

時代にまっすぐ、技術にまじめです。

# Earnings Announcement

First Half of Fiscal year ending March 31, 2014

Hibiya Engineering, Ltd.

November 15, 2013

# Financial Summary

## First Half of Fiscal Year 2014/3

---

# Financial Highlights (Consolidated)

Orders received were much higher than one year earlier. Although sales were down, but fiscal year sales will increase because of the growth in orders. Unprofitable projects were mainly responsible for the operating and ordinary losses but net income was positive because of extraordinary income.

(Billion yen)

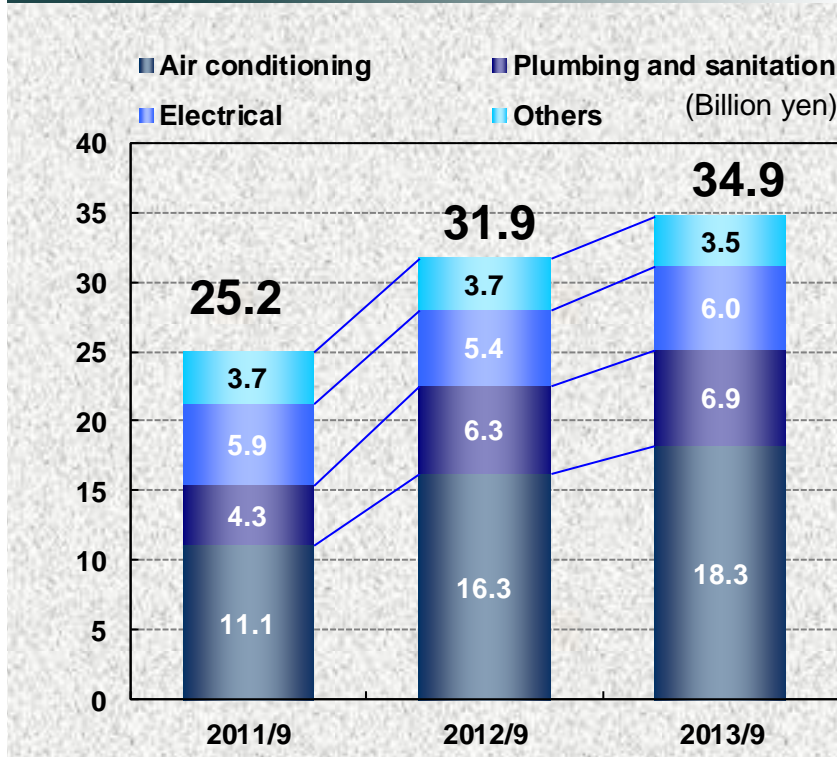
	2011/9 (actual)	2012/9 (actual)	2013/9 (actual)	YoY (%)
<b>Orders Received</b>	25.24	31.93	34.98	+9.6%
<b>Net sales</b>	22.88	29.20	26.24	(10.1%)
<b>Operating Income</b>	(0.48)	0.14	(0.91)	—
<b>Ordinary Income</b>	(0.00)	0.35	(0.55)	—
<b>Net Income</b>	(0.19)	0.23	0.11	(49.6%)



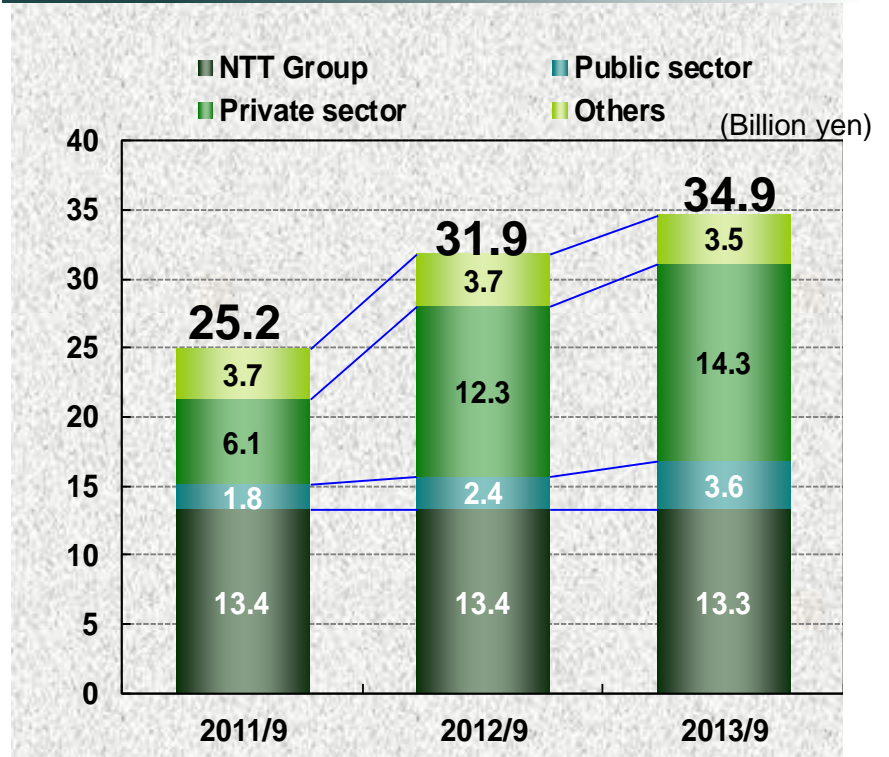
# Orders Received by Category & by Customer (Consolidated)

Private-sector orders received increased because of solution-based sales activities, mainly in the priority domains

## By category



## By customer

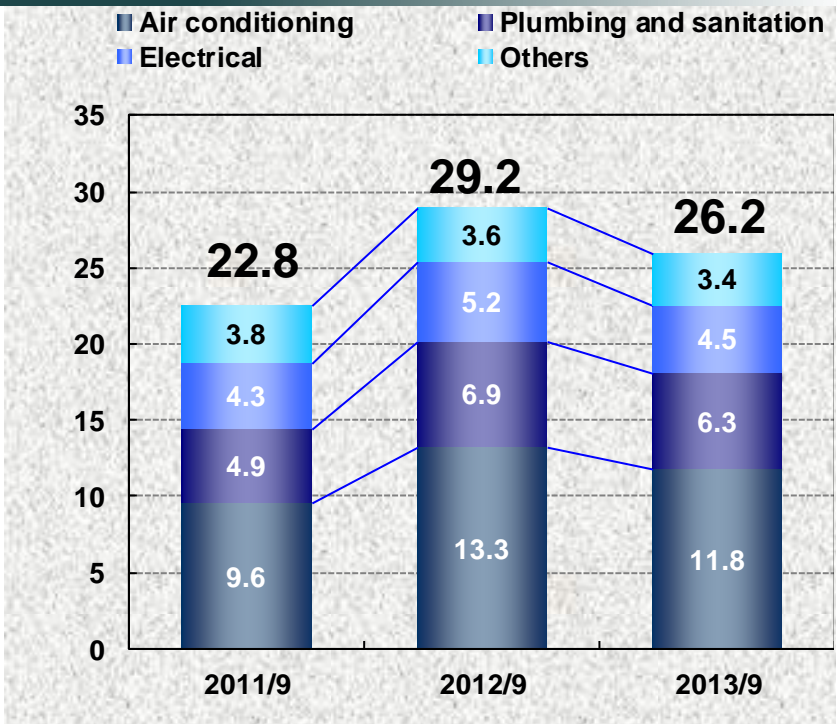


\*Other orders are orders received at group companies other than Hibiya Engineering.

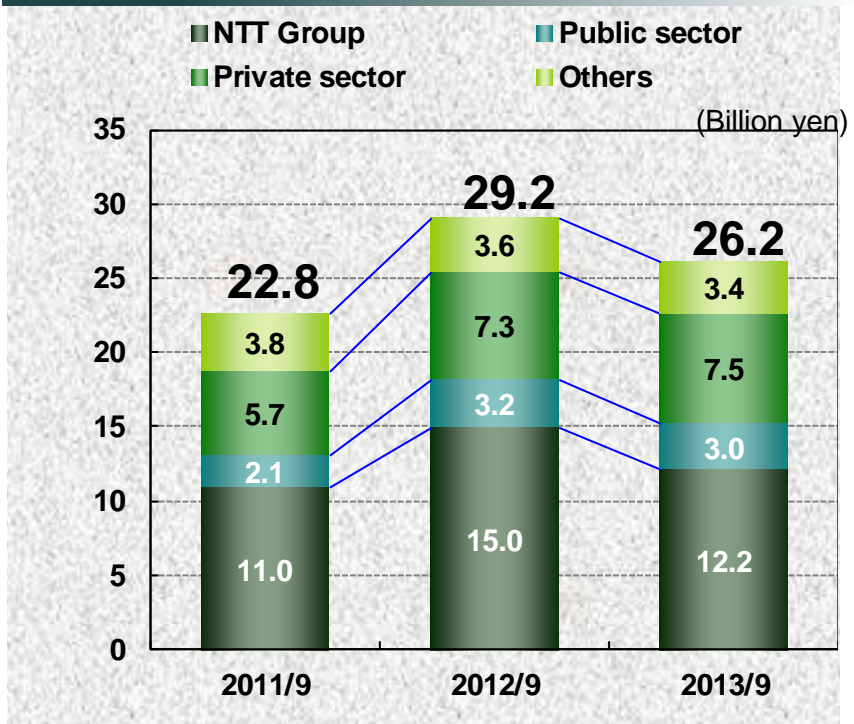
# Sales by Category & by Customer (Consolidated)

Completions of orders carried forward were down in relation to one year earlier when there was a large volume of these completions, but fiscal year sales will increase because of the high level of orders received.

## By category



## By customer



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

# Summary **Income Statements** (Consolidated)



Competition was fierce, but the decline in profitability was minimized by measures to cut the cost of sales and SG&A expenses.

(Billion yen)

	2011/9 (actual)	2012/9 (actual)	2013/9 (actual)
Net sales	22.88	29.20	26.24
Cost of sales	20.04	25.71	23.71
Gross profit	2.83	3.48	2.52
Gross profit margin	12.4%	11.9%	*1 9.6%
SG&A expenses	3.31	3.33	*2 3.44
Operating income	(0.48)	0.14	(0.91)
Non-operating income	0.47	0.20	0.36
Ordinary income	(0.00)	0.35	(0.55)
Extraordinary income	(0.21)	0.11	*3 0.55
Income taxes	(0.02)	0.23	(0.11)
Net income	(0.19)	0.23	0.11

\*1 Up 11.4% after excluding the provision for loss on construction contracts associated with some unprofitable projects

\*2 Higher because of an addition to the allowance for doubtful accounts in association with the customer of a subsidiary

\*3 Mainly due to gains on sales of investment securities

# Revision to Fiscal Year Forecast (Consolidated)



No change in plan for higher sales and earnings in the current fiscal year  
 (Lowered forecasts for operating income by 450 million yen and ordinary income by 650 million yen)

(Billion yen)

	2013/3 (actual)	2014/3 (revised plan)	Difference	2014/3 (initial plan) <small>(Final year of the medium-term management plan)</small>
<b>Orders Received</b>	70.0	73.0	3.0	73.0
<b>Net sales</b>	66.3	70.0	3.7	70.0
<b>Operating Income</b>	2.0	2.05	0.05	2.5
<b>Ordinary Income</b>	2.8	2.85	0.05	3.5
<b>Net Income</b>	1.8	2.0	0.2	2.0

# Earnings Distributions to Shareholders



## Dividends

- Fundamental policy**
- Stable earnings distributions for shareholders
  - Will base dividends on the consolidated dividends on equity (DOE) ratio

- Fiscal year 2014/3**
- Interim dividend: 15 yen
  - Annual dividend per share 30 yen (year end dividend per share: 15 yen)

## Repurchase and retirement of stock

- Fundamental policy**
- Hibiya Engineering will continue to repurchase stock in a flexible manner as part of measures to distribute earnings to shareholders.
  - Treasury stock will not be retired on the premise that the shares will be used effectively in the future.

- Fiscal year 2014/3**
- Allowance of full year: 500,000 shares, 500 million yen
  - Repurchased in 1H FY2014/3: 220,000 shares, 223 million yen

## Reduction in investment securities

- Sold investment securities (five issues) in order to improve the return on assets



# **The Fourth Medium-term Management Plan Progress and Major Initiatives**

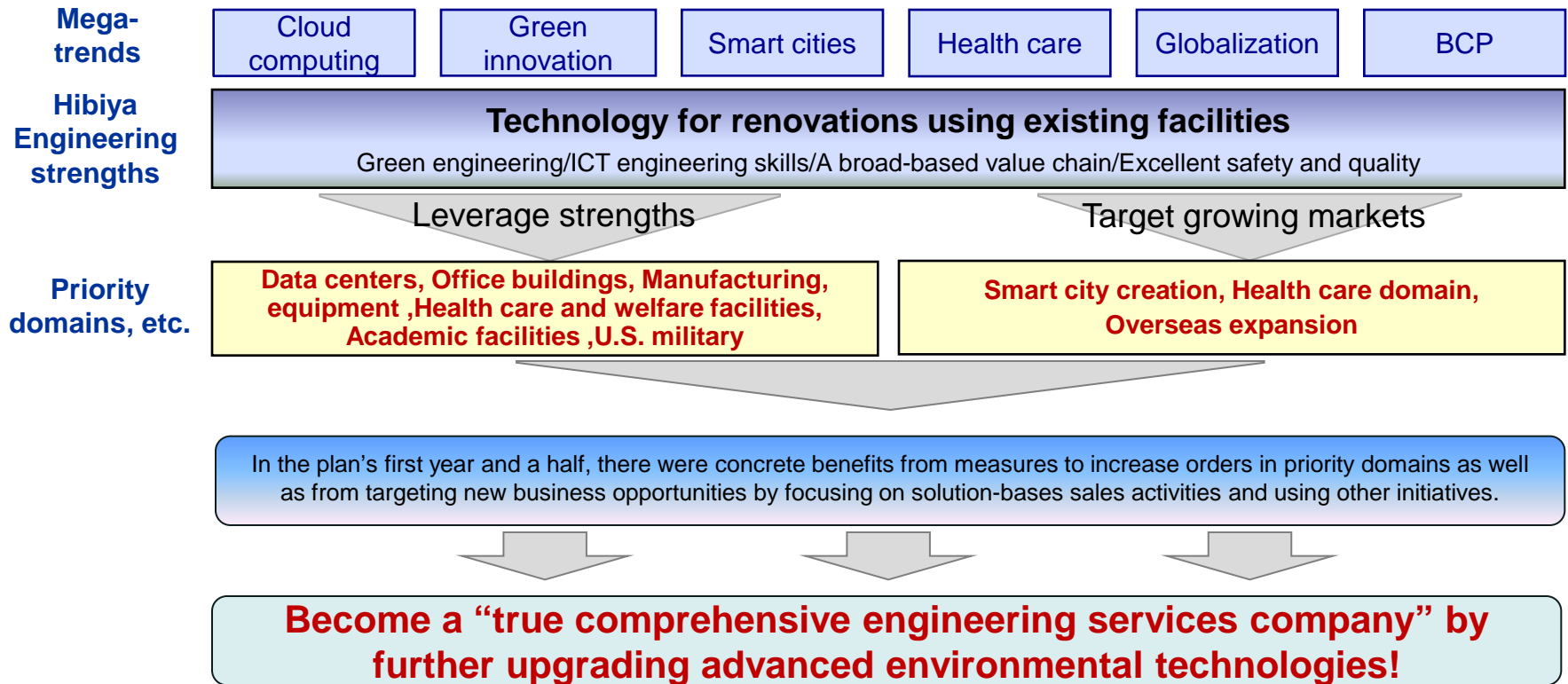
---

# (1) Outline of the Plan

## Fundamental policy

- Increase orders received while preserving profitability
- Achieve steady growth of newly launched businesses and seek more business opportunities

## Fundamental Strategies



## (2) 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

\* 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

### ■ Get new businesses off the ground

### ■ Expand overseas operations

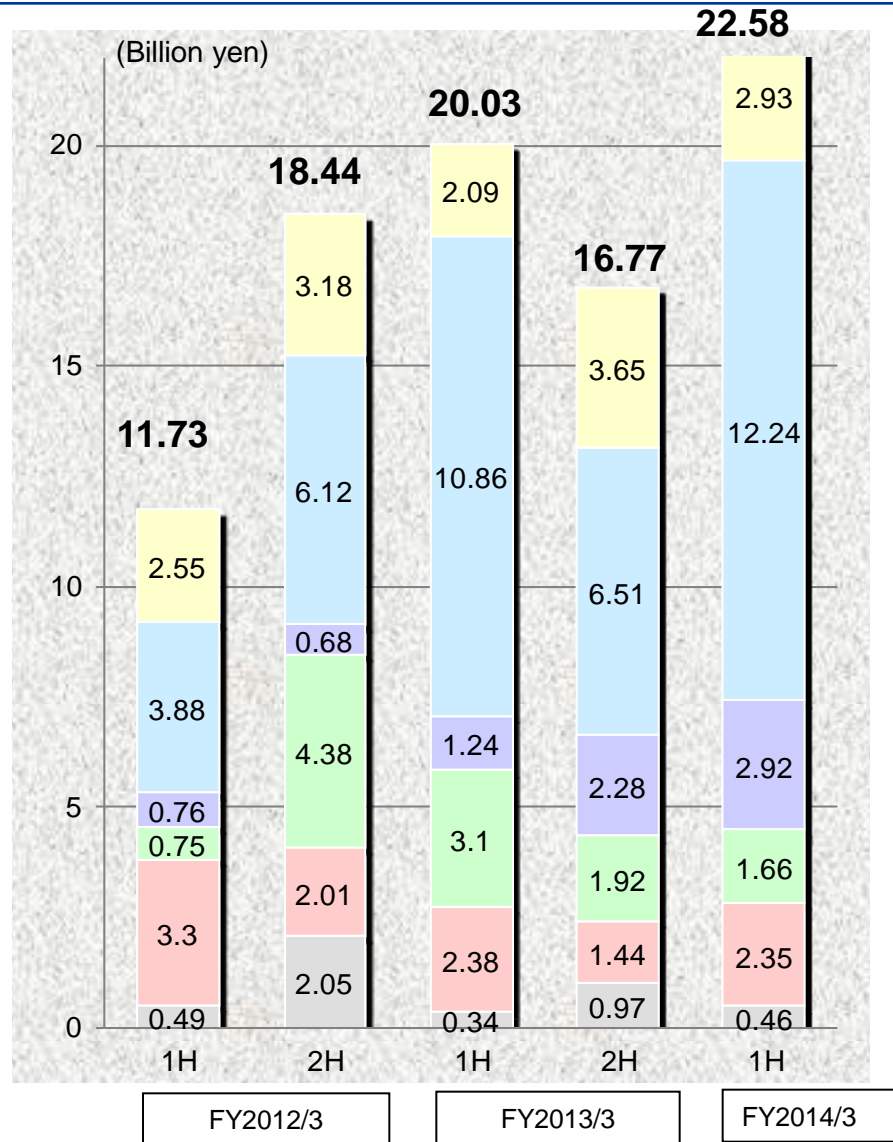
### ■ Pursue a more sophisticated strategy regarding technology

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

# Increase orders in priority domains



Priority domains	Results
<b>Data centers</b> ¥2.93 billion	Construction of highway control center (Aichi) Modular data center (Ishikawa) NTT Group data center
<b>Office buildings</b> ¥12.24 billion	New bldg. for large real estate developer (Tokyo) Air-conditioning system renewal for bldg. owned by PM company (Tokyo)
<b>Manufacturing equipment</b> ¥2.92 billion	New bldg. for marine products and sake manufacturers (Miyagi, Yamaguchi) Energy diagnosis followed by renovation of pharmaceuticals factory (Toyama)
<b>Health care and welfare facilities</b> ¥1.66 billion	New construction of private-sector hospital (Kagoshima) Energy-conservation proposal followed by renewal of air-conditioning system for private-sector hospital (Tokyo)
<b>Academic facilities</b> ¥2.35 billion	New construction for national and private universities (Tokyo, Hyogo) Hot spring gas utilization system for campus (Chiba)
<b>U.S. military</b> ¥0.46 billion	Housing renovation at Sasebo base Facilities at bases in Iwakuni and Zama





# Focusing on solution-based sales activities



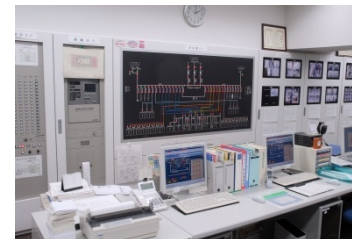
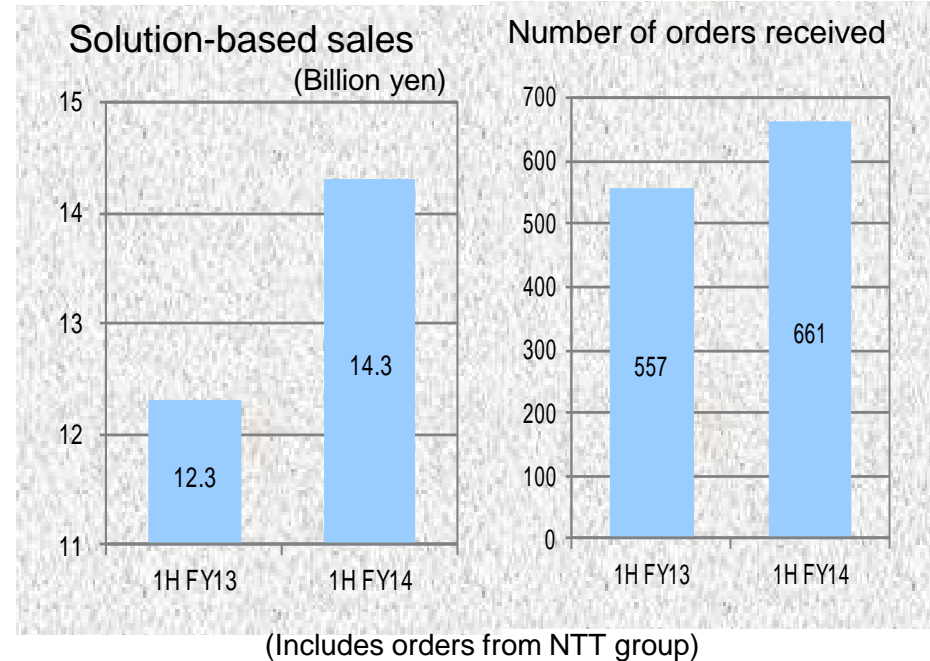
## Solution-based sales performance

**Orders received: ¥14.3 billion**

**Number of orders: 661**

## Major solution-based sales initiatives

- ◆ Use of solar heat on production line of food processing company  
Received order for hot water system (see page 11)
- ◆ Operation of comprehensive energy conservation system for multi-purpose leisure facility  
(Equipment diagnosis – Renewal proposal – Heat source update – Use of subsidy)
- ◆ Energy conservation, efficiency improvement and other proposals to NTT Group companies for investments and other needs
  - Orders for renewals of air-conditioning, building automation, electrical systems, etc.



BAS



Building electrical system

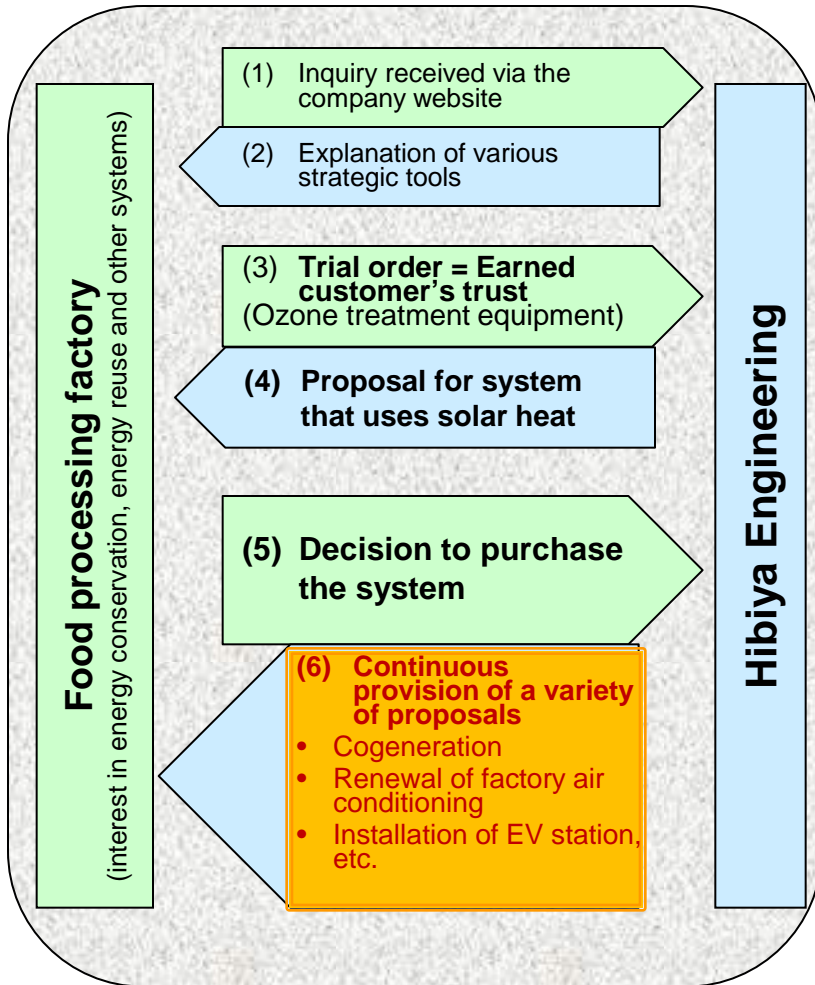
# Progress for Solutions business (examples)



## Installation of solar thermal hot water system at a food processing factory

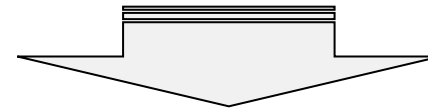


Solar thermal system

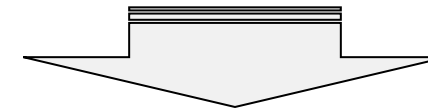


### Order Highlights

- ◆ Proposed energy-conservation system that met the customer's requirements, raised the level of solution-based sales
- ◆ Expertise and experience with many advanced environmental technologies



- ◆ More proposals and business involving energy-use improvements and other activities
  - Aiming to be a "comprehensive producer for energy"
  - **Create "gold customers"**



- ◆ Horizontal expansion of proposal schemes, technologies, methodologies and other know-how to other manufacturing facilities!

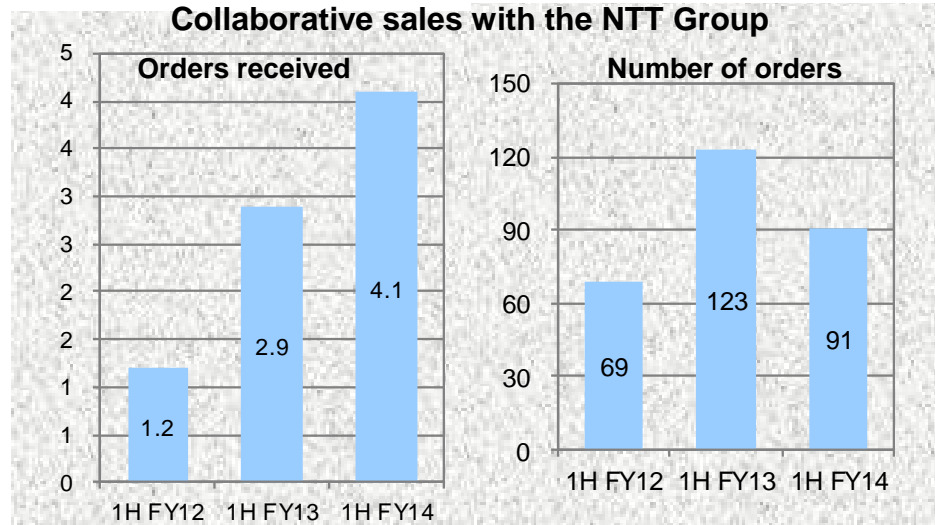
# Collaborative sales with the NTT Group

## Collaborative sales with the NTT Group

**Orders received: ¥4.1 billion**  
**Number of orders: 91**

**Solar project in the orders**

Orders received: ¥0.31 billion  
 Number of orders: 8



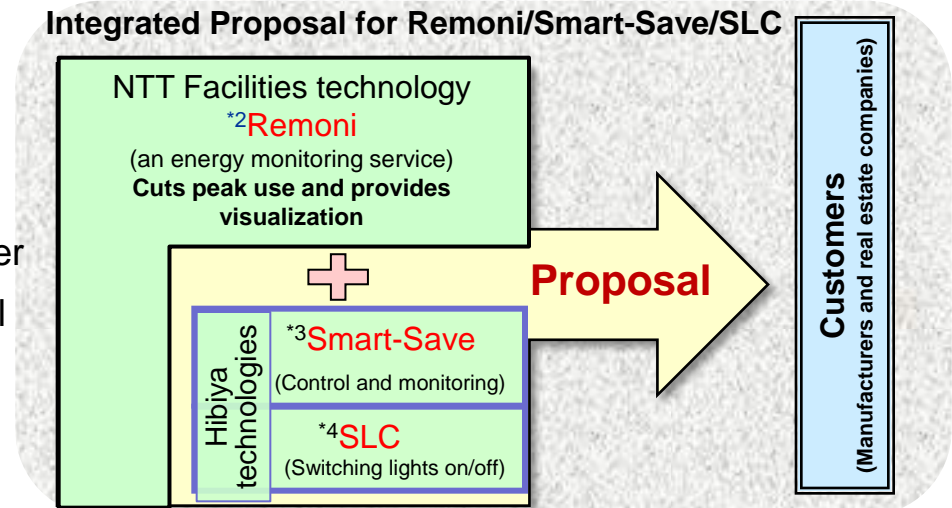
## Major activities

- ◆ “Smart” and energy technology proposals for the eco-town project of a city (solar power, solar thermal, BMS, etc.) (see page 13)
- ◆ Selected by Ministry of the Environment for a thermal hybrid demonstration project\*1 (1\* Jointly developed with NTT Facilities)



Used at the project of a major house manufacturer

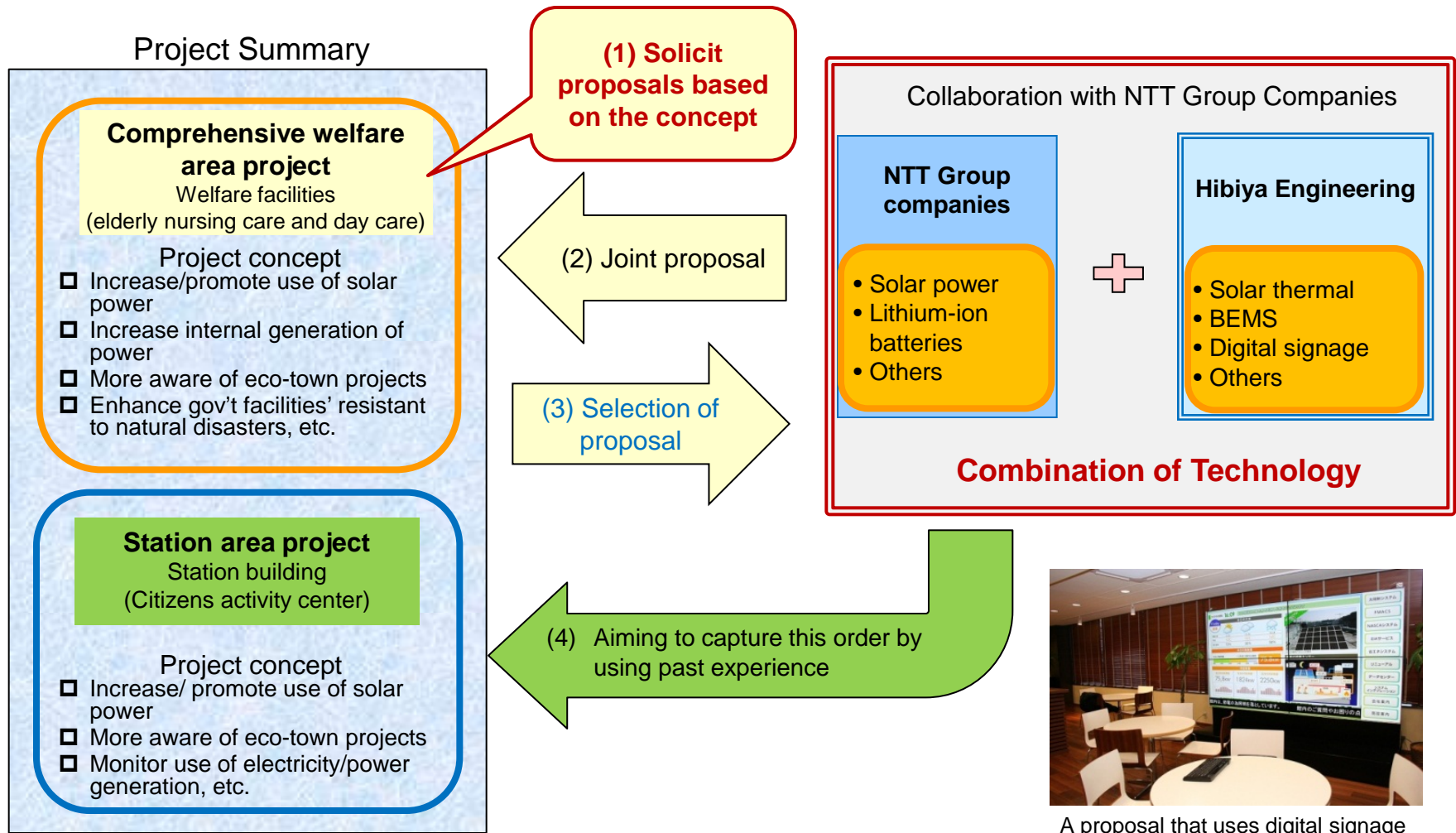
- ◆ Proposals for energy visualization and control for manufacturers and real estate companies (see diagram to the right)  
 (\*2Remoni, \*3Smart-Save, \*4SLC)



# Collaborative sales with the NTT Group



## Eco-Town Project of a City

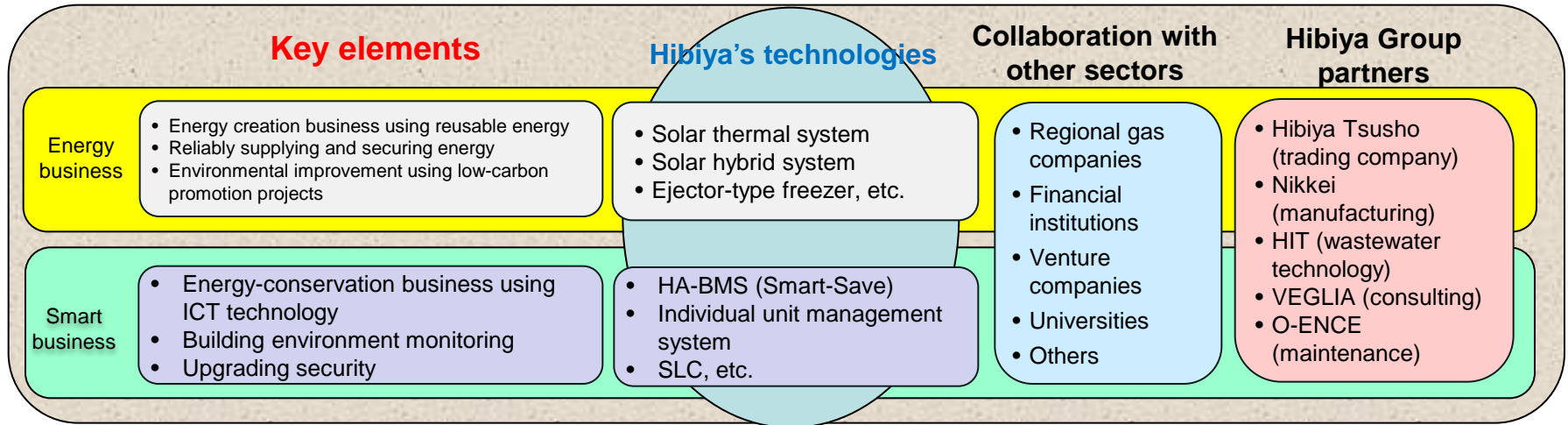


A proposal that uses digital signage



# Initiatives to Start New Businesses

## Extensive measures involving the energy-smart business



## Major activities

- ◆ A city asked for proposals for energy conservation (use of BEMS) at several facilities and selected Hibiya Engineering (see page 15)
- ◆ Establishment of plant factories in previously unused buildings (Fukui, Saitama)
- ◆ First for strawberries, then herbs (tie-up with university venture company) (see the diagram at the end of this presentation)
- ◆ Use of natural gas cogeneration system at composite facilities for the supply of electricity and heat (Okinawa, Chiba) (effective use of natural gas that is normally simply released)



Cogeneration system using natural gas

# Initiatives to Start New Businesses (examples)

## Electricity and energy conservation operations for multiple city facilities

### Summary of the project

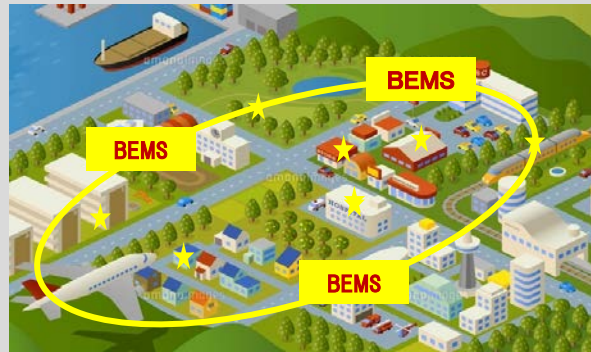
#### 20 city buildings

- Gymnasium
- Administrative buildings
- Museum
- Others

City asked for proposals for the most effective BEMS

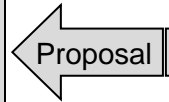
The city

### Electricity and energy conservation in a specified district



RFP

(20 buildings)



Hibiya Engineering

(Use of Smart-Save, etc.)



VEGLIA Laboratories

(Data analysis, etc.)

### Comprehensive electricity and energy conservation solution

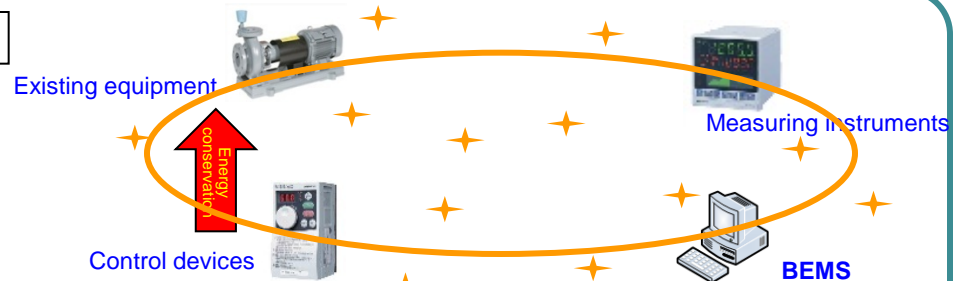
#### Scope of this project

#### Use of BEMS at 11 buildings

- Optimal automated control
- Provision of a visualization system

#### Energy conservation advice

- Analysis of energy data
- Fine tuning



#### Constant services

- Verification of benefits of BEMS
- Additional ideas for energy conservation

#### More activities

- Use of BEMS at other locations in the city
- Horizontal expansion of electricity conservation measures

# Initiatives to Start New Businesses (topics)

## HIBIYA E&S PLAZA

- ◆ Opened in July 2013 at environmental technology showroom (6F) of Tokyo Square Garden
- ◆ Hibiya's first permanent exhibition space; based on the theme of "energy & smart"
- ◆ Offers proposals to customers, provides information about technologies and services, shows Hibiya's environmental activities

### Concept of HIBIYA E&S PLAZA

- A place that brings together people and information
- A place for communications with customers
- A place for supplying energy conservation, energy creation and other information
- A place to show people the Hibiya Engineering Group's environmental activities

### Exhibitions (as of November 15, 2013\*)

- Solar hybrid system
- Ejector-type freezer
- HA-BEMS
- Smart lighting controller
- EIA

\*See Technology Section in the reference materials



The July 12 opening ceremony



The first seminar held at HIBIYA E&S PLAZA

# Expand overseas operations



## Vietnam pilot project (started in fiscal 2011)

◆ **Applied for a NEDO demonstration project this fiscal year**

(see the diagram at the end of this presentation)

- Proposal to conserve energy by using an energy management system (EMS) at several hotels

## Collaboration with the NTT Group

◆ **Technical cooperation with NTT Group company in Thailand**

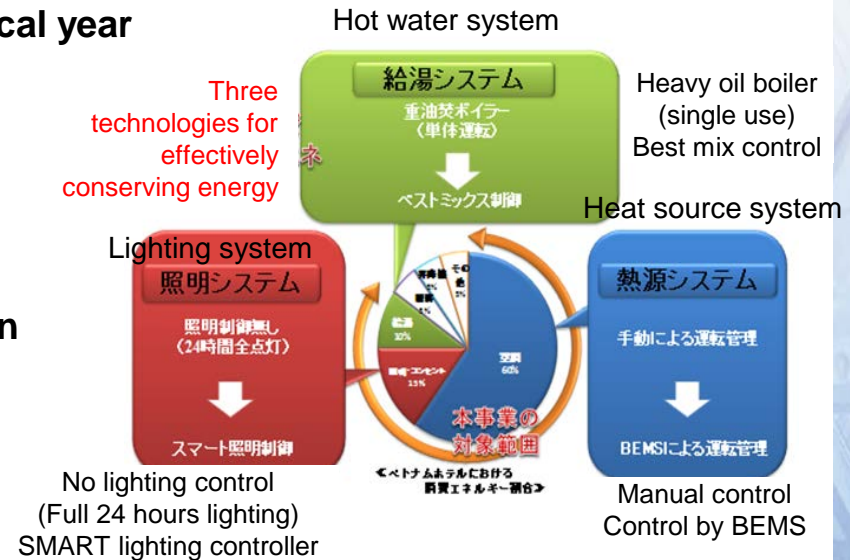
(data center operated by NTT Facilities subsidiary)

◆ **Joint promotion of energy conservation solutions business**

(NTT Facilities, Vietnam, Singapore)

## Other overseas activities

- ◆ **Solar thermal system field trip and seminar** (for trainees from Asia, a project for JICA)
- ◆ **Study concerning potential use of JICA funds**
  - ESCO business and energy-conservation technologies in Southeast Asia



Participants in the solar thermal seminar



# Promotion to raise quality of technology strategy

## Continued strategic research and development into raising the quality of new energy and energy conservation technologies

### ◆ Further upgrade current key technologies

#### HA-BEMS (Smart-Save)

Measures to enhance and add functions

#### SLC

Further cost reductions and enhanced functions

#### Solar hybrid system

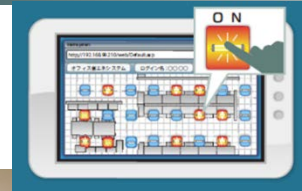
Further improve functions by using demonstration tests

#### Ejector-type freezer

Study ways to further cut the cost and improve performance



Smart-Save



SLC



Solar hybrid system



Ejector-type freezer

\* See the Technology Section in the reference materials at the end of this presentation.

## Patent for the Energy Management System

### ◆ A patent was received for the consumed energy reduction diagnosis methodology using the EMS.

(jointly with NTT Urban Development Builservice)

- Diagnostic method for start-up time of air-conditioning system
- Diagnostic method for outside air cooling system for reducing a building's energy consumption
- Night purge diagnostic method for reducing a building's energy consumption



Patent certification

# Strengthening corporate base



## Improve efficiency and further cutting costs

- ◆ Thorough review of shared operations and higher efficiency by using business process reform project teams across the entire organization
- ◆ Sharing of achievements and know-how by holding meetings to announce outstanding accomplishments and give awards
- ◆ Big cost reduction by increasing efficiency of construction projects that are performed repeatedly (priority domains, NTT Group projects, etc.)

## Reinforce the group's infrastructure

- ◆ Strengthen group governance by establishing a Group Management Council and taking other actions
- ◆ Strengthen employee training by centralizing the group's training operations

## Reinforce risk management

- ◆ Establish a powerful information management framework, etc. Head office and Tokyo head office received ISO27001 certification
  - Plan to have all locations in Japan certified by the end of this fiscal year
- ◆ Establish safety management system (Completed\*)
  - \* Aims to eliminate accidents by having job sites and offices share information about dangerous tasks



Announcement of outstanding accomplishments

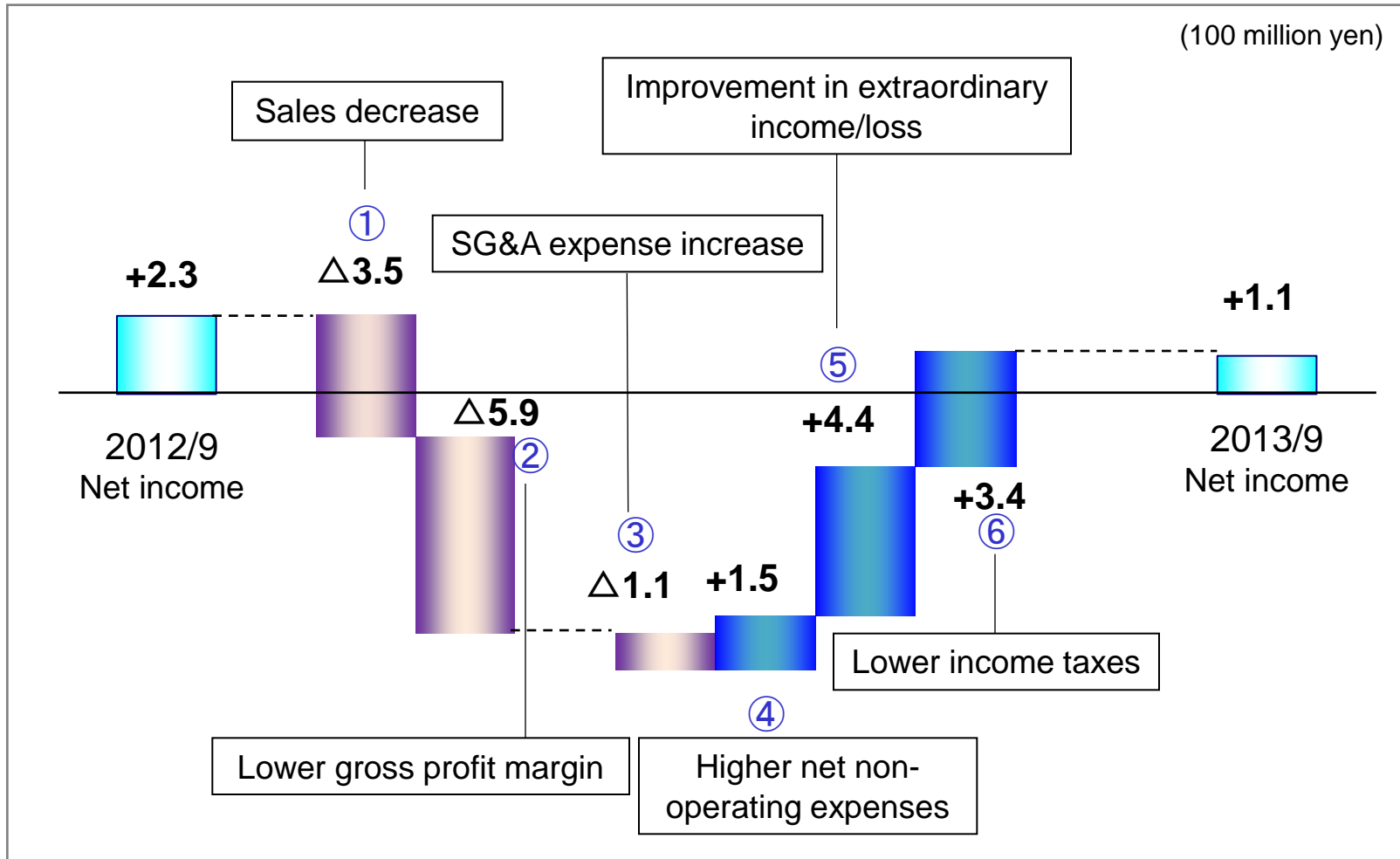


ISO27001 certification

# Reference (performance)

---

# Consolidated net income breakdown



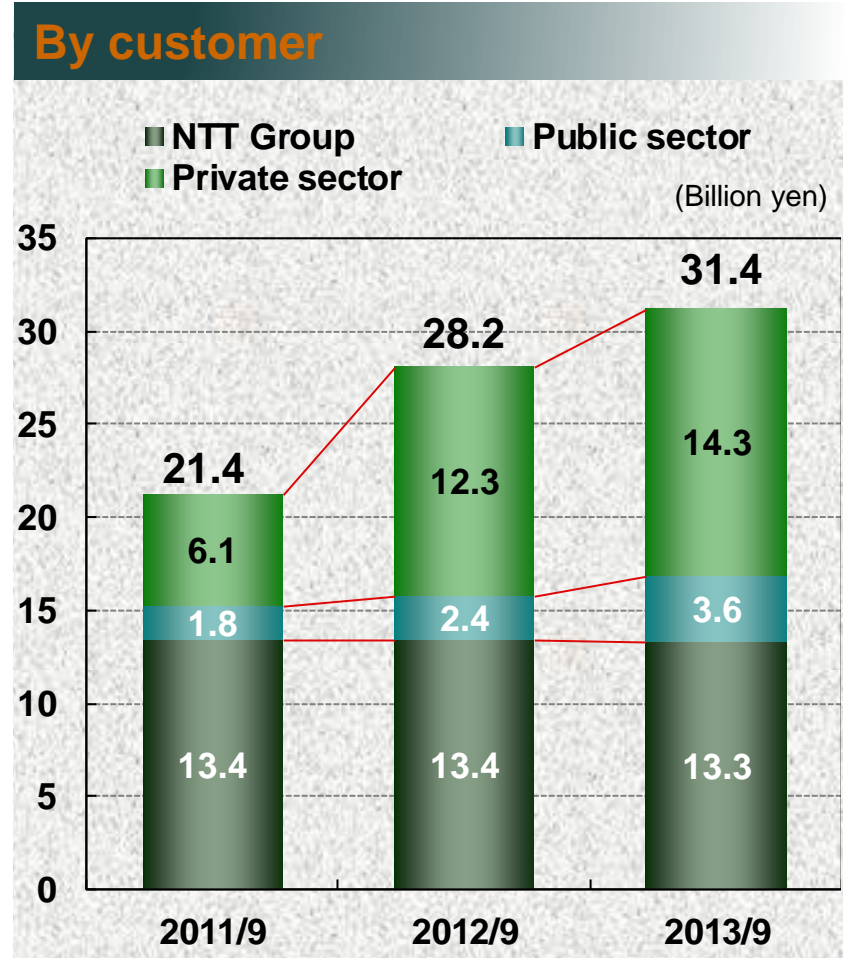
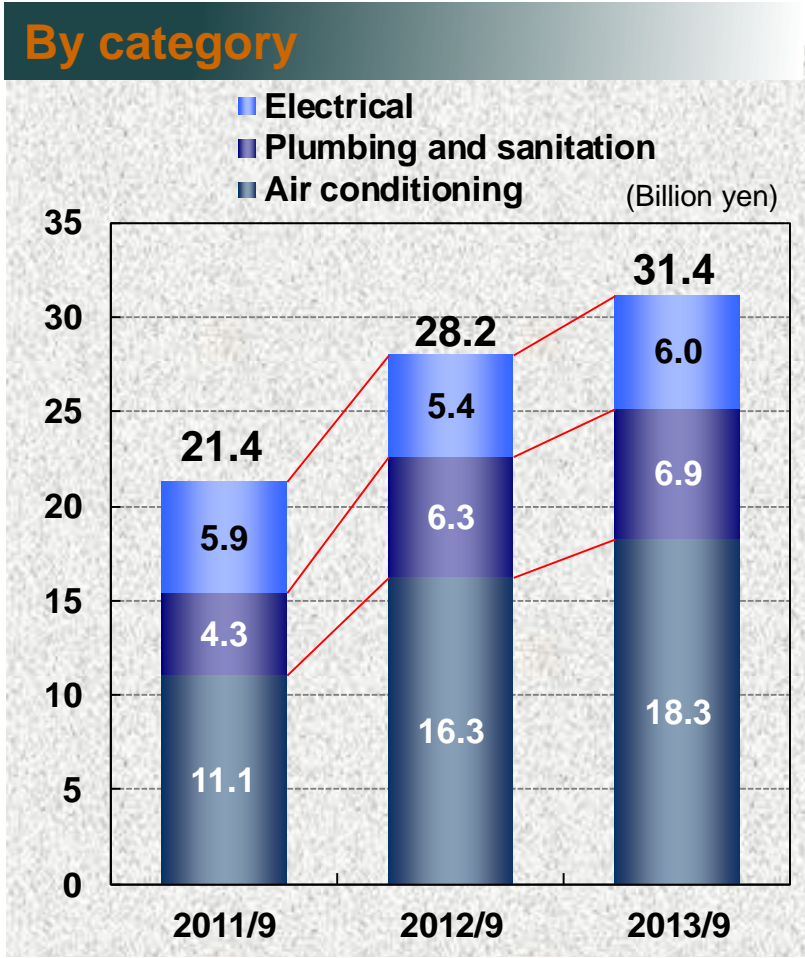


# Financial Highlights (Non-consolidated)

(Billion yen)

	2011/9 (actual)	2012/9 (actual)	2013/9 (actual)	YoY (%)	2014/3 (plan)
<b>Orders Received</b>	21.46	28.21	31.42	+11.4	62.0
<b>Net sales</b>	19.00	25.59	22.79	(10.9)	60.0
<b>Operating Income</b>	(0.62)	0.01	(0.70)	—	1.7
<b>Ordinary Income</b>	(0.31)	0.24	(0.50)	—	1.9
<b>Net Income</b>	(0.40)	0.11	0.06	(47.7 )	1.4

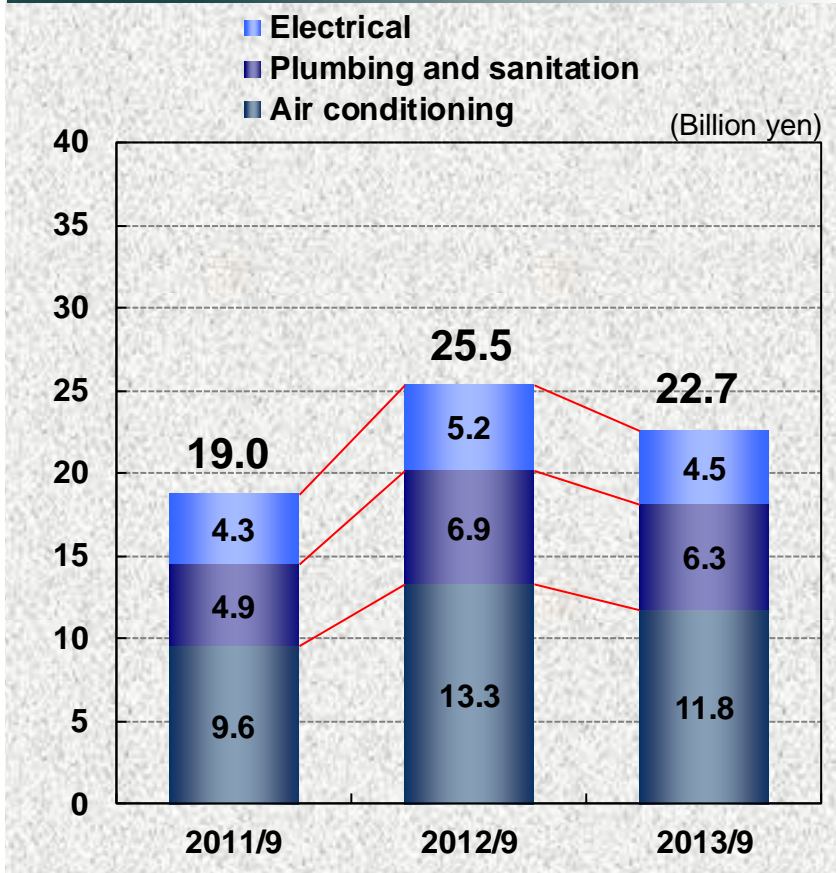
# Orders Received by Category & by Customer (Non-consolidated)



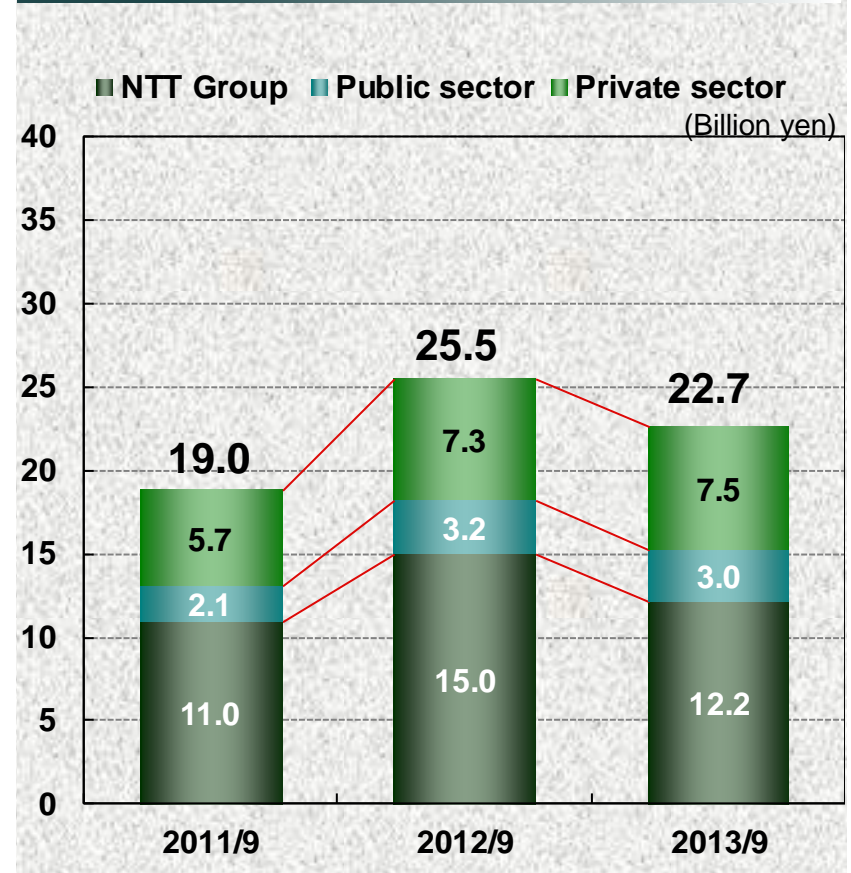
# Sales by Category & by Customer (Non-consolidated)



## By category



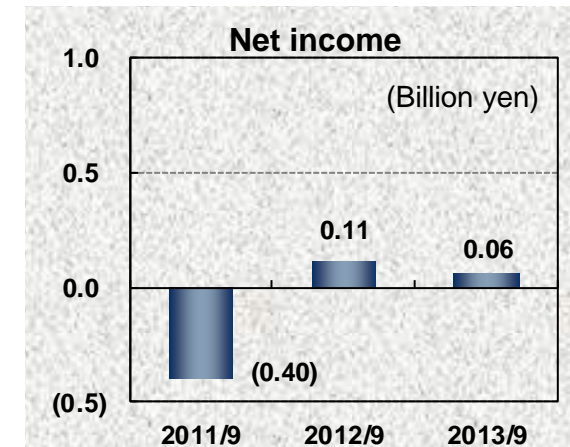
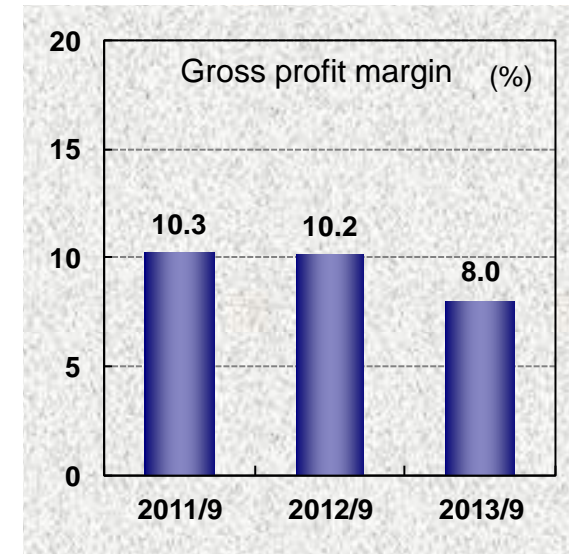
## By customer



# Summary **Income Statements** (Non-consolidated)

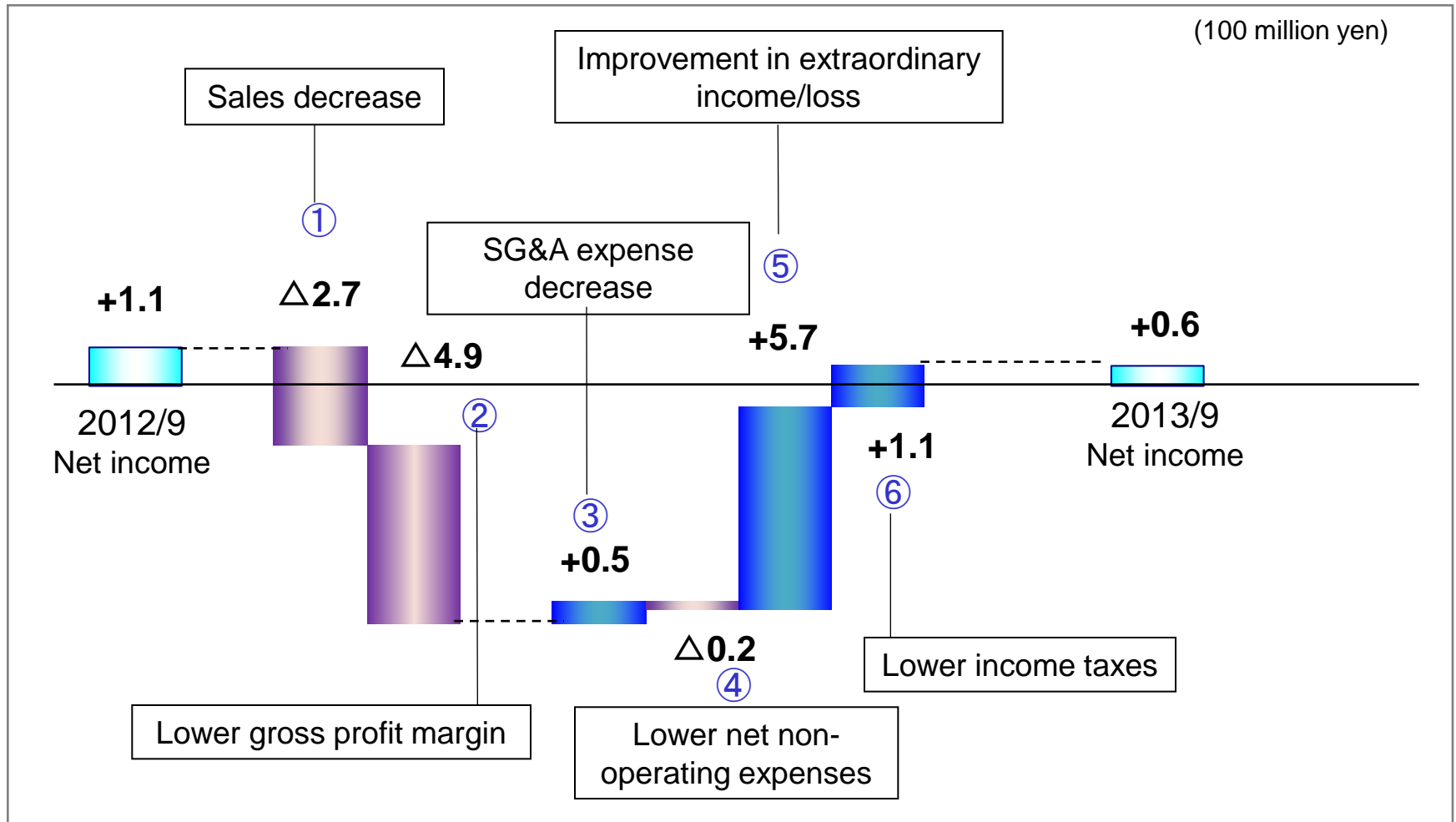
(Billion yen)

	2011/9 (actual)	2012/9 (actual)	2013/9 (actual)
Net sales	19.00	25.59	22.79
Cost of sales	17.04	22.98	20.97
Gross profit	1.96	2.60	1.82
Gross profit margin	10.3%	10.2%	8.0%
SG&A expenses	2.58	2.58	2.52
Operating income	(0.62)	0.01	(0.70)
Non-operating income	0.30	0.22	0.20
Ordinary income	(0.31)	0.24	(0.50)
Extraordinary income	(0.21)	(0.01)	0.55
Income taxes	(0.13)	0.11	(0.00)
Net income	(0.40)	0.11	0.06





# Non-consolidated net income breakdown



# Reference (technology)

---

# Solar Hybrid System

## Joint demonstration test of solar hybrid system with NTT Facilities

### Advantages

- Solar energy comprehensive conversation 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)

### Solar hybrid systems



Solar hybrid panels are similar to photovoltaic panels.

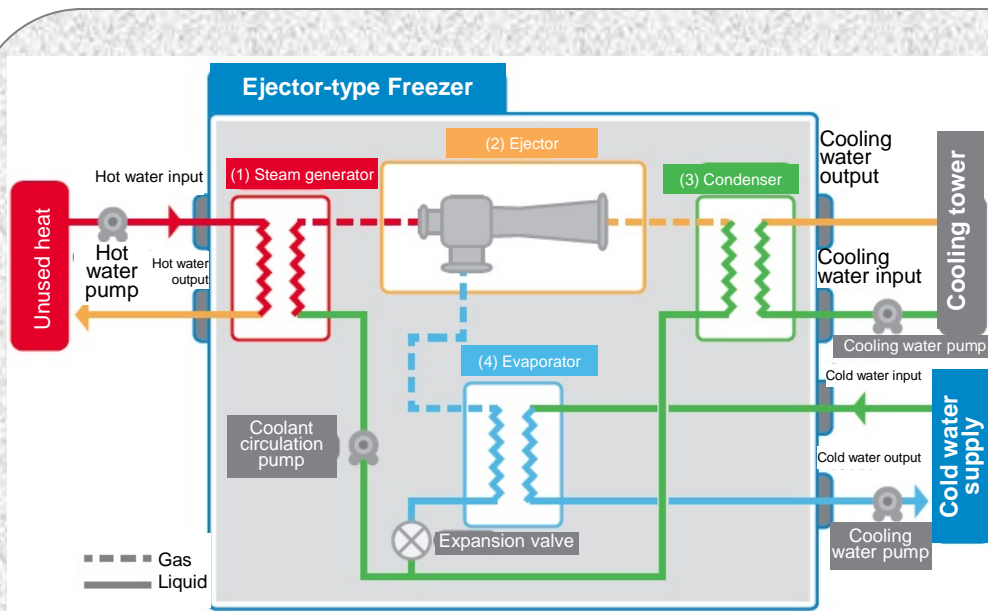


Solar heat collection units are placed under the photovoltaic panels.

# Ejector-type Freezer

## What is an ejector-type freezer?

- A compact freezer that is powered by hot water produced by waste heat, solar heat or other sources
- Benefits of Hibiya Engineering's ejector-type freezer
  - Effectively utilizes thermal energy
  - Outstanding durability
  - Low running and maintenance expenses



### How an ejector-type freezer works

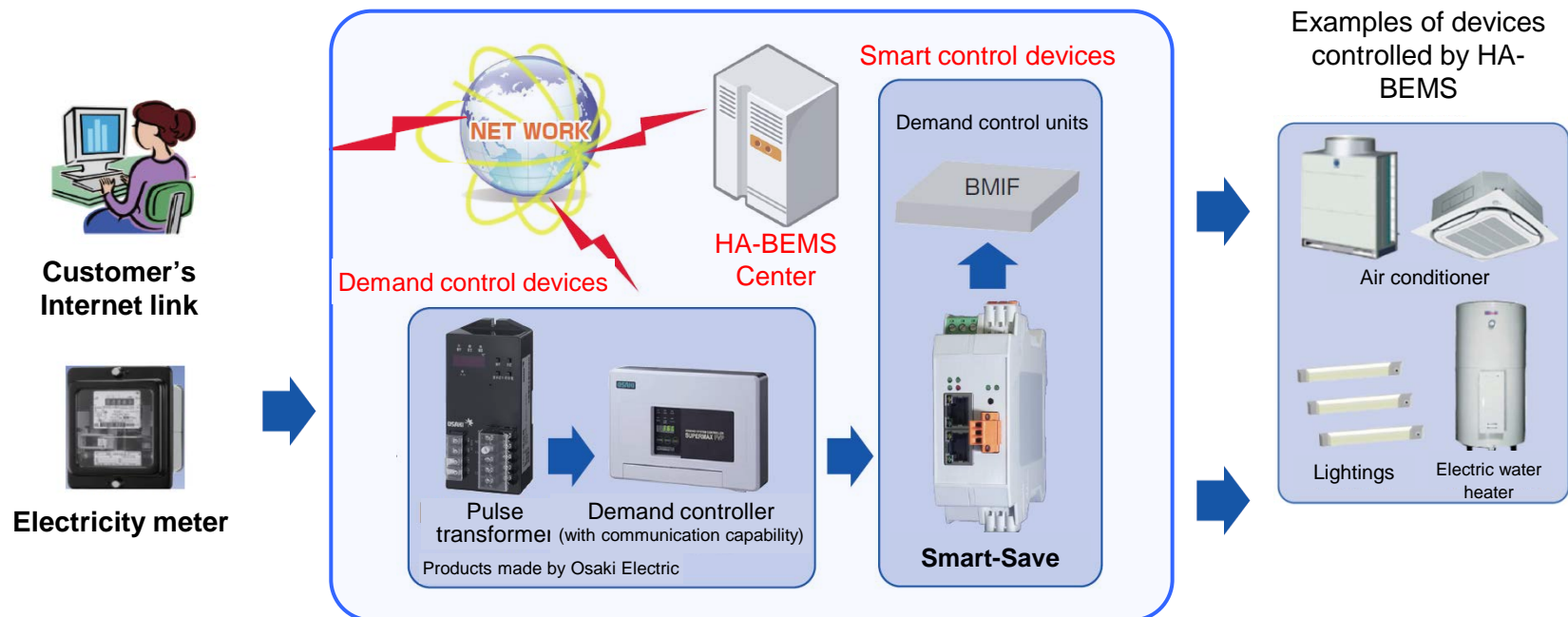
- (1) Steam generator  
This unit uses waste heat or solar heat to produce steam.
- (2) Ejector  
Steam is sent to the ejector. The ejector's attractive effect causes the steam generator to become a vacuum (negative pressure).
- (3) Condenser  
Steam output from the ejector is converted to a liquid by the condenser. The liquefied coolant now goes to a coolant circulation pump after which it is sent back to the steam generator.
- (4) Evaporator  
Part of the coolant that was converted to a liquid by the condenser is sent through the expansion valve to the evaporator, which has a low pressure. The coolant evaporates inside the evaporator and the evaporative latent heat is used for producing cold water.



# HA-BEMS (Smart-Save)

- A unique energy management system developed by Hibiya Engineering
- Achieves smart energy conservation that goes one step beyond visualization
  - In addition to its visualization function, HA-BEMS performs “smart” control of equipment and conserves electricity and other energy, all at a low cost.
  - The electricity bill reduction target is 20%.

## Components of HA-BEMS

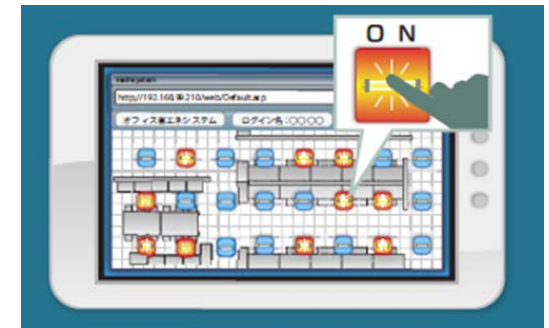
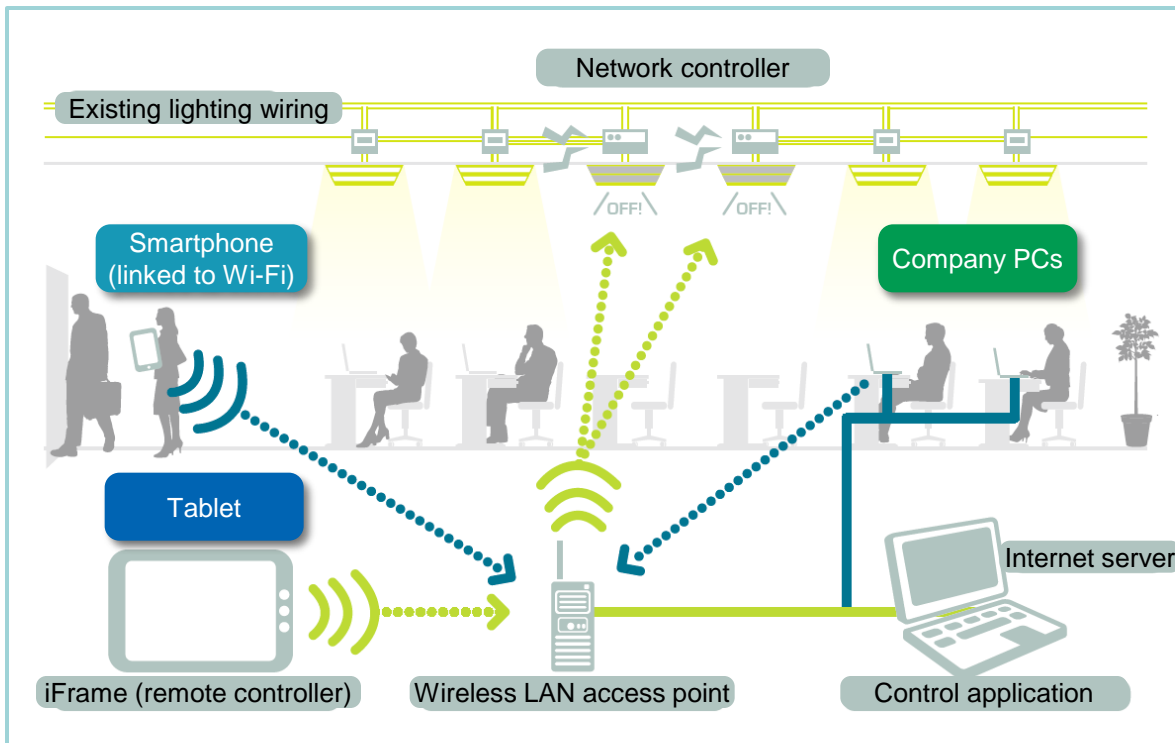


- Smart-Save (load control unit) effectively controls the amount of electricity used.
- An effective way to manage energy use at small and midsize companies and at companies with many business sites

# Smart Lighting Controller

\*Registered trademark of Hibiya Engineering

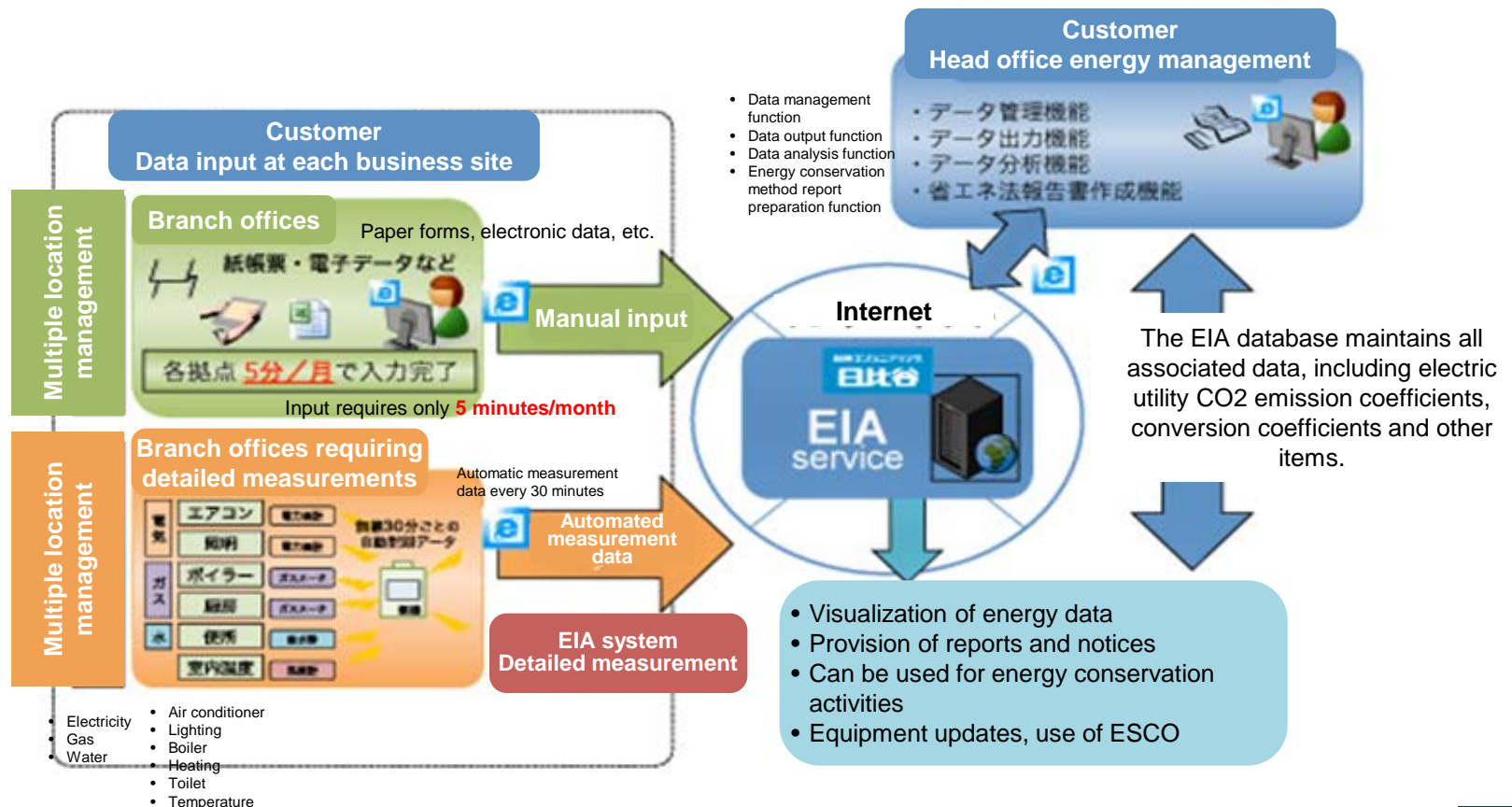
- A system that can significantly cut electricity consumption by sending a control signal via a wireless LAN from a PC or smartphone to switch on and off individual lights
- Easy to install: No new power supply or signal wiring is needed.
  - Sales promotion activities under way with existing buildings the primary target



Switch lights on and off by touching the screen of a tablet, smartphone or iFrame

# EIA (Energy use visualization system)

- EIA uses energy use visualization to allow locating waste and inefficiency in order to reduce energy consumption.
- EIA helps with energy conservation activities by centralizing the supervision of a customer's energy consumption.



# Realization of new business (example)

- Orders and examples of wholly artificial light-type plant factories

## One-stop service

### Hibiya Group

- Planning / providing temperature, humidity and light control equipment, etc.
- Production of frames and other items for cultivation use
- Sales of operational use clean ware/wear

### Partner companies

- Control surveillance systems
- Equipment maintenance

### Agriventure companies University research institutes

- Development of cultivation technologies
- Operational guidance and advice, etc.

## Wholly artificial light-type plant factories

- Efficient utilization of low usage/idle facilities (factories, etc.)
- Artificial control of growing/cultivation environment (Planned production is possible without reference to seasonality)
- No agrochemicals used (security and safety)
- CCFL used in artificial light (Long life, lower power consumption, low-cost lighting)



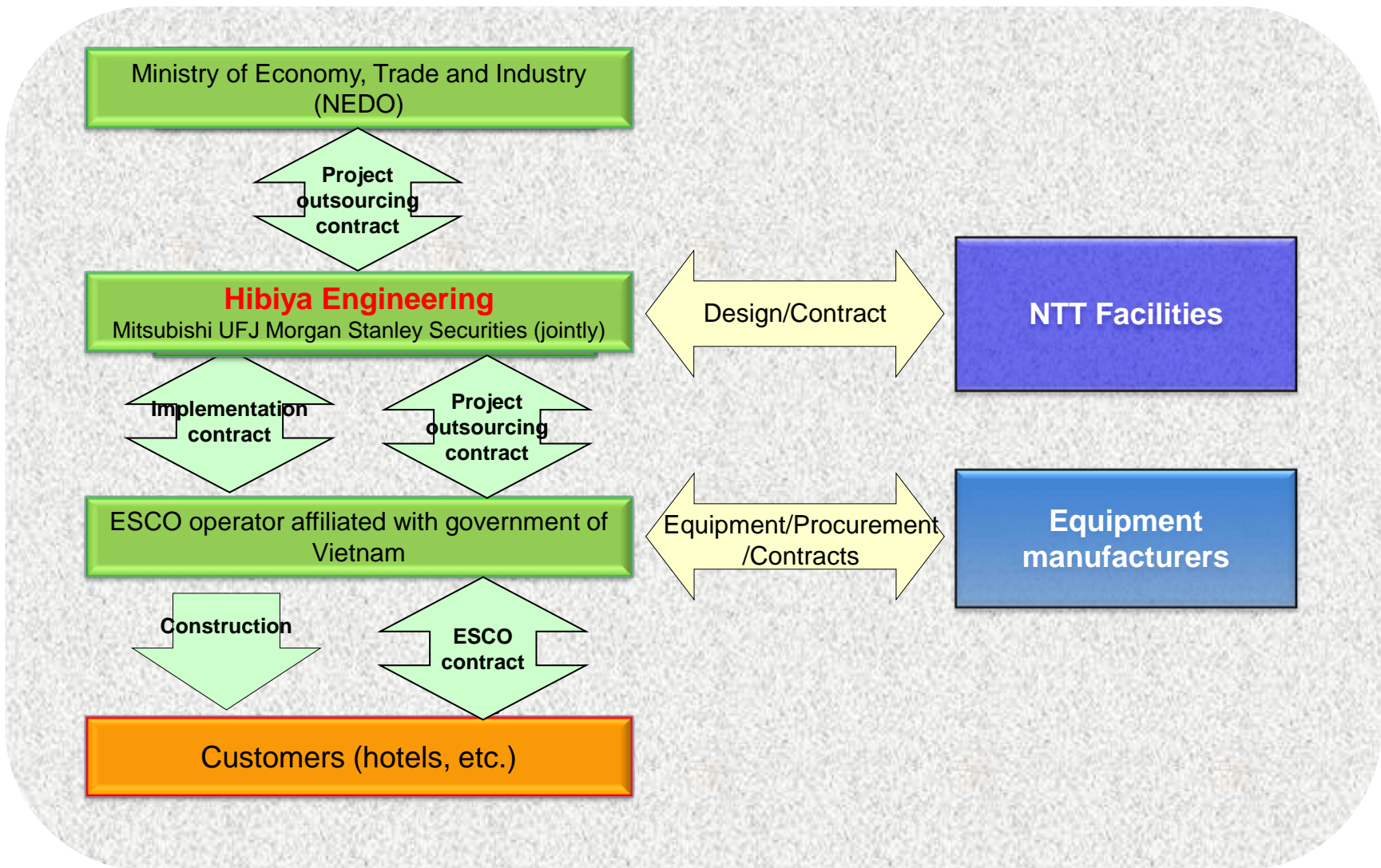
Strawberry cultivation facility owned by OREC Co., Ltd

\* Strawberry cultivation is leading-edge facility, as most plant factories are specializing in foliage plants.



# Overseas Activities

## ■ Flowchart for Vietnam Pilot Project



**時代にまっすぐ、技術にまじめです。**

## **Earnings Announcement**

First Half of Fiscal year ending March 31, 2014

Hibiya Engineering, Ltd.

November 15, 2013