

**時代にまっすぐ、技術にまじめです。**

Fiscal year ended March 31, 2014

Earnings Announcement

Hibiya Engineering, Ltd.

May 19, 2014

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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.



# Financial Summary Fiscal Year 2014/3

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# Financial Highlights (Consolidated)

- Generally achieved the fourth medium-term plan fundamental goal of “increasing orders and sales”

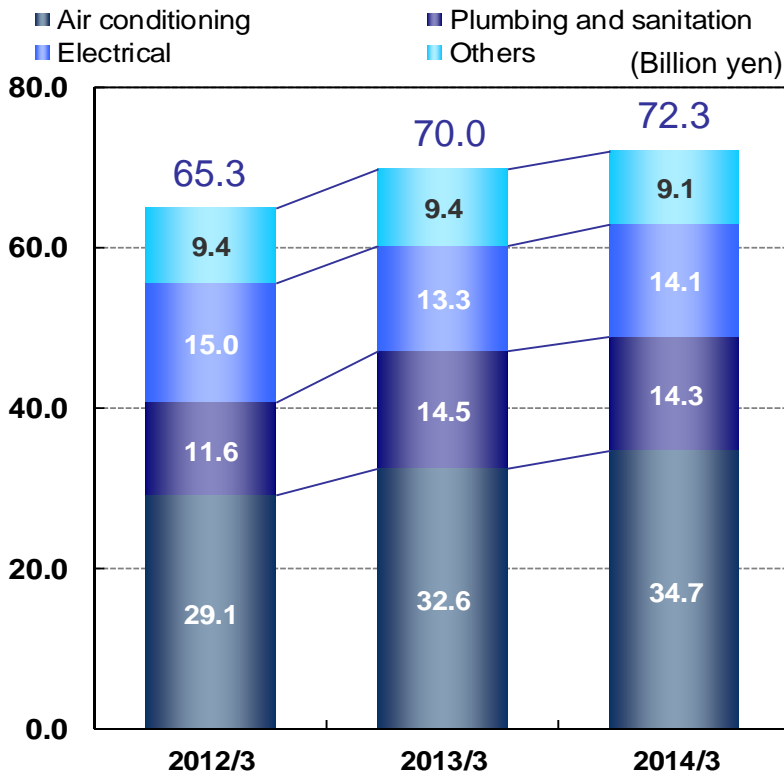
(Billion yen)

	2012/3 (actual)	2013/3 (actual)	2014/3 (actual)	YoY (%)	2014/3 (plan)
Orders Received	65.3	70.0	72.3	3.3%	73.0
Net sales	60.9	66.3	69.4	4.7%	70.0
Operating Income	1.7	2.0	1.8	-8.6%	2.05
Ordinary Income	2.8	2.8	2.8	1.8%	2.85
Net Income	1.6	1.8	2.2	22.7%	2.0

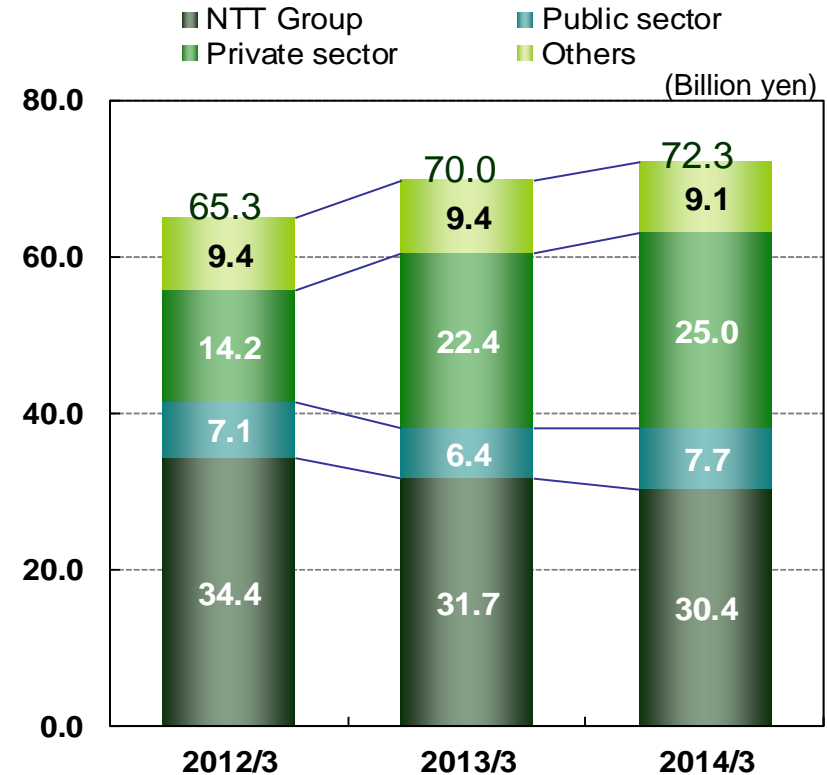
# Orders Received by Category & by Customer (Consolidated)

- Strong three-year growth in private-sector orders due to more advanced and aggressive solution-based sales activities

## By category



## By customer



\*Others are orders received at group companies other than Hibiya Engineering.

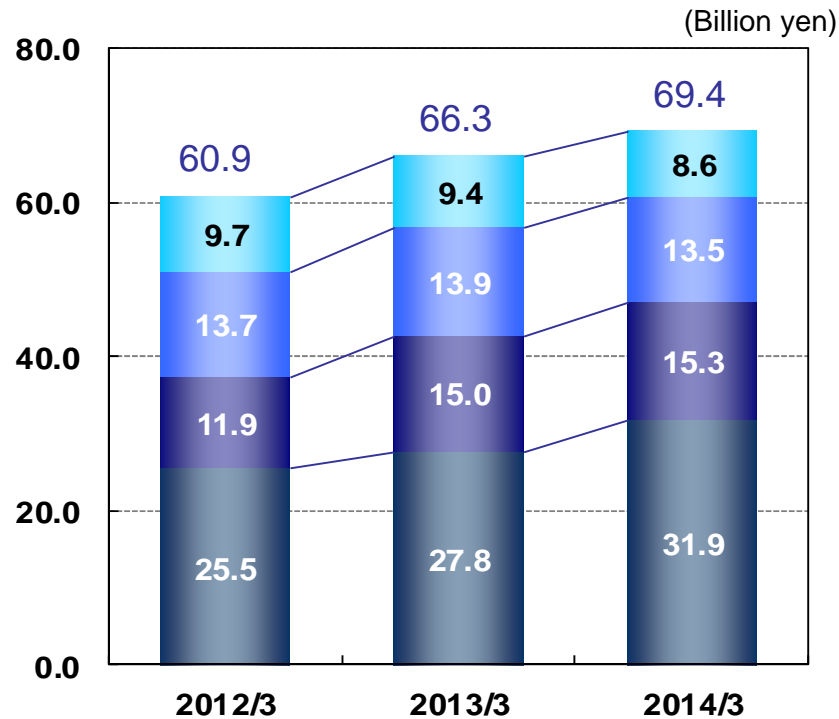
# Sales by Category & by Customer (Consolidated)



■ Higher orders supported steady growth in sales in both key sectors of air conditioning and plumbing and sanitation

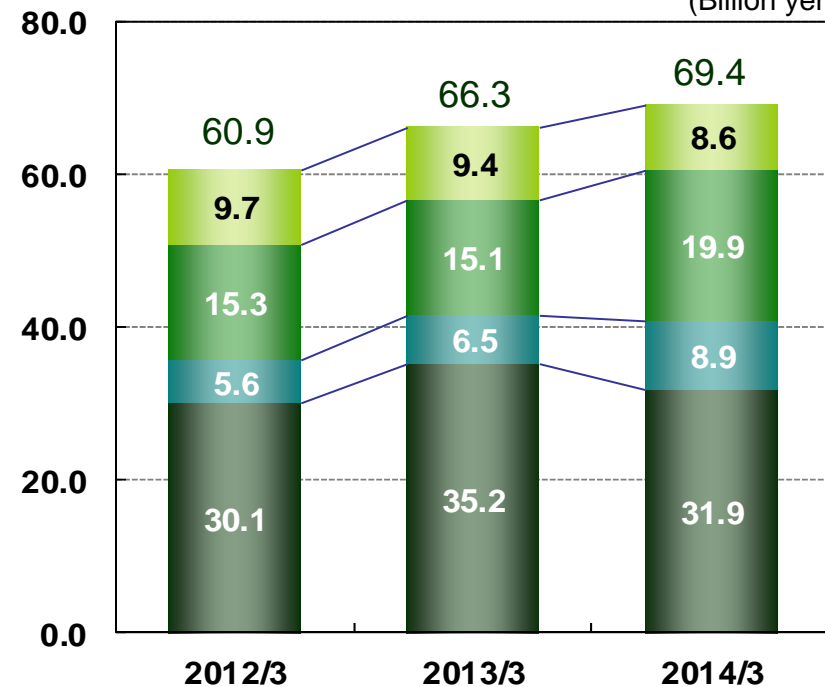
## By category

- Air conditioning
- Plumbing and sanitation
- Electrical
- Others



## By customer

- NTT Group
  - Private sector
  - Public sector
  - Others
- (Billion yen)



\*Others are sales at group companies other than Hibiya Engineering.

# Summary Income Statements (Consolidated)



- Minimized decline in profitability in a difficult environment with measures to lower the cost of sales and all administrative expense categories

(Billion yen)

	2012/3 (actual)	2013/3 (actual)	2014/3 (actual)
<b>Net sales</b>	60.9	66.3	69.4
<b>Cost of sales</b>	52.4	57.5	60.7
<b>Gross profit</b>	8.5	8.7	8.7
<b>Gross profit margin</b>	14.0%	13.2%	12.6%
<b>SG&amp;A expenses</b>	6.7	6.7	(Note 1) 6.8
<b>Operating income</b>	1.7	2.0	1.8
<b>Non-operating income</b>	1.1	0.8	1.0
<b>Ordinary income</b>	2.8	2.8	2.8
<b>Extraordinary income</b>	0.1	0.1	(Note 2) 0.5
<b>Income taxes</b>	1.4	1.1	1.1
<b>Net income</b>	1.6	1.8	2.2

Note 1  
Increased by posting of allowance for doubtful accounts for trading with subsidiaries and others

Note 2  
Gain on sales of investment securities and others

# The Fourth Medium-term Management Plan and Accomplishments of the Final Year

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

# Fundamental Policy and Major Initiatives



## Fundamental Policy

Increase orders received while preserving profitability

Achieve steady growth of newly launched businesses and seek more business opportunities

## Major Initiatives

### ■ Capture orders by significantly enlarging the customer base by targeting mega-trends

Increase orders in priority domains

Focusing on solution-based sales activities  
(get new businesses off the ground)

\* Eliciting customer needs with a operational style that discovers solutions strategies along with proposals that exploit the strengths of our company

Collaborative sales activities with the NTT Group

\* Developing private sector markets by boosting information/data exchanges and coordinated business activities with all NTT group companies

### ■ Further upgrade the technology strategy

### ■ Build a stronger base of operations for the group



## Major Initiatives

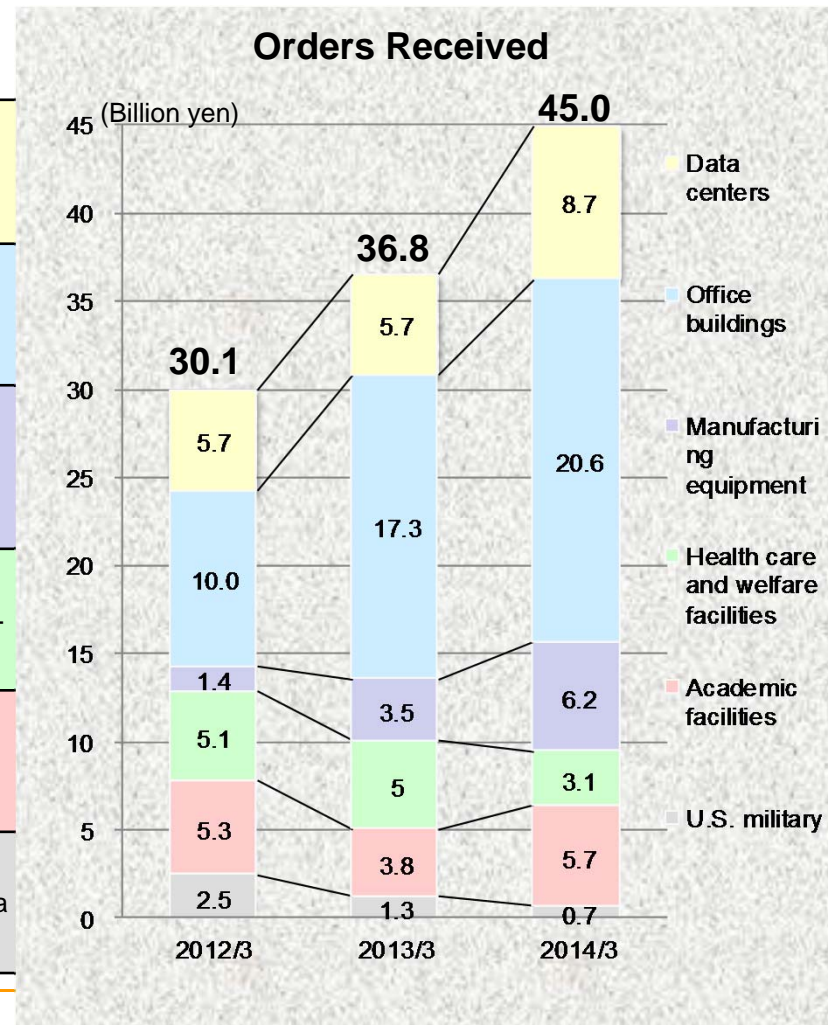
# Increase orders in priority domains



- Strategic solution proposals in each priority domain generated strong growth in data center, office building and manufacturing equipment orders

### Results of priority domains (final year)

<b>Data centers</b> ¥8.7bn.	Construction of cloud-based data center (Okinawa) NTT Group data center
<b>Office buildings</b> ¥20.6bn.	New bldg. for large real estate developer (Tokyo) Maintenance contract led to a large air-conditioning system renewal project (Kanagawa)
<b>Manufacturing equipment</b> ¥6.2bn.	Construction of large distribution center (Osaka) Large solar power facility for a new private-sector customer (Chiba)
<b>Health care and welfare facilities</b> ¥3.1bn.	Construction of senior care facility (Fukuoka) Installation of state-of-the-art IT for solar heat, HA-BEMS, etc. (Saitama)
<b>Academic facilities</b> ¥5.7bn.	New construction for national and private universities (Ibaraki, Shiga) Air-conditioning system renewal and LED installation using subsidies (Osaka)
<b>U.S. military</b> ¥0.7bn.	Facilities at bases in Iwakuni, Zama and Yokosuka



## Major Initiatives

# Focusing on solution-based sales activities

(get new businesses off the ground)



- Big increase in number and value of orders due to combining and deepening technologies and using advanced technologies to offer the best solutions

## Results of final year

**Orders received: ¥35.7bn.**

**Number of orders: 1,544**

## Major initiatives (final year)

### Accomplishments from working with group and other companies

- Large air-conditioning renewal order due to proposal for energy conservation, BCP and regular maintenance (see page 8)
- Used a subsidy to enable a large pharmaceuticals manufacturer to start using BEMS (see page 9)

### Expand presence in new business domains

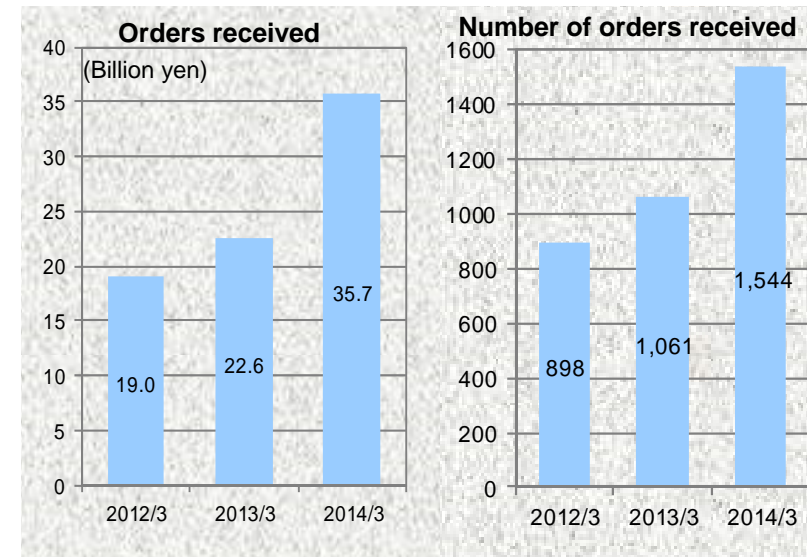
- Increase activities involving plant growing facilities using only artificial light (expand from strawberries to herbs)

### Benefits of accurate proposals using a thorough understanding of NTT group company needs

- Conversion of large office bldg. office to machine room
- Installation of Smart Lighting Controller, renewal of lighting and BAS

### Continue and expand overseas demonstration projects

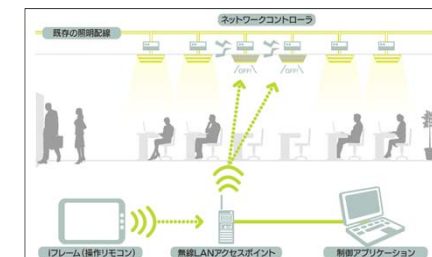
- Performed energy conservation work at hotels in Vietnam



(Including orders from NTT group)



Plant factory rack  
Made by Nikkei  
(consolidated subsidiary)



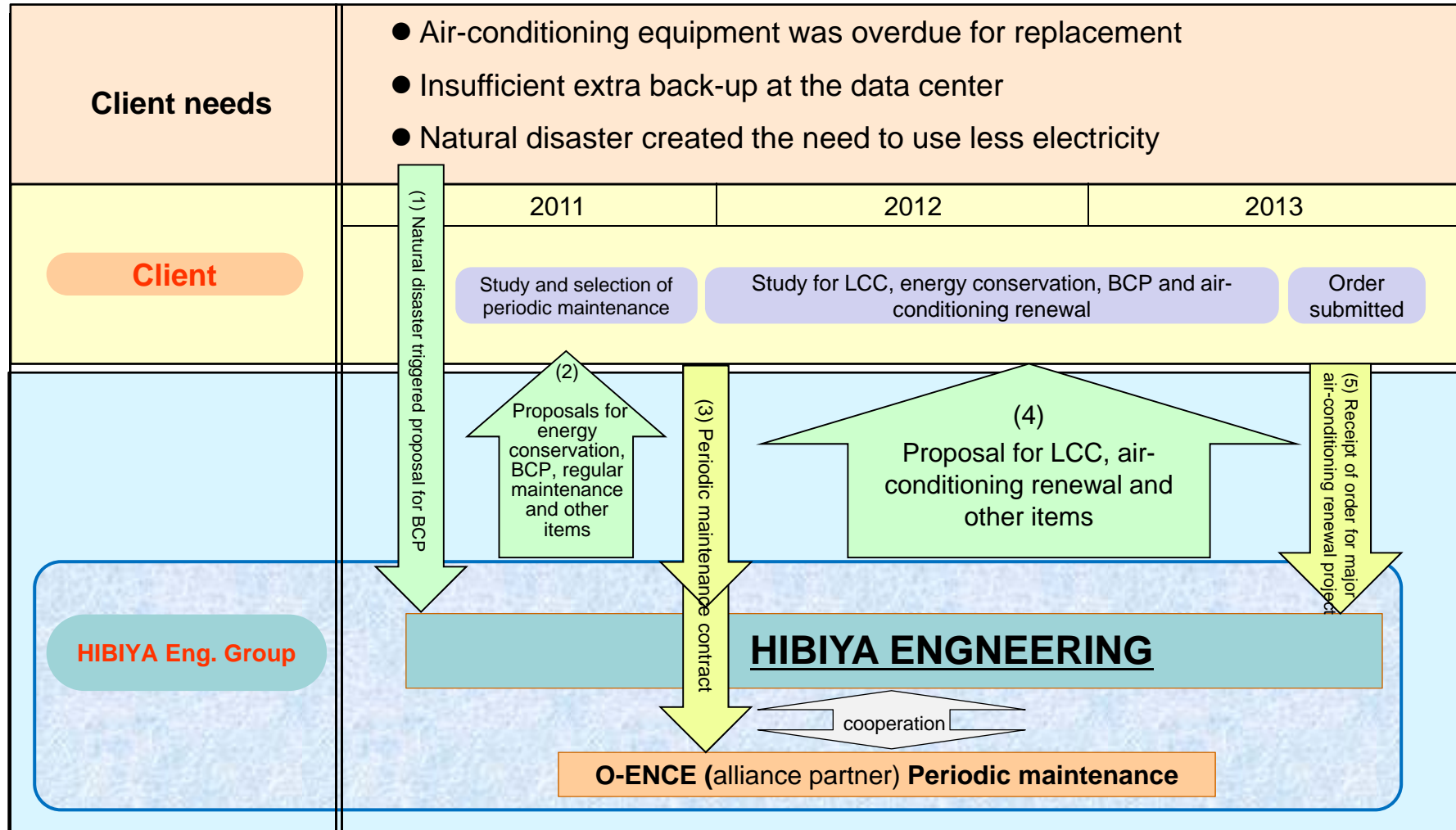
Smart Lighting Controller

## Major Initiatives



# Example of solution-based sales (1)

- BCP proposal request following a natural disaster led to a solution idea using the Hibiya Engineering Group and a major air-conditioning renewal order

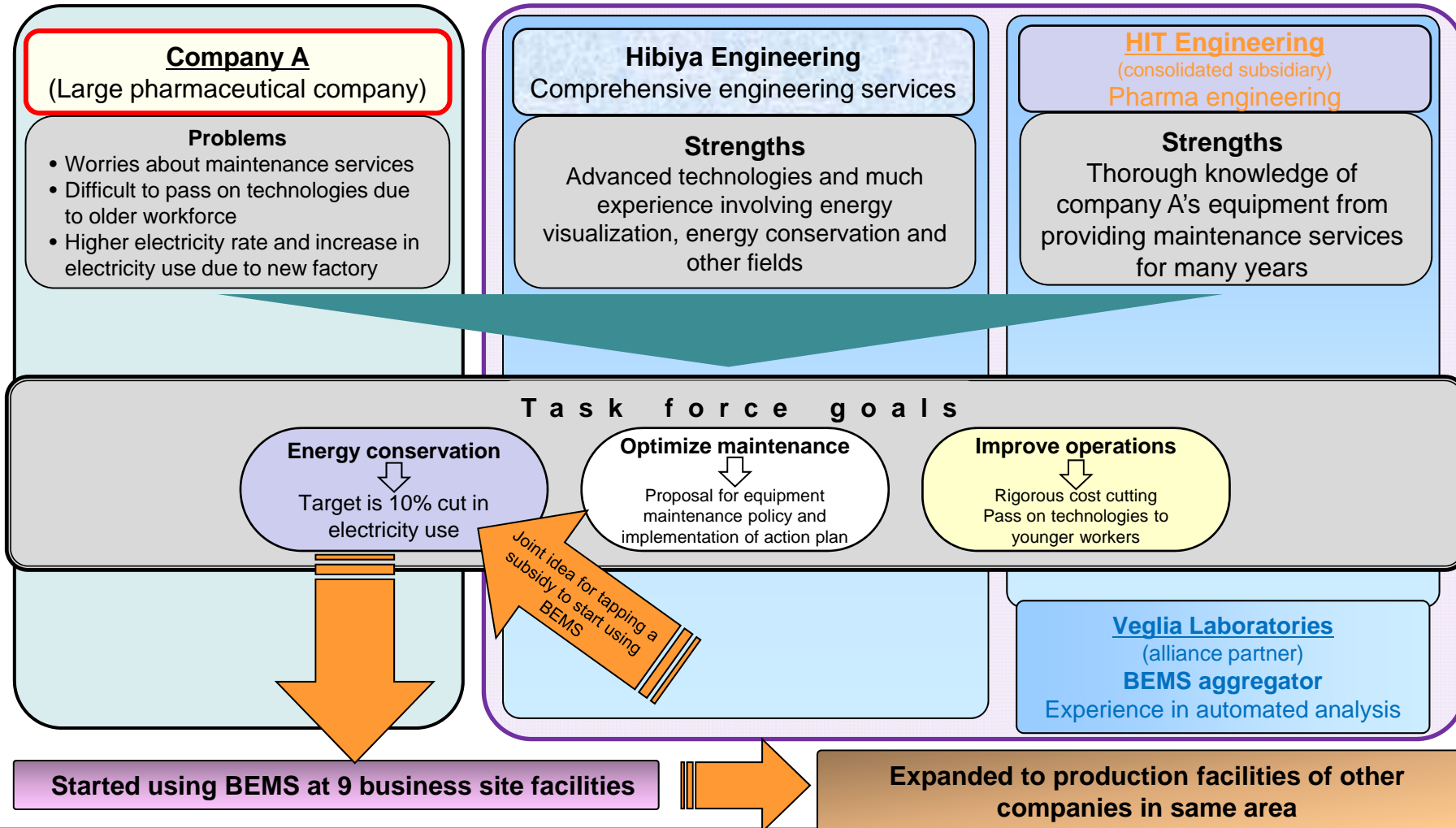


## Major Initiatives

# Example of solution-based sales (2)



- Established task force with customer to solve problems, resulting in the best solution that led to receipt of an order



## Major Initiatives

# Collaborative sales activities with the NTT Group



- Big increase in orders due to combining and upgrading technologies and collaborating with more companies

## Results of final year

**Orders received: ¥6.5bn.**

**Number of orders: 279**

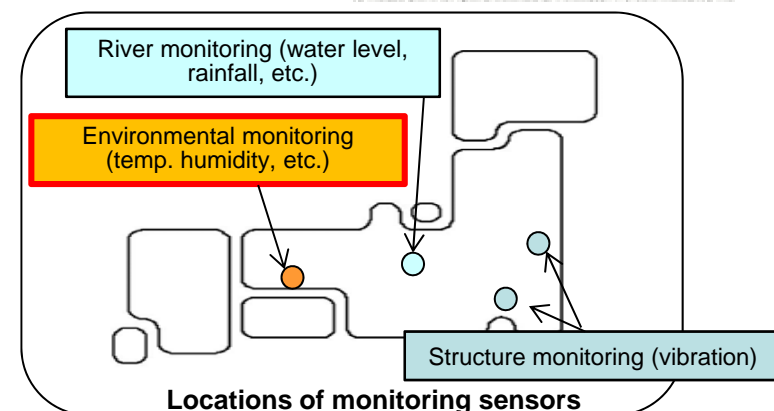
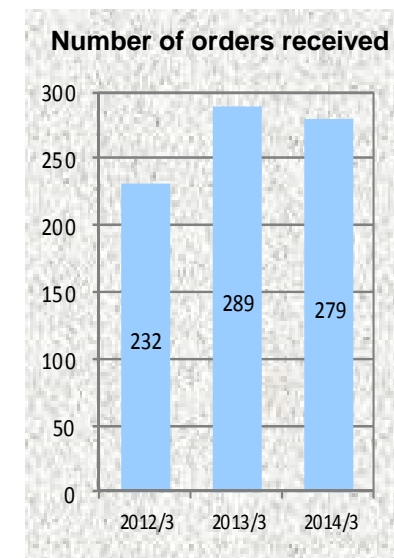
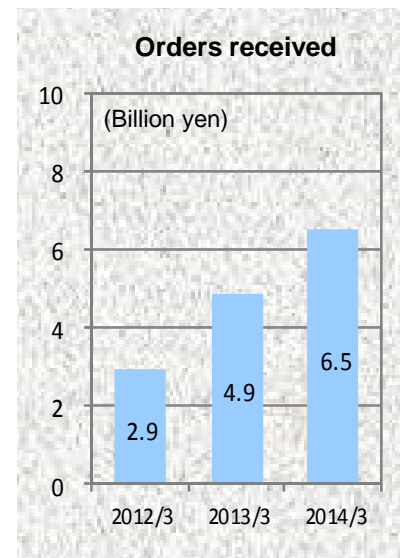
## Major initiatives (final year)

### Participation in NTT Group design and development projects

- Order to install environmental monitoring sensors (independent administrative agency program) (see diagram on right)
- Order to build a cloud-type data center
- Used joint mega-solar sales to increase subcontracted electrical work (Chiba, Fukushima, others)

### Combining technologies to create new business models

- Joint proposal for energy visualization
  - Installed measuring systems at manufacturers, real estate companies and other companies
- Joint approach for renewals using leases



# Further upgrade the technology strategy

## Improve efficiency by using advanced technologies

Better diagram accuracy and more efficient surveys

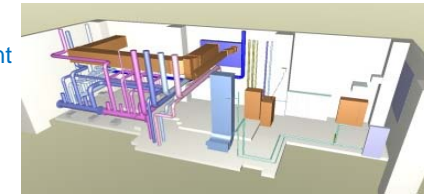
Use image data from high-performance 3D scanners<sup>1</sup> after conversion to BIM<sup>2</sup> 3D models

Expansion to on-site energy conservation tool/ renewal/maintenance business

- 1: 3D image distance measuring equipment
- 2: Building Information Modeling



Image produced by a 3D scanner



BIM 3D modeling

## Collaborations with NTT Group to develop advanced technologies

Constant activities to develop advanced technologies

- Received patents for energy consumption reduction diagnosis method using EMS

(Six joint patents with NTT Urban Development Builservice: 3 each in first and second half of the fiscal year)

### First half patents

- Diagnosis for optimal start timing of air-conditioning
- Outside-air air-conditioning system diagnosis for lowering building power consumption
- Night purge diagnosis for lowering building power consumption

### Second half patents

- Power contract optimization diagnosis for building energy supply
- Cool-biz and warm-biz diagnosis
- Diagnosis for optimum winter air-conditioning temperature setting



Patent certificate

## Continuous upgrading new energy/energy conservation technologies

Further upgrade current key technologies: HA-BEMS<sup>1</sup> (Smart-Save<sup>2</sup>)

- Continue activities to improve functions and performance and further cut costs based on customers' needs
- Consider creating a wireless building lighting control system by forming an alliance with another company

- 1: An energy management system for building developed by Hibiya Engineering
- 2: A unit that controls electricity use



Smart-Save

## Major Initiatives

# Build a stronger base of operations for the group

(Increase collaboration within the group, etc.)



## Improve efficiency and further cutting costs

- Analyze cost of similar and repetitive construction processes and horizontally increase use of outstanding processes (Construction Supervision Dept., Procurement Strategy Division)
- Improve efficiency by extensively reviewing every step from order receipt to payments
- Build a safety management system to reduce administrative work required at construction sites  
=>Expand to cover all offices

## Reinforce the group's infrastructure

- Pursue more synergies by holding regular group management conferences and using a single regional location
- Increase movements of people to deepen ties among group companies (solution on-the-job training, etc.)

## Reinforce risk management

- Activities to enlarge ISO27001 certification, an international standard for information security management systems
- Head office and Tokyo head office certified => Plan to expand to all offices during the first half of this fiscal year

## Human resources development

- Improve skills by using a job rotation program based on career planning
- Increase measures for earning official certifications (required and recommended) and expand education and training programs
- First triple star (highest ranking) certification as energy conservation master under the internal certification system (two employees)

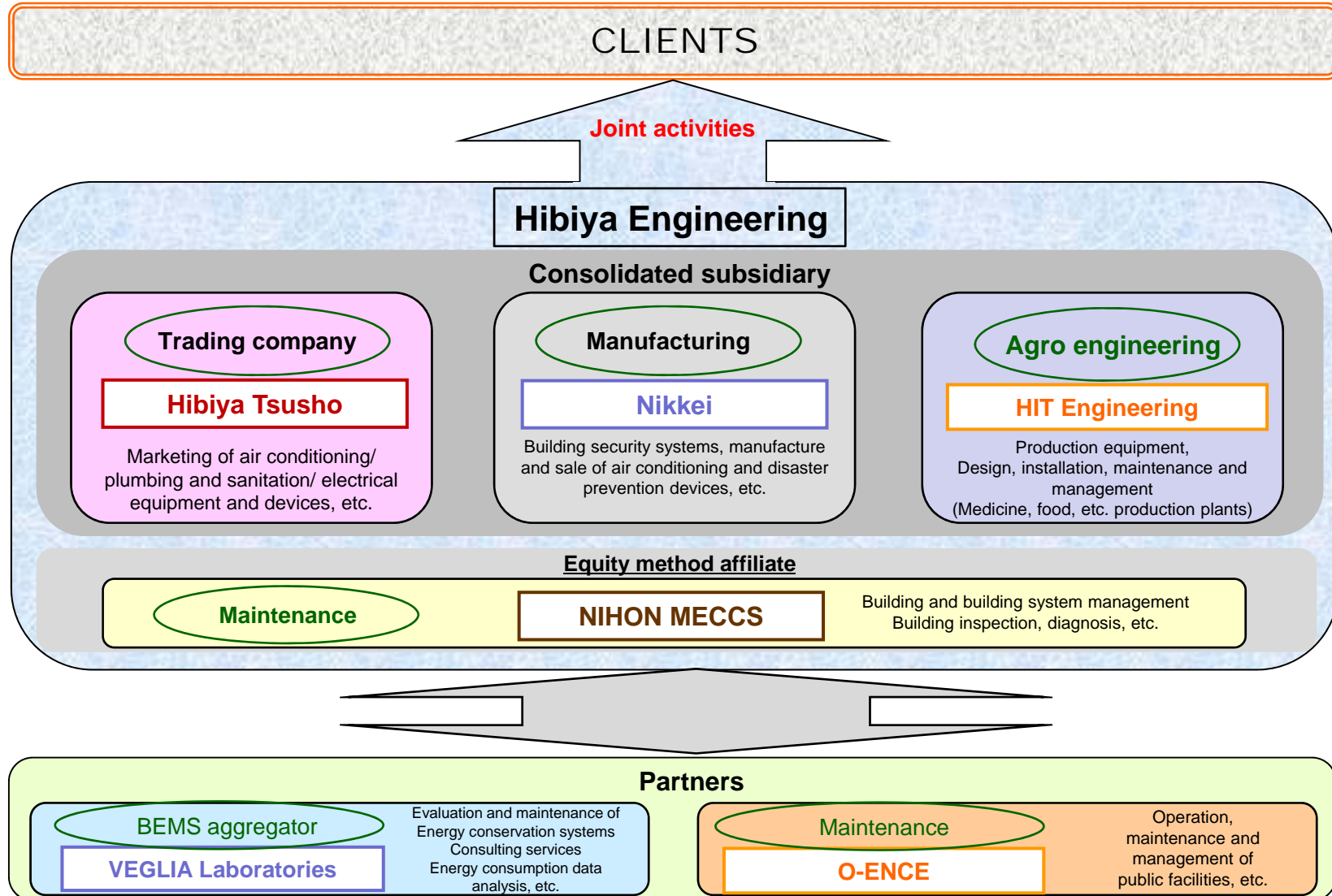


ISO27001 certificate



Triple star energy conservation master certificate

# Hibiya Engineering Group Collaboration Map





# The Fifth Medium-term Management Plan

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April 2014 – March 2017

Hibiya Group 50th Anniversary in 2017

# 1. Review of the Fourth Plan and Goals of the Fifth Medium-term Management Plan

## Accomplishments of the Fourth Plan

Fundamental policy	<p><b>Increase orders received while preserving profitability</b></p>
Accomplishments	<p><b>Orders received increased</b></p> <ul style="list-style-type: none"> <li>Advanced sales methods and establishment of priority domains raised orders</li> </ul> <p><b>Operating income improved</b></p> <ul style="list-style-type: none"> <li>Due to constant cost-cutting activities</li> </ul>

Fundamental policy	<p><b>Achieve steady growth of newly launched businesses and seek more business opportunities</b></p>
Accomplishments	<p><b>Significant progress in the energy conservation solutions business</b></p> <ul style="list-style-type: none"> <li>Concentrated on the energy business and “smart” business</li> </ul> <p><b>Growth in new business domains</b></p> <ul style="list-style-type: none"> <li>Provided energy management services, involvement in plant factories, etc.</li> </ul>

## Markets – The emergence of mega-trends

<b>Energy</b>	More environmental energy needs
<b>ICT/smart</b>	Growth of markets involving smart cities
<b>BCP/disasters</b>	More investments for BCP and disaster measures
<b>Global</b>	More investments involving customers’ globalization and emerging-country opportunities
<b>Others</b>	Changes in the construction market, etc.

### Increasing diversity of customers’ needs (external environment)

More sophisticated and complex customers’ needs and increasing demands in cost/performance

### Build up Group strengths (internal environment)

<ul style="list-style-type: none"> <li>Accumulate energy and “smart” technologies</li> <li>Improve solution proposal skills</li> <li>Reinforce the value chain from consulting to maintenance</li> <li>BCP, safety, quality</li> </ul>	➔	<p><b>Solutions with added value</b></p>
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## Fifth Medium-term Management Plan

Continue and enhance initiatives of the fourth plan and enact corporate reforms

### The Hibiya Engineering Group’s vision

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

## 2. Fundamental Policies

- Consistent earnings
- Stronger foundation
- Confidence and safety

### Fundamental Goal of the Fifth Medium-term Management Plan

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

#### What is a comprehensive engineering services organization?

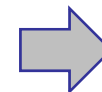
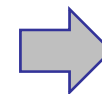
Hibiya Engineering aims to contribute to progress at customers, in society and for the global environment by using specialized technologies, knowledge, people and value chains to supply value-added, optimized solutions spanning the entire life cycle of facilities, from planning and designing to construction and operations.

#### Consistent earnings from growth of value-added businesses

- More services covering a building's entire life cycle
- Meet customers' increasingly diverse, sophisticated and multi-faceted needs by building "best partner" relationships

#### Build a stronger foundation and be a source of confidence and safety

- Prepare technological know-how documents to train people, improve cost/performance, and operate more efficiently
- Make group governance more powerful and efficient by establishing a unified group management structure



#### Core strategies

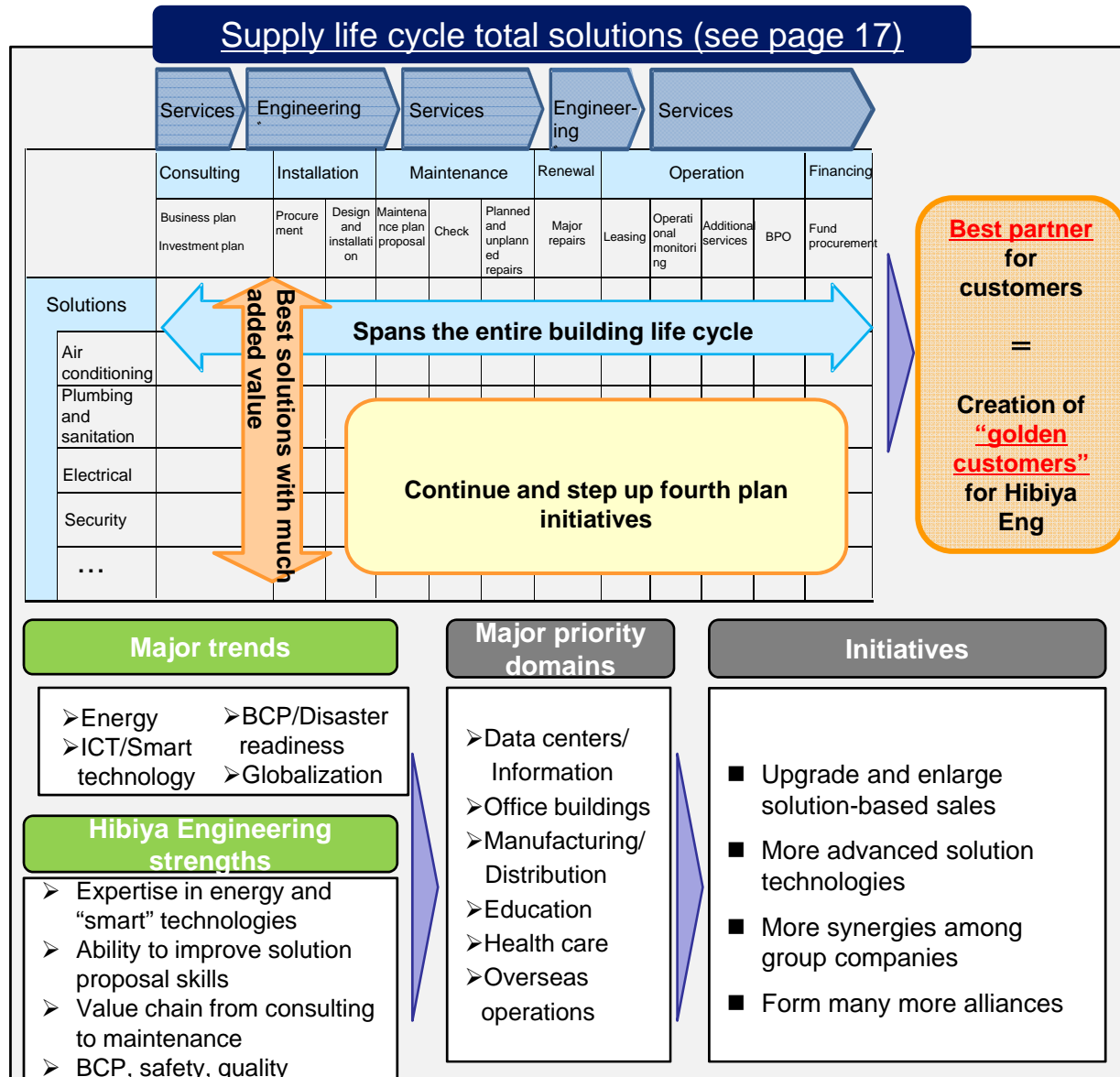
Supply life cycle total solutions

Stronger foundation

Confidence and safety

# 3. Core Strategies

- Supply life cycle total solutions
- Stronger foundation
- Confidence and safety



## A stronger foundation

- Accumulate and use information and know-how (Build an information library)
- Establish a unified group management structure
- Better performance vs. cost
- More efficient construction
- Employee training programs
- Aim for excellence in safety and quality

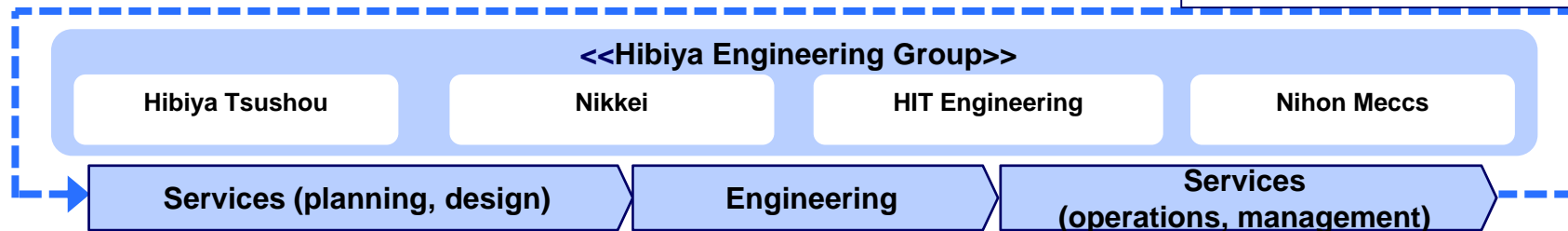
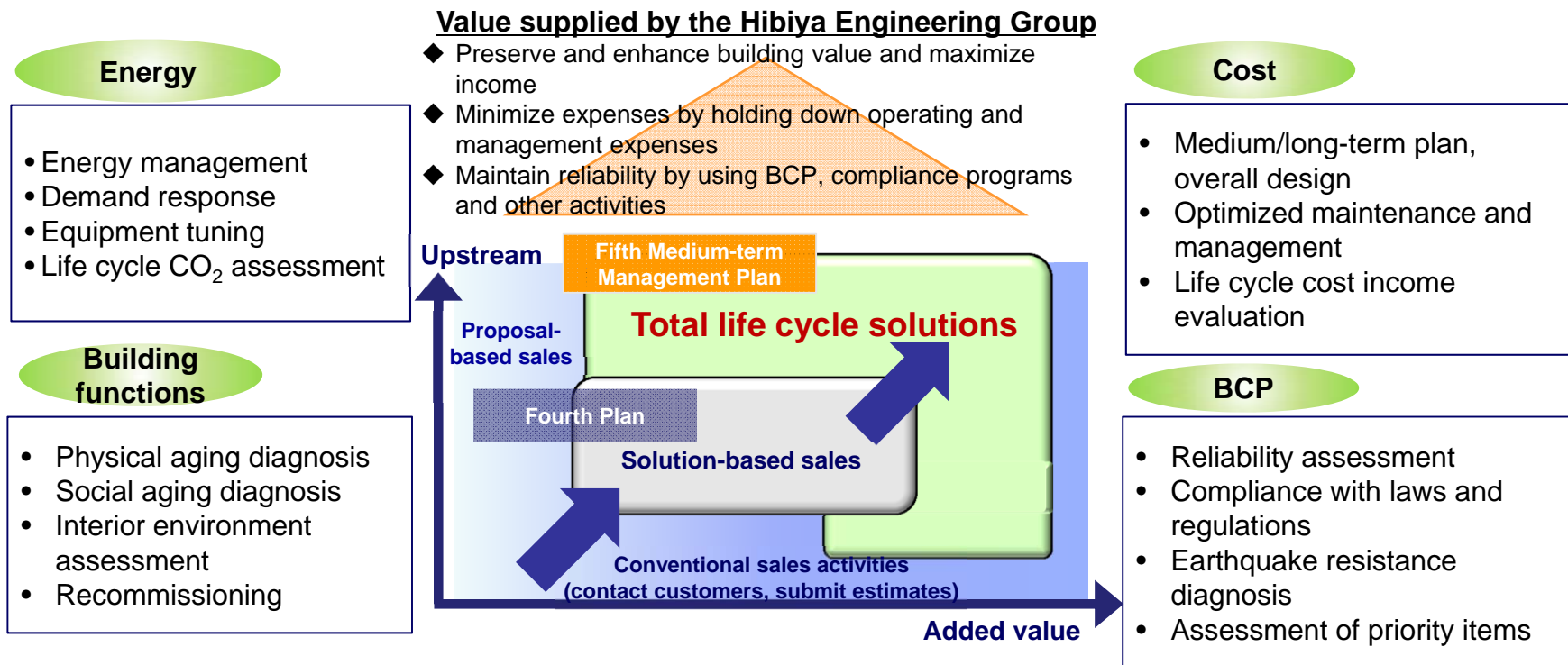
## Confidence and safety

- A commitment to stakeholders
- Expand CSR programs
  - Ensure compliance with laws and regulations
  - Distribute more earnings to shareholders

# [Fundamental Strategy] Total Life Cycle Solutions

■ Supply the best **solutions with substantial added value** for the **entire life cycle of customers' buildings** in four respects: energy, cost, building functions, and BCP.

## Customers



## 4. 1 Financial Strategy (Accomplishments of the Fourth Medium-term Management Plan)

### Dividend

- For the earnings distributions to shareholders, paid a dividend based on the consolidated dividends-on-equity (DOE) ratio
- Paid an annual dividend of 30 yen per share for all three years of the fourth plan (interim and year-end dividends of 15 yen each)

### Repurchase and retirement of stock

- Retired 3 million shares of stock on March 31, 2014 from the standpoint of placing priority on distributing earnings to shareholders

#### 【 Stock repurchased in FY3/14】

- Total purchases 500 million yen (same as authorization)  
[Total during the fourth plan (3 years): 1.8 billion yen]
- Shares repurchased 450,000 (500,000 share authorization)  
[Total during the fourth plan (3 years): 1.94 million shares]

### Reduced investment security holdings

- Sold five investment security holdings to increase the return on assets  
[Total during the fourth plan (3 years): 10 holdings]

# 【 Fifth Medium-term Management Plan (April 2014~March 2017) 】【

## 4. 2 Financial strategy and objectives



### Financial strategy

#### 【 Distributions to shareholders 】【

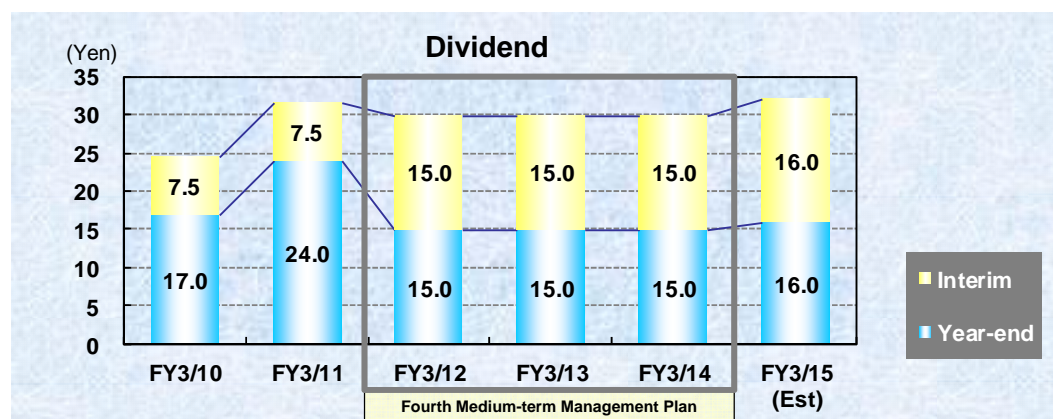
- The consolidated DOE will remain the basis for dividends and the goal is to pay a stable or higher dividend.
- Stock repurchases will continue in a flexible manner as one way to distribute earnings to shareholders.
- Treasury stock will basically be retained for later uses that benefit shareholders but may be retired depending on the operating environment and other factors.

#### Dividend for FY3/15

- Plan to increase the dividend by 2 yen to 32 yen per share, the sum of interim and year-end dividends of 16 yen each

#### FY3/15 stock repurchases

- Fiscal year authorization is 750 million yen and 500,000 shares



### Financial target

(Billion yen)

	FY3/14 (Actual)	Target of each FY of the 5 <sup>th</sup> Plan	FY3/15 (Plan)
Orders Received	72.3	70.0 or more	73.0
Net sales	69.4	70.0 or more	71.0
Operating income	1.8	2.5 or more	2.5
Ordinary income	2.8	3.3 or more	3.3
Net income	2.2	2.0 or more	2.0

# Reference

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【 Reference: Financial Summary of FY2014/3】



# Financial Highlights (Non-consolidated)

(Billion yen)

	2012/3 (actual)	2013/3 (actual)	2014/3 (actual)	YoY (%)	2015/3 (Plan)
Orders Received	55.8	60.6	63.2	4.3%	64.0
Net sales	51.1	56.8	60.7	6.9%	62.0
Operating Income	1.2	1.4	1.6	11.3%	2.0
Ordinary Income	1.7	1.9	2.0	4.9%	2.4
Net Income	0.8	1.1	1.3	13.7%	1.4

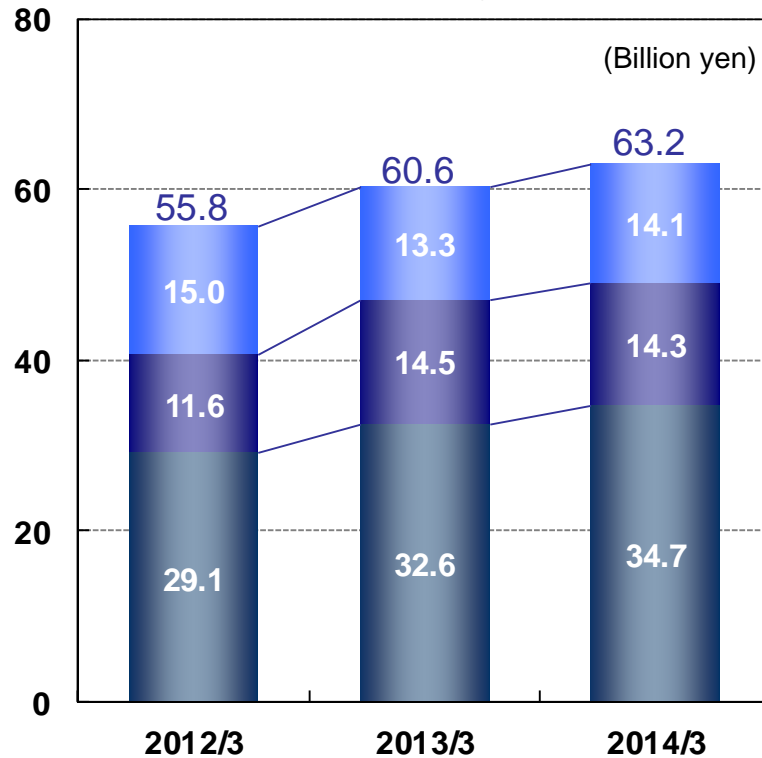
【 Reference: Financial Summary of FY2014/3】



# Orders Received by Category & by Customer (Consolidated)

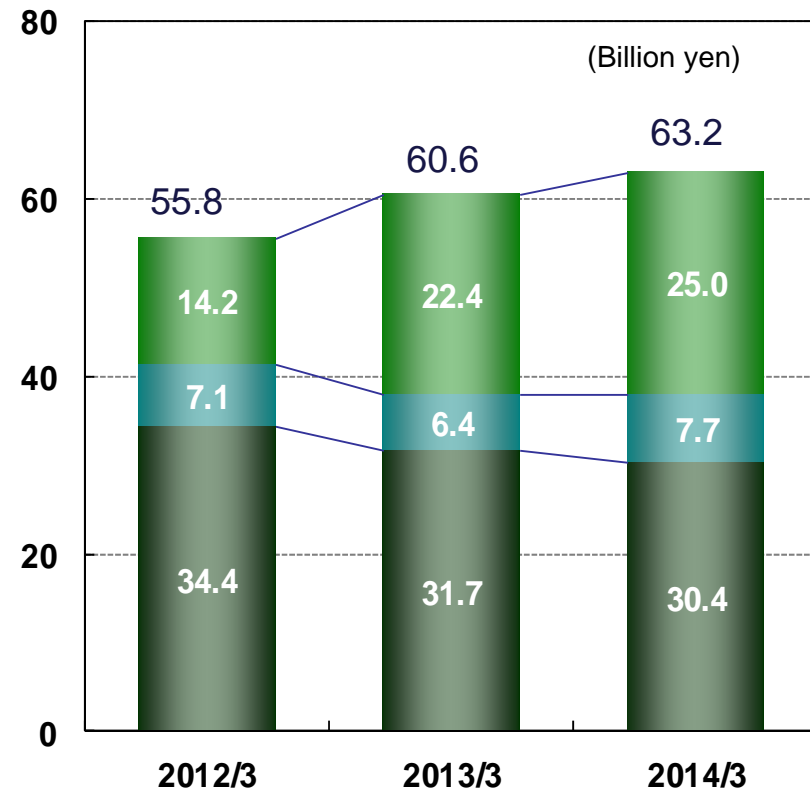
## By category

- Electrical
- Plumbing and sanitation
- Air conditioning



## By customer

- NTT Group
- Public sector
- Private sector

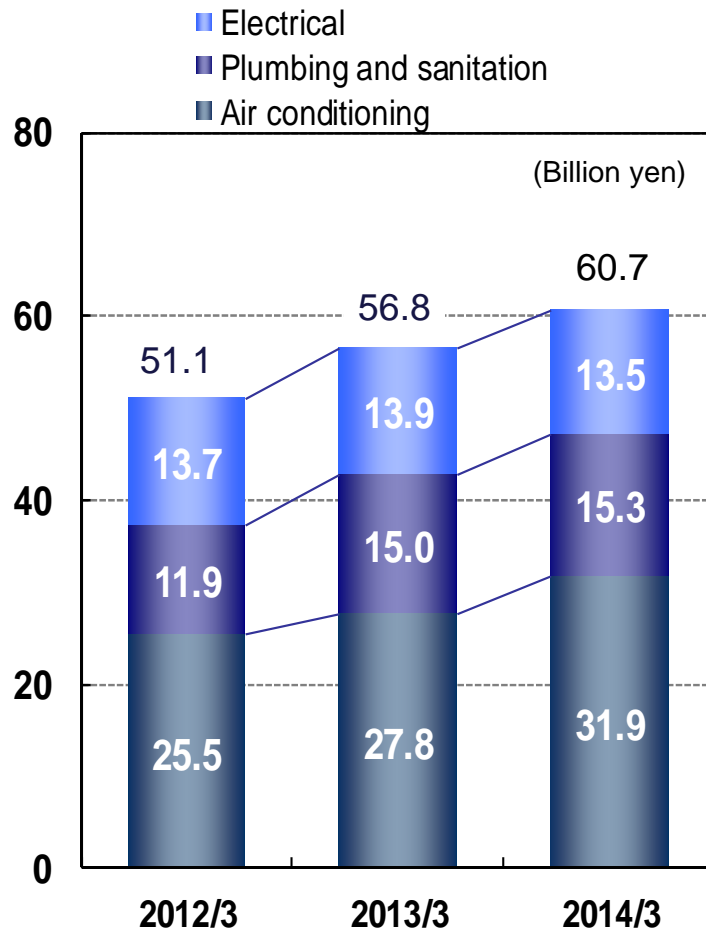


【 Reference: Financial Summary of FY2014/3】

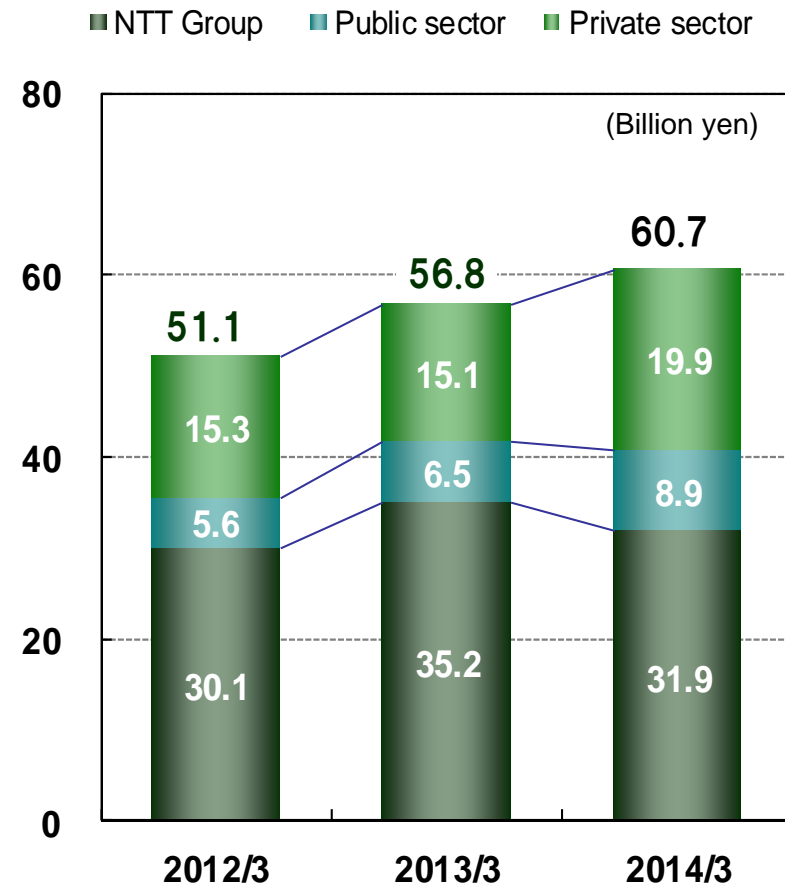
# Sales by Category & by Customer (Non-consolidated)



## By category



## By customer



【 Reference: Financial Summary of FY2014/3】

# Summary Income Statements (Non-consolidated)

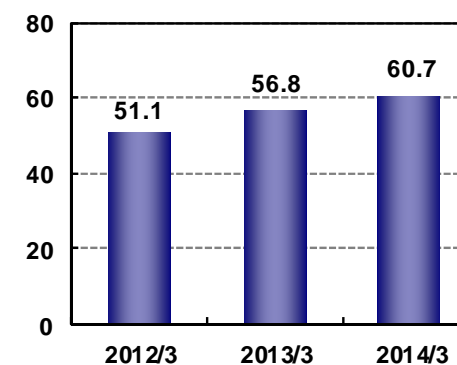


(Billion yen)

	2012/3 (actual)	2013/3 (actual)	2014/3 (actual)
Net sales	51.1	56.8	60.7
Cost of sales	44.7	50.2	53.9
Gross profit	6.4	6.6	6.8
Gross profit margin	12.4%	11.7%	11.2%
SG&A expenses	5.2	5.1	5.1
Operating income	1.2	1.4	1.6
Non-operating income	0.4	0.4	0.3
Ordinary income	1.7	1.9	2.0
Extraordinary income	0.1	—	0.3
Income taxes	1.0	0.7	1.0
Net income	0.8	1.1	1.3

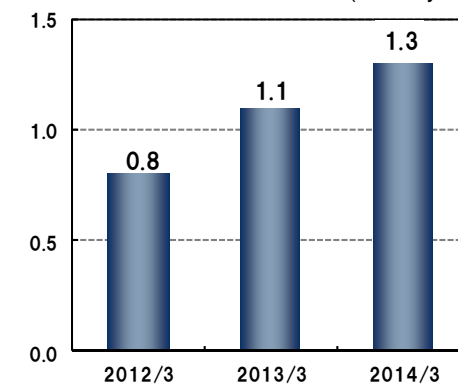
## Net sales

(Billion yen)



## Net income

(Billion yen)



# Major completed constructions in FY3/14

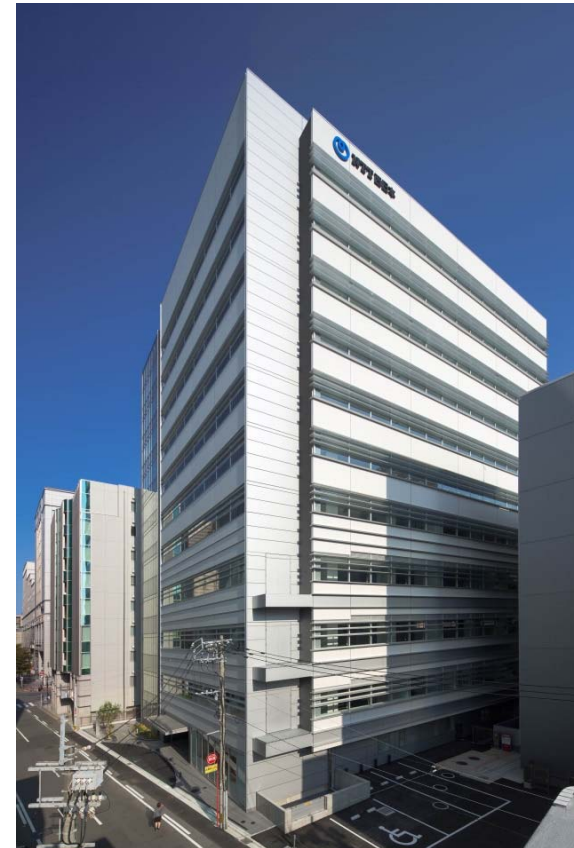
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【Major completed constructions in FY3/14】

# Office Buildings



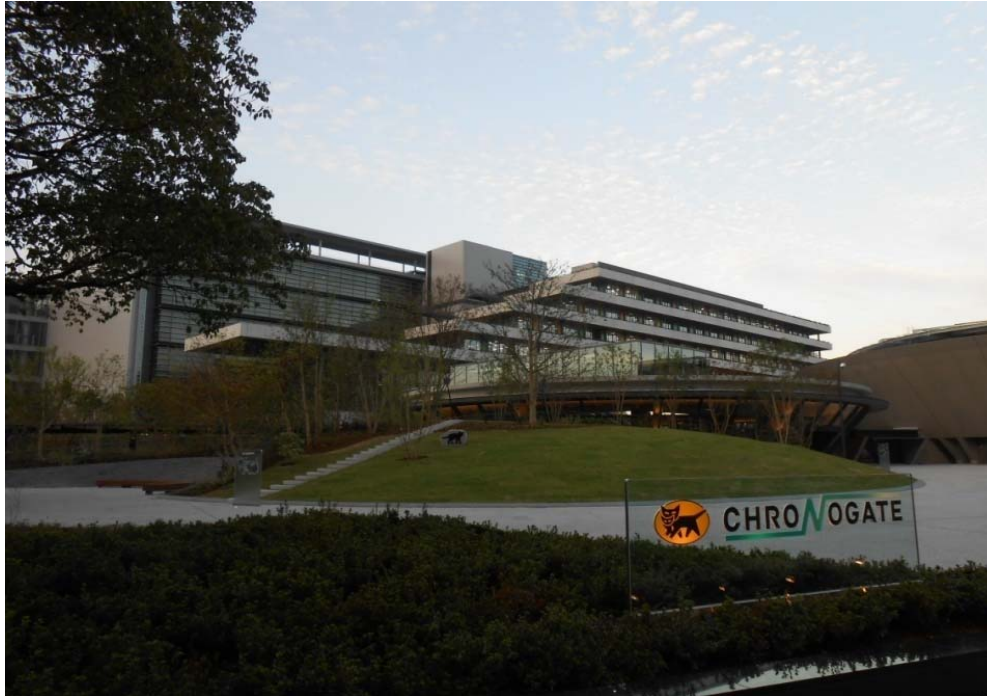
**TOKYO SQUARE GARDEN**  
【 Opened the Hibiya E&S Plaza in the 6th floor  
Eco Tech Hall】



**NTT West  
Doi Machi Building**

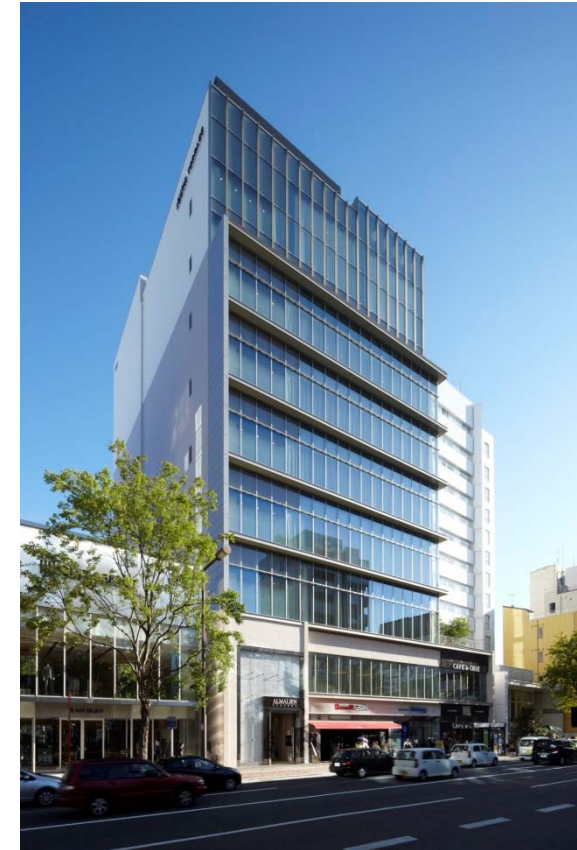
【Major completed constructions in FY3/14】

## Distribution center/commerce facility



**Haneda Chronogate**

**One of the Japan's largest logistics facilities,  
this center is designed for the non-stop  
movement of parcels and other cargo**



**RESOLA SOUTH TERRACE**

Picture: Forward Stroke Inc.

**時代にまっすぐ、技術にまじめです。**

Fiscal year ended March 31, 2014

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