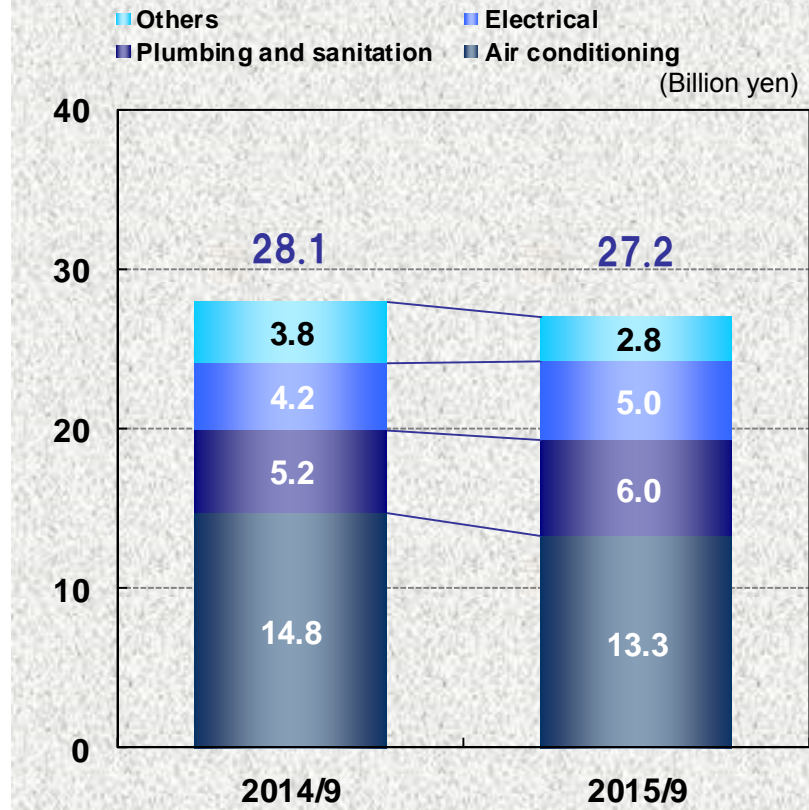
\*Other orders are orders received at group companies.

\*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.

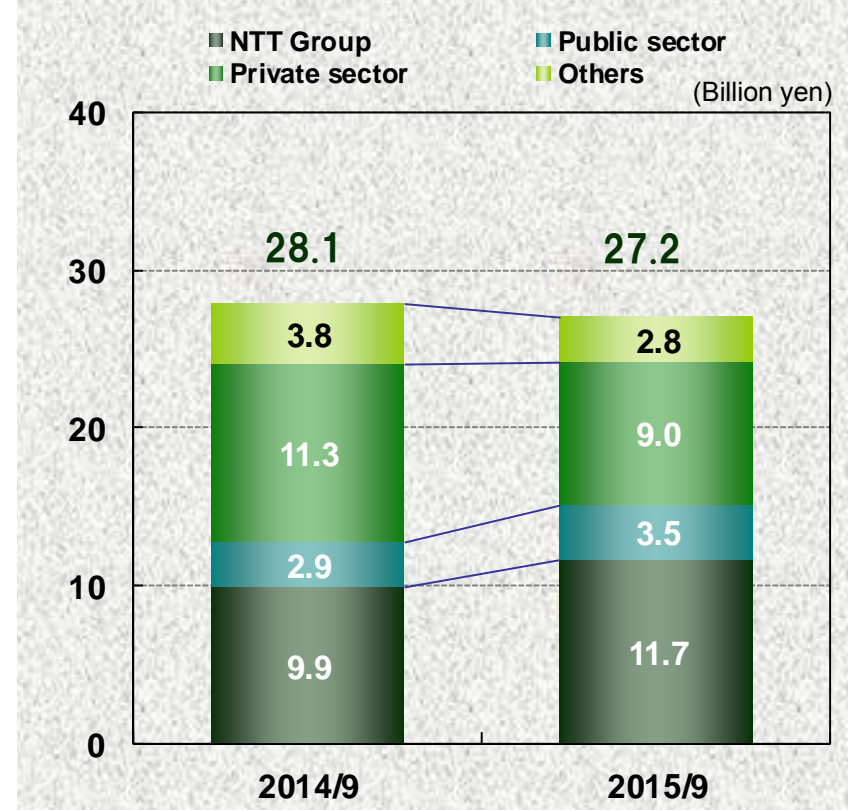
## Sales by Category & by Customer (Consolidated)

■ The NTT Group's share of sales increased, partly due to growth in orders carried over from FY3/15.

By category



By customer



\*Other orders are orders received at group companies.

## Summary Income Statements (Consolidated)

- The gross profit margin improved because of life cycle total solutions, measures to cut the cost of sales and SG&A expenses, and other actions.

(Billion yen)

	2014/9 Actual	2015/9 Actual
Net sales	28.10	27.25
Cost of sales	25.82	24.57
Gross profit	22.8	2.67
Gross profit margin	8.1%	9.8%
SG&A expenses	3.25	3.21
Operating income	(0.97)	(0.53)
Non-operating income	0.21	0.20
Ordinary income	(0.75)	(0.33)
Extraordinary income	0.00	0.00
Income taxes	(0.26)	(0.06)
Net income	(0.49)	(0.27)



# 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)
- Dividends include a **20 yen** interim dividend.

## Stock purchases

### 【Basic policy】

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

### 【Actual/Plan】

■ Allowance of the year	500,000 shs	800 million yen
■ Repurchased in the 1 <sup>st</sup> half of FY3/16	212,000 shs	340 million yen
(Progress)	(42.4%)	(42.4%)

# **The Fifth Medium-term Management Plan and Accomplishments for the First Half of FY3/16**

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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

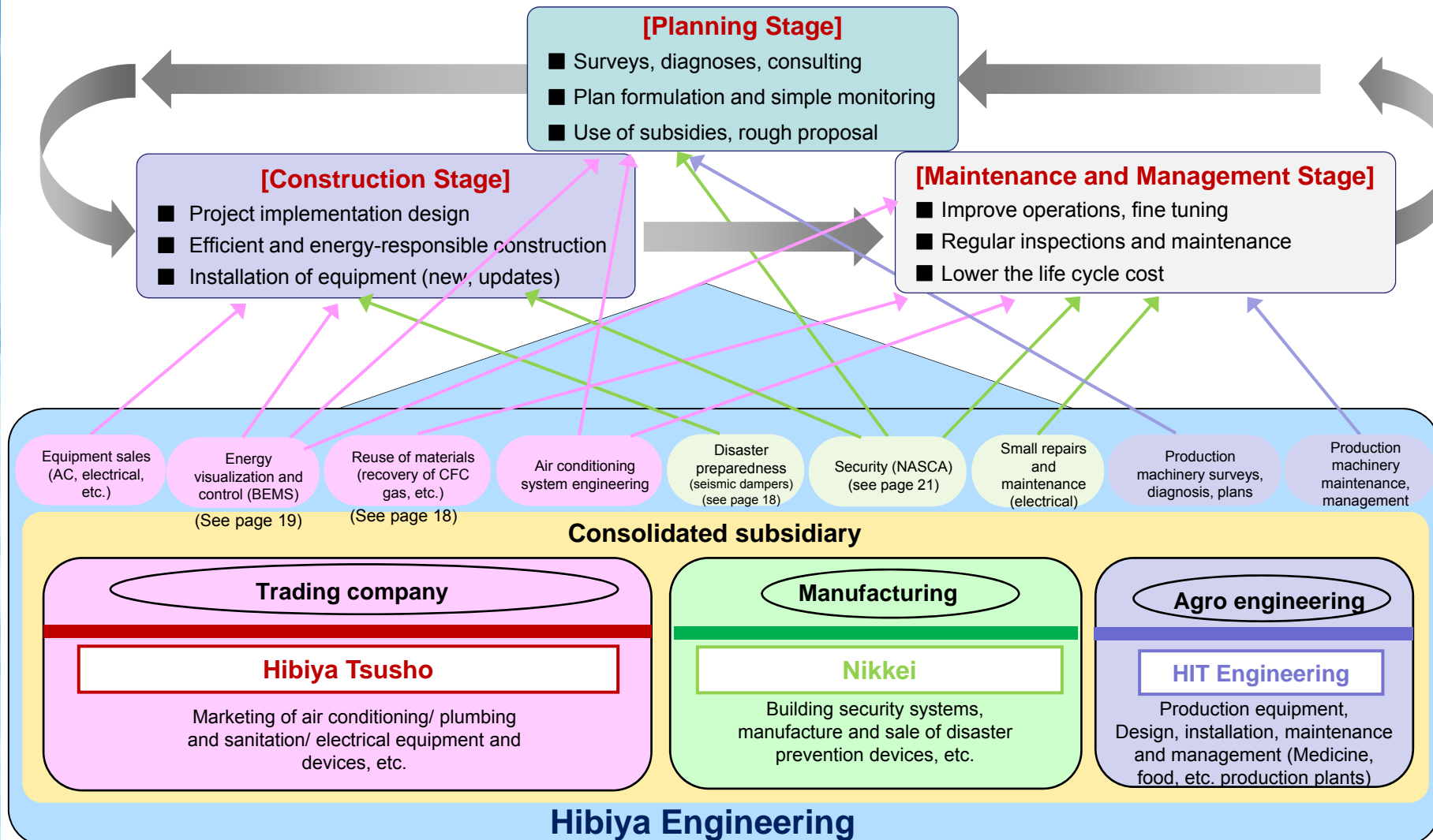
BCP, safety and quality

# The Fifth Medium-term Management Plan

(April 2014 – March 2017) (2)



Supply life cycle total solutions by building on group synergies



# [Core Strategy] Life Cycle Total Solutions



## ▷ Reinforce solution-based sales activities

- Consistent progress with orders in strategic domains – Office building domain and manufacturing/distribution domain orders up from one year earlier

### 【Priority Domains】

Data centers/  
Information

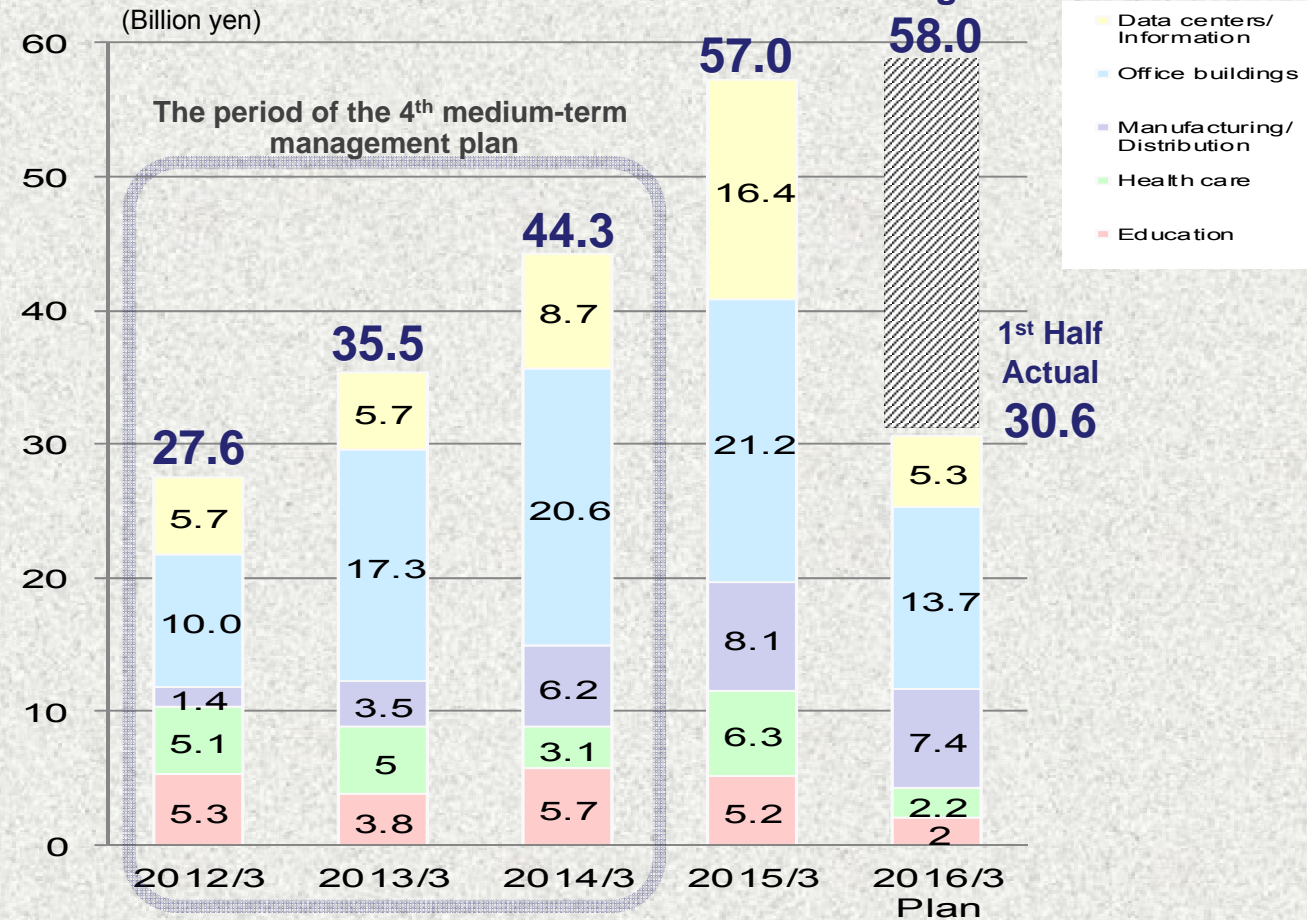
Office  
buildings

Manufacturing/  
Distribution

Health care  
(Medical  
Welfare)

Education

### 【Orders received in the priority domains】



# [Core Strategy] Life Cycle Total Solutions



▷ Reinforce solution-based sales activities

## Life cycle total solutions accomplishments

- Life cycle total solutions sales activities that used ideas involving energy, “smart” technologies and other themes as well as a variety of business alliances

Life cycle total solutions accounted for **80%** of all first half orders of 35.8 billion yen

## Initiatives

### 【Solution proposals for the effective use of existing facilities】

- Medium/long-term plan for hospital facilities based on an accurate aging diagnosis (see page 10)
- Conversion from office building to hotel using renovation technology (see page 11)

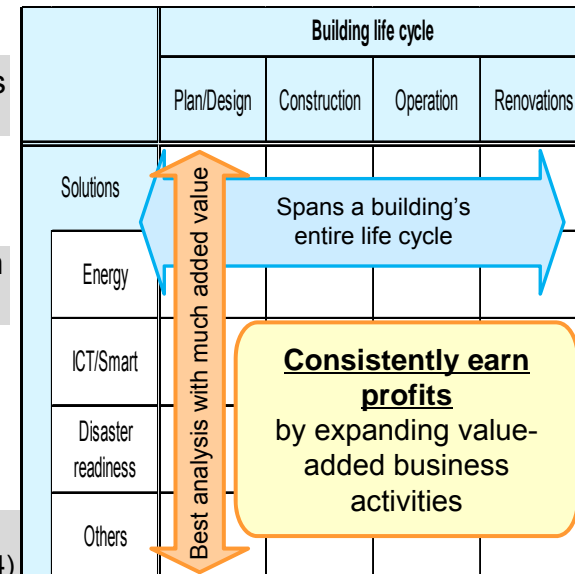
### 【Alliances with many companies】

- Major regional bank used Hibiya Engineering product combined with BEMS\* of an NTT Group company (see page 12)
- Business growth using leases (see page 13)

➢ For government office bldg., heat source update, security system, solar power, LED lighting and other facilities

### 【Life cycle total solutions proposals for NTT Group companies】

- Building a database for the internal sharing of Hibiya Engineering project construction and other information to create the best possible proposals (see page 14)



\* A Building Energy Management System uses ICT for measuring electricity use and temperature and humidity and efficiently controlling air conditioning, lighting and other facilities.



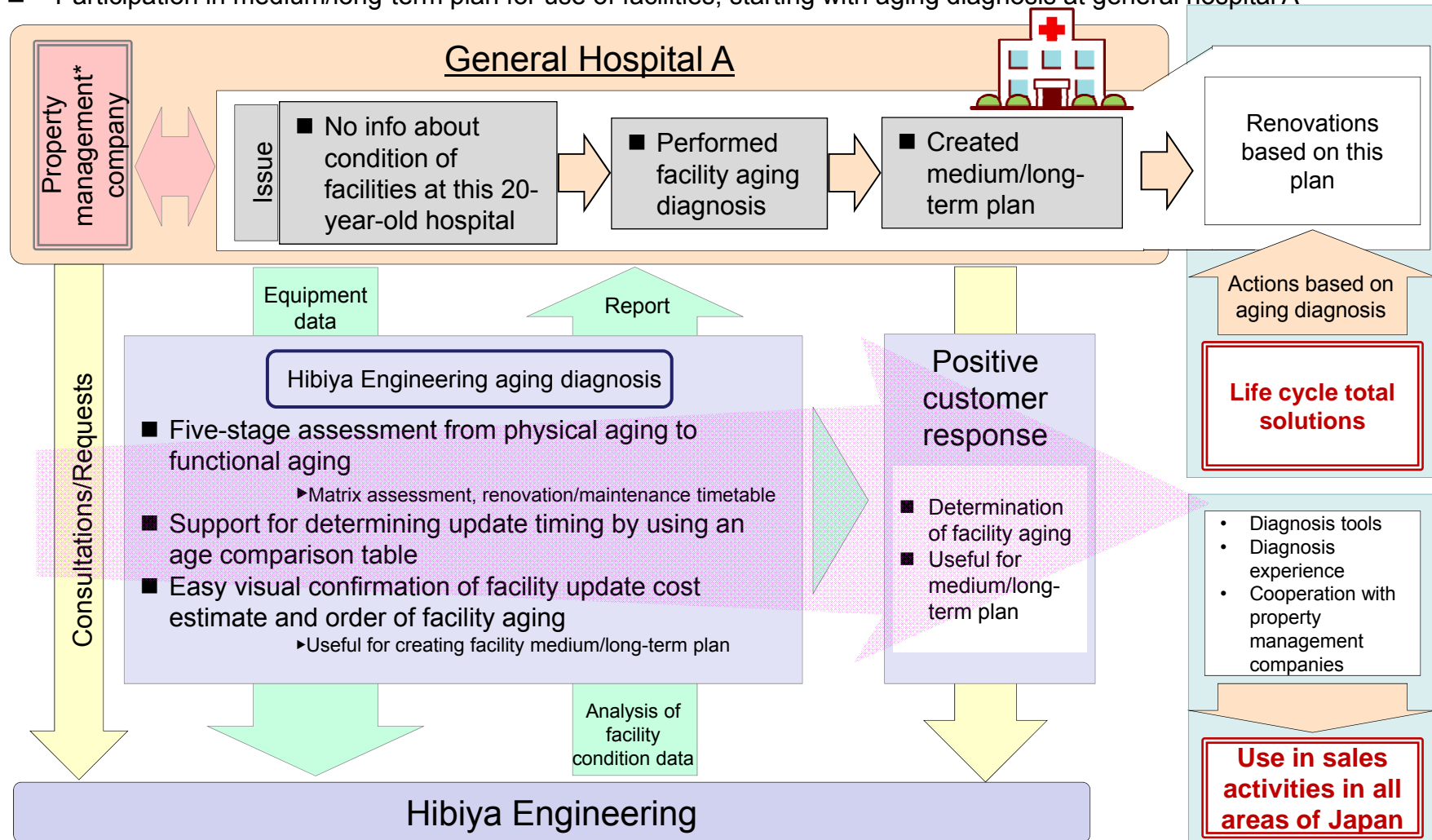
# [Core Strategy] Life Cycle Total Solutions (Example:1)



▷ Reinforce solution-based sales activities

## 1. Solution for the effective use of an existing building

- Participation in medium/long-term plan for use of facilities, starting with aging diagnosis at general hospital A



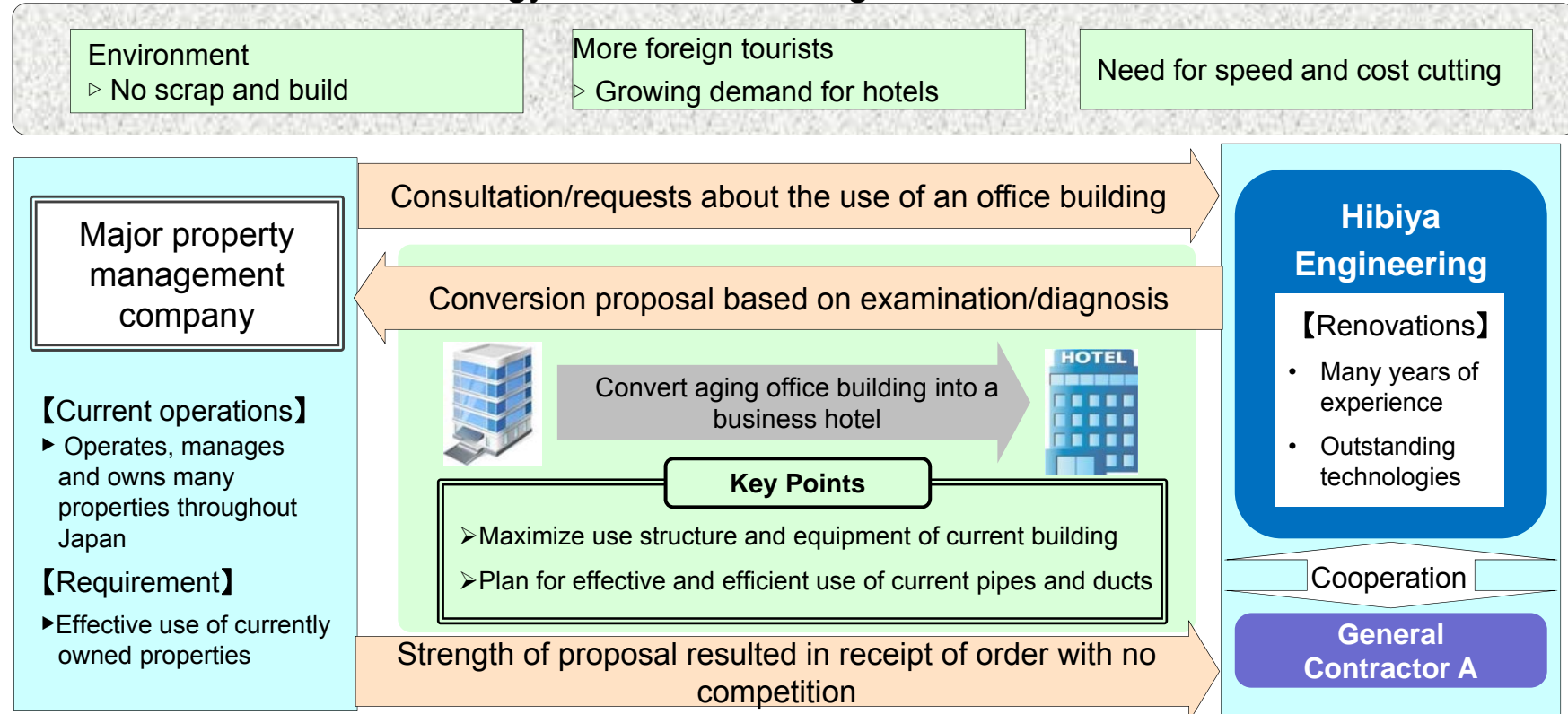
# [Core Strategy] Life Cycle Total Solutions (Example:2)



▷ Reinforce solution-based sales activities

## 2. Solution for the effective use of an existing building

■ Use of renovation technology to convert building use to meet current market needs



Also working on conversion of home electronics store to a hotel

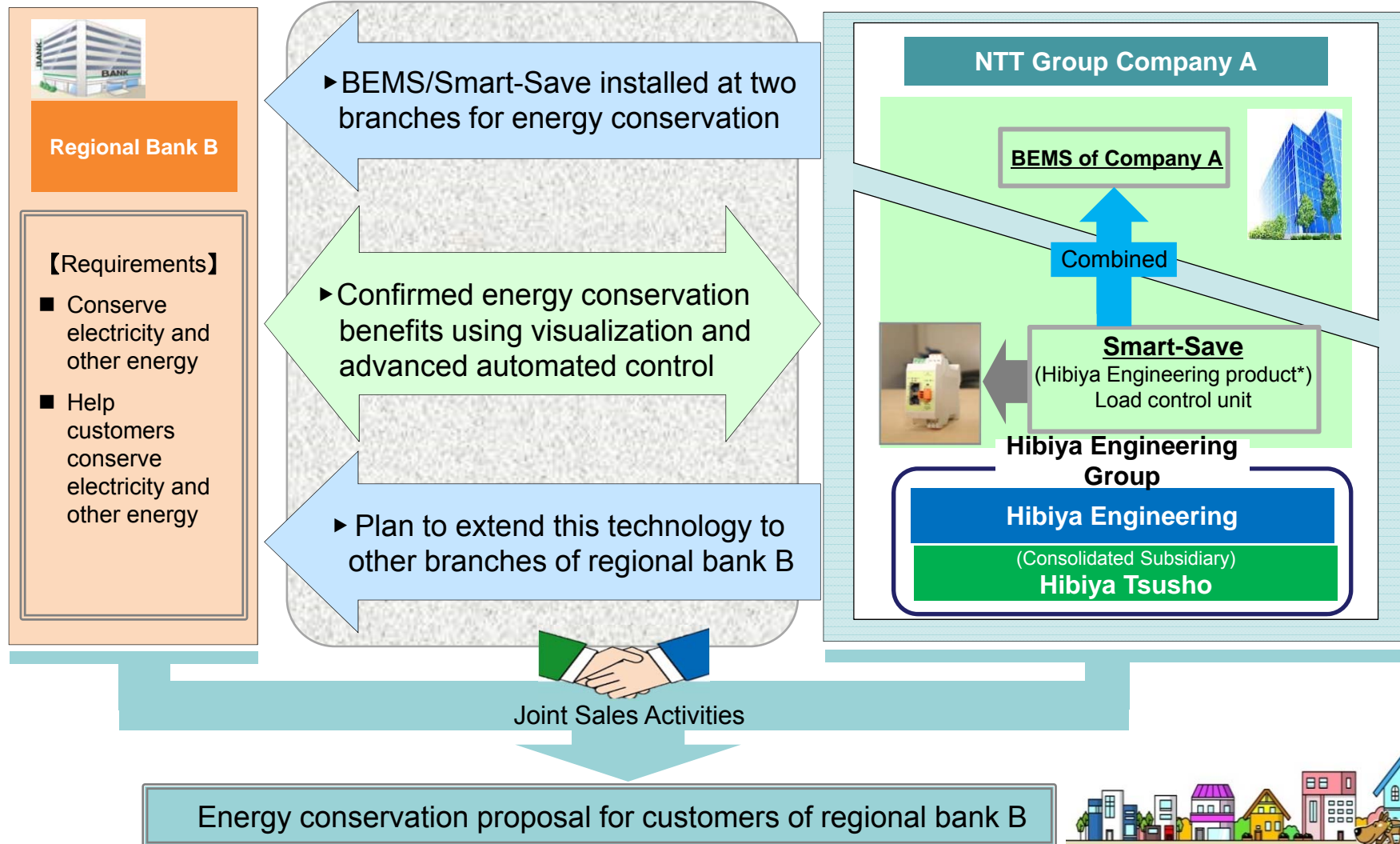
This approach is expected to lead to more orders for similar projects

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



▷ Reinforce solution-based sales activities

## NTT Group Alliance (Combination of Smart-Save and NTT Group's BEMS used by a major regional bank)



\*Load control unit developed by Hibiya Engineering for the automatic control of the amount of electricity used



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



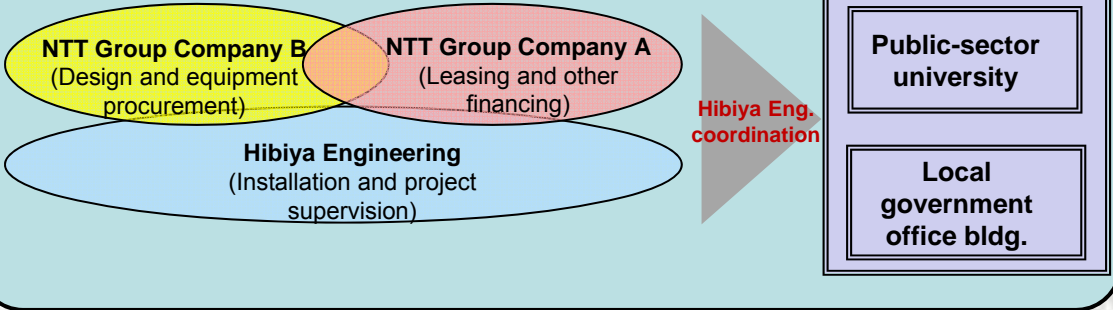
## ▷ Frequent Use of Alliances

### Leasing proposals for local governments

- Air conditioning equipment and maintenance
- Solar power



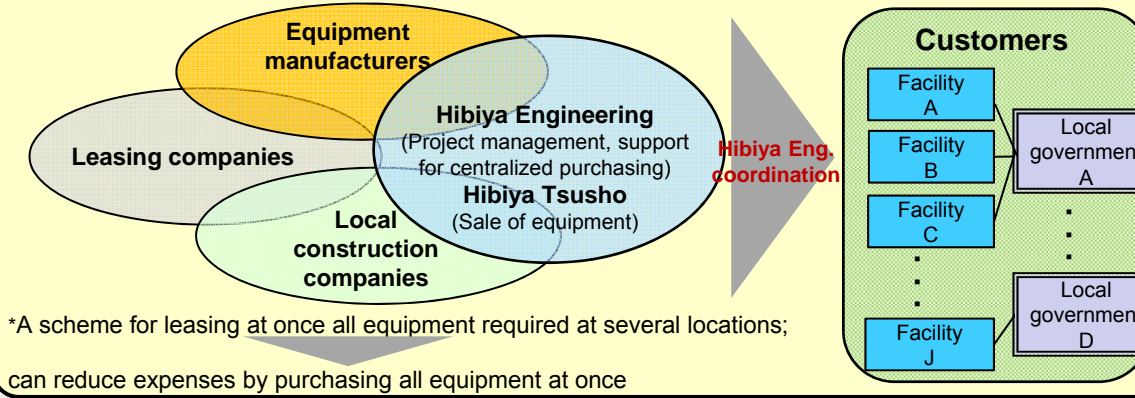
- Joint approach using leases



- Air conditioning equipment
- Lighting facilities



- Bulk Lease\*



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



▷ Reinforce solution-based sales activities

## Life cycle total solution ideas for the NTT Group

### Hibiya Engineering strengths

Superior technologies, including for use of existing facilities

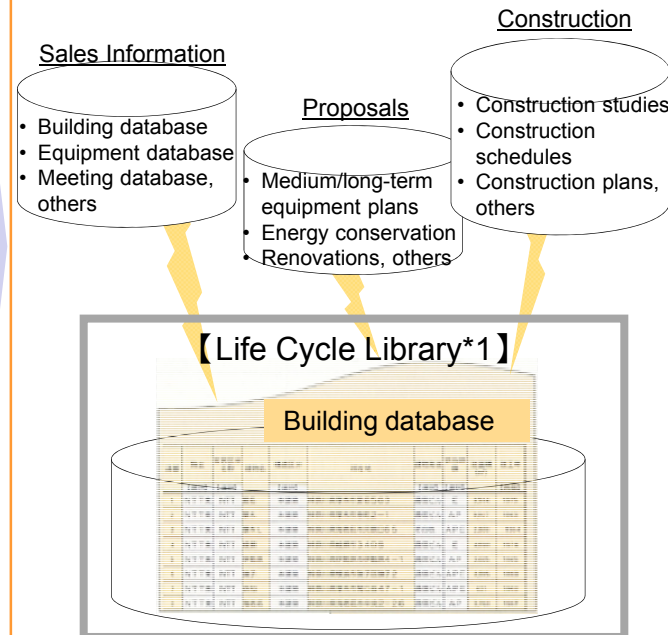
Much experience with communication facilities

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!

### Life cycle total solution ideas

#### Solutions for building aging

##### (Examples)

- ▷ Diagnosis services using 3D scanners (see p.15)
- ▷ Update old air conditioning equipment
- ▷ Update outdated fire alarm system

#### Solutions for conserving energy

##### (Examples)

- ▷ Proposals for using cogeneration\*2 systems
- ▷ Value engineering, CD and other value-added proposals
- ▷ Update Multi-unit Air Conditioning System (MACS) for communication equipment room

#### New technologies and joint proposals

##### (Examples)

- ▷ Solar hybrid system (see p.20)
- ▷ Membrane air conditioning system
- ▷ Smart DASH® \*3
- ▷ Data center wall outlet air conditioning
- ▷ Electronic shutoff device for communication base stations

\*1 A database containing intellectual property involving construction and other Hibiya Engineering activities

\*2 A system that uses a heat source to produce electricity and heat

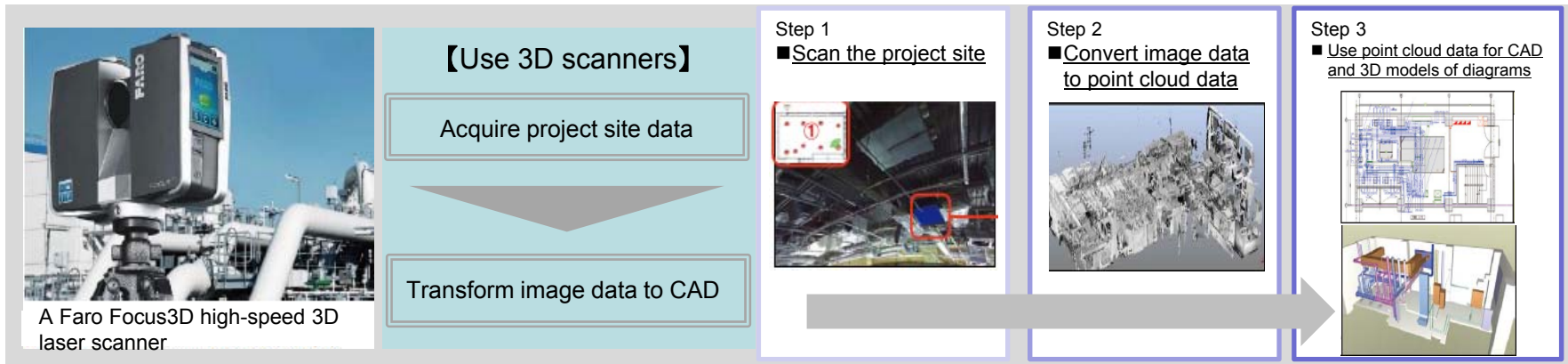
\*3 A data center air conditioning control system with a learning function that was developed by an NTT Group company; the system can be shared by all business units of a company

# [Core Strategy] Life Cycle Total Solutions (Example:6)



## ▶ More advanced solution technologies

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

# Stronger operations with priority on confidence and safety

## Unified group management

- Used unified personnel/compensation system to reassign people among group companies (23 people)
- Cut administrative expenses by sharing systems (plan is 65 million yen)

## Improve cost/performance, construction efficiency

- Increase centralized purchasing (5.6 billion yen in FY3/16 1H), increase number of suppliers
- Rigorous cost oversight by the Budget Management Committee (new order plan, strengthen selected jobsites, etc.)
- Regular conference to share info about outstanding projects (Sept. – 7 projects) and rapid use of this know-how throughout the group
- Database of close-call workplace incidents and sharing of this information

## Employee training

- Upgraded personnel system that encourages employees to aim for growth; more dialogue-style training seminars (11 times)
- Measures to support the advancement of female employees (assignment to management positions, more career paths)

## CSR and compliance

- Purchasing hotline helps ensure that purchasing activities are done properly
- Aim to have all group business sites receive ISMS\* certification by the end of FY3/16

\*International standard for information security management systems



An outstanding project announcement conference



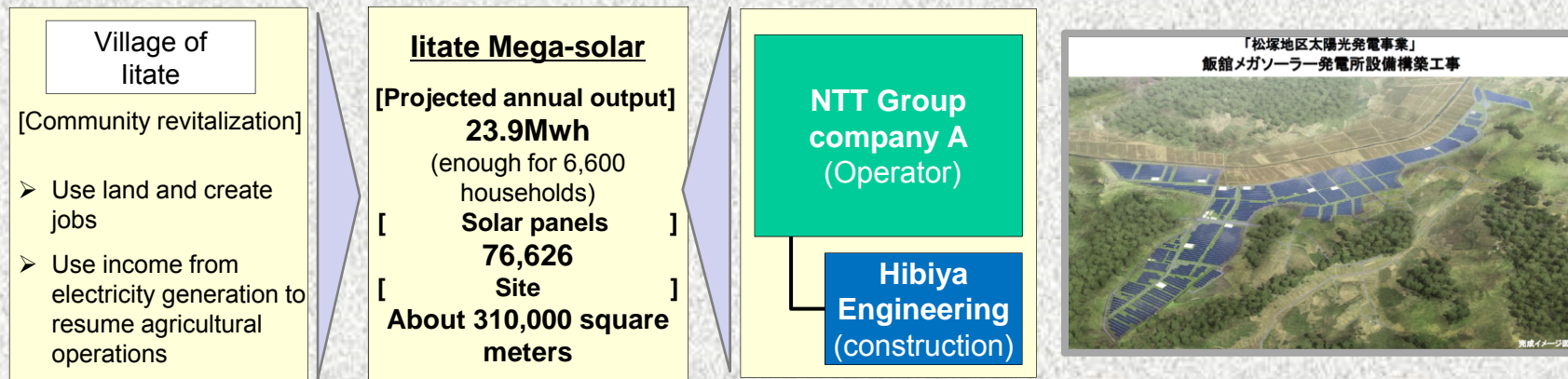
A dialogue-style training seminar



# [ Topics ]

## Mega-solar project at litate in Fukushima prefecture as part of earthquake recovery activities

- Cooperation for a project with great social significance as litate works on its revitalization



## Periodic interaction with other industries – The Hibiya E&S Seminar

Held nine times since 2013 at the Hibiya E&S Plaza exhibition space

June 2, 2015

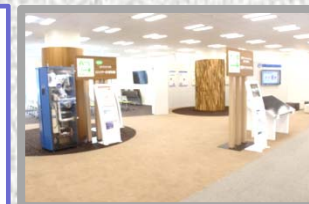
### [Regional revitalization looking ahead to 2020]

- ▷ Local government/company joint initiatives for community revitalization, creating low-carbon cities, and other topics

September 29, 2015

### [Use of solar, geothermal and exhaust thermal energy]

- ▷ Solar thermal heating and cooling system, latest advances in geothermal boring technology, and other topics



# Reference (technologies)

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# Services and Technologies of Hibiya Engineering Group

**Hibiya Tsusho**    Trading company

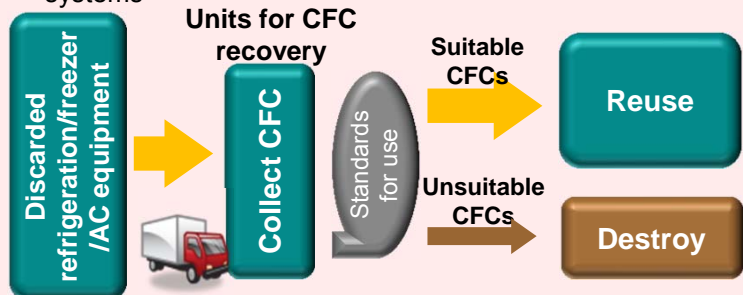
**Reuse of recovered chlorofluorocarbons (CFCs)**

**Highlights of processing CFCs for reuse**

- ◆ Little energy needed for reuse of CFCs
- ◆ Processing produces little industrial waste
- ◆ Minimal release of CO<sub>2</sub> during processing
- ◆ Recovered CFCs can be used effectively
- ◆ Less expensive than destroying CFCs

**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



```

graph LR
    A[Discarded refrigeration/freezer /AC equipment] --> B[Units for CFC recovery]
    B --> C[Standards for use]
    C --> D[Suitable CFCs]
    C --> E[Unsuitable CFCs]
    D --> F[Reuse]
    E --> G[Destroy]
    
```


**CO<sub>2</sub> 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

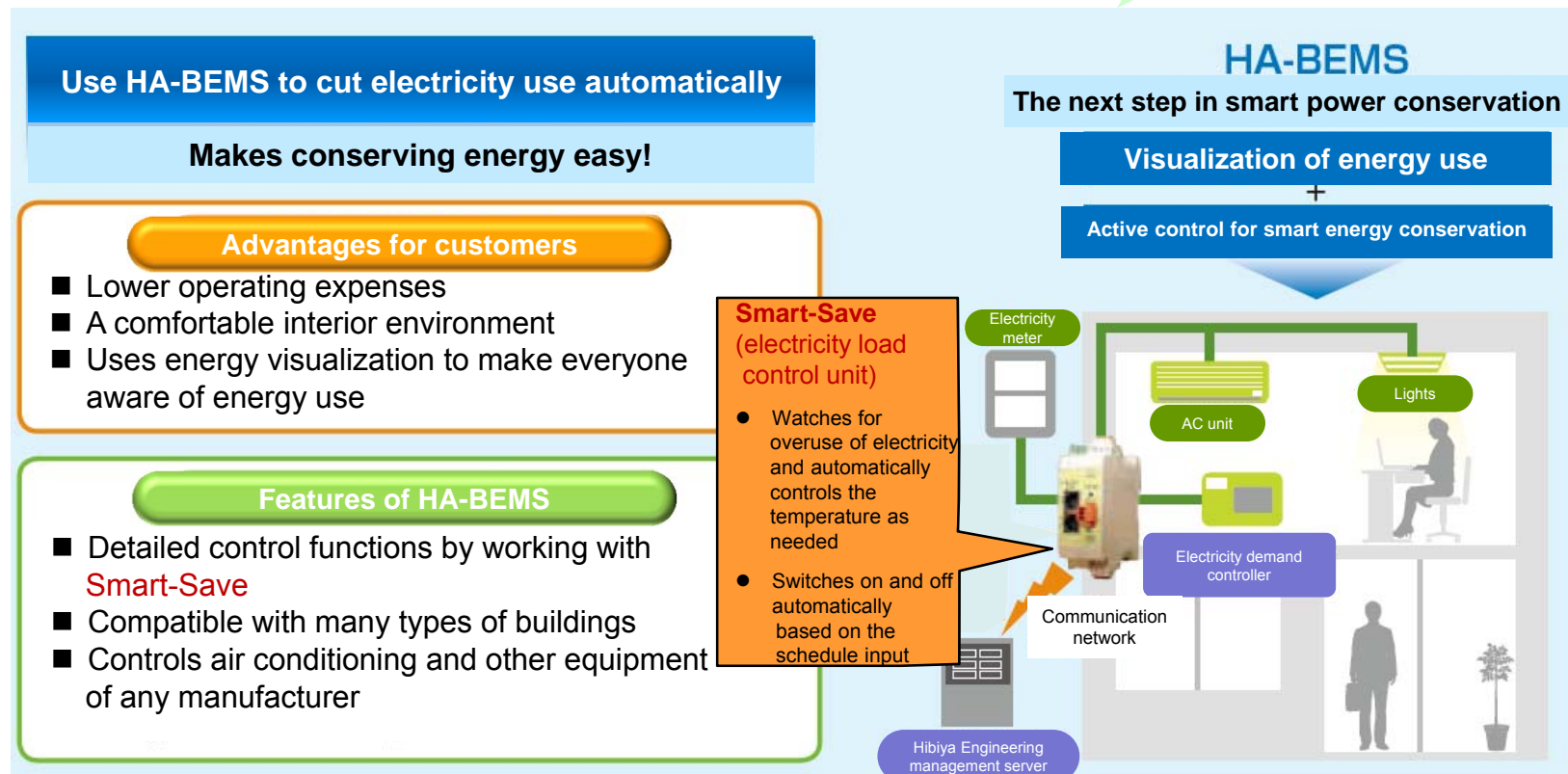


## HA-BEMS (Hibiya-Active Building Energy Management System)

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 CO<sub>2</sub> emissions.

#### Location of use:

**Condominium buildings in Tokyo**

\* Scheduled to be completed by the end of January 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

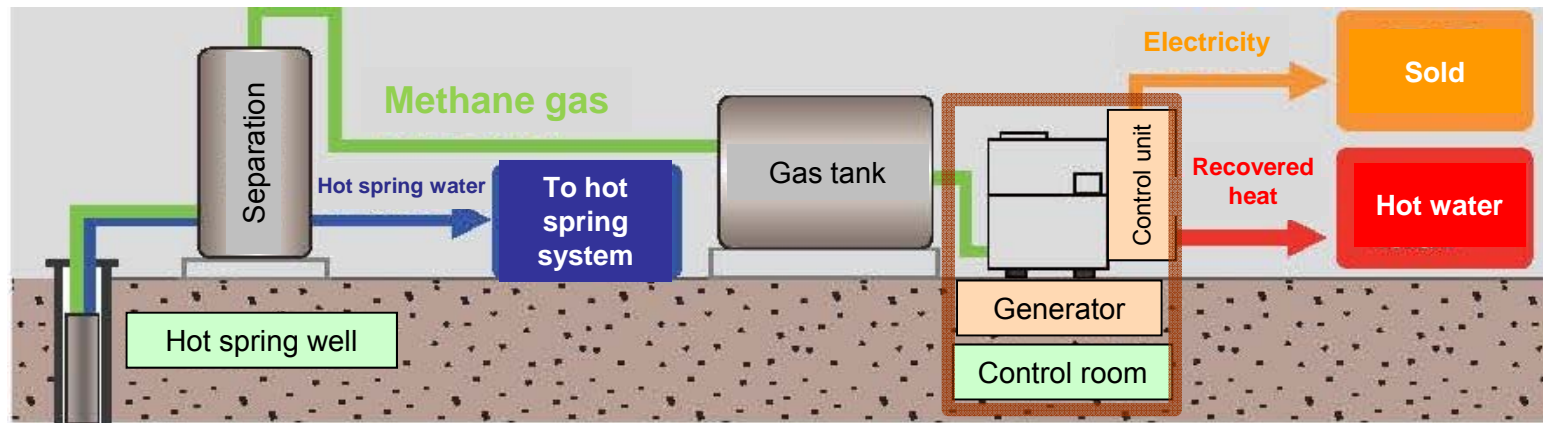
Also compatible with many authorization devices, elevator floor access and other functions

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.

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