

Summary of Financial and Operating Results for the Third Quarter of the Fiscal Year Ending March 2010

February 9, 2010

Company: Hibiya Engineering, Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1982
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1. Consolidated results of operations for the first three quarters of the fiscal year ending March 2010

(April 1, 2009 – December 31, 2009)

(1) Consolidated results of operations

Rounded down to million yen

	Net sales		Operating income		Ordinary income		Net income (for the period)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q ended Dec '09	39,551	2.3	(77)	-	957	(15.9)	598	91.8
3Q ended Dec '08	38,662	-	272	-	1,138	-	311	-

	Earnings per share (for the period, basic)		Earnings per share (for the period, diluted)	
	Yen		Yen	
3Q ended Dec '09	17.99		17.96	
3Q ended Dec '08	8.75		8.75	

Note: The percentages for net sales, operating income, ordinary income and net income represent changes from the same period of the previous fiscal year.

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
3Q ended Dec '09	65,928		50,072		74.0		1,475.06	
FY ended March '09	71,770		49,267		66.8		1,435.82	

(For reference) Shareholders' equity: 48,779 million yen as of the end of FY10 3Q

47,954 million yen as of the end of FY09

2. Dividends

(Yen)

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
FY March 2009	-	7.50	-	11.00	18.50
FY March 2010	-	7.50	-		
FY March 2010 (Estimate)				9.00	16.50

Note: change in dividend forecast for the third quarter

None

3. Consolidated business forecast for the fiscal year ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(Percentages represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	66,500	10.5	1,400	(31.3)	2,600	(17.2)	1,600	13.7	47.91

Note: change in full year earnings forecast None

Forward-looking statements, important Notes, etc.

1. 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 the above forecasts for a number of reasons.
2. Effective from the current consolidated accounting year the Company has adopted "Accounting Standards on Quarterly Financial Standards" (Corporate Accounting Standards, No. 12) and "Guidelines on Quarterly Financial Statements" (Guidelines on Corporate Accounting Standards, No. 14) while complying with "Rules on Quarterly Financial Statements". 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.

Results of Operations and Financial Condition

1. Analysis of results of operations

In the first three quarters of the fiscal year, private-sector capital expenditures remained weak and unemployment was high in Japan as corporate earnings continued to be lackluster.

In the construction industry, there are still no signs of an improvement in private-sector construction demand, which has dropped along with the economy, and governments are making more cuts in public-works projects.

Orders received in the first three quarters increased 1 million yen from one year earlier to 35,905 million yen and net sales increased 2.3% to 39,551 million yen. This resulted in a 4.9% decrease in the order backlog to 33,167 million yen at the end of the third quarter. To improve earnings, group companies placed priority on profitability when accepting orders and cut costs. Although there was an operating loss of 77 million yen, ordinary income was 957 million yen and net income was up 91.8% to 598 million yen.

2. Analysis of financial condition

[Assets]

Total assets were 65,928 million yen at the end of the third quarter, 5,841 million yen less than at the end of the previous fiscal year. Current assets decreased 7,536 million yen to 31,274 million yen and noncurrent assets increased 1,694 million yen to 34,654 million yen. The decrease in current assets was mainly the net result of a 1,033 million yen increase in cash and deposits and decreases of 6,160 million yen in notes receivable, accounts receivable from completed construction contracts and other and 1,372 million yen in costs on uncompleted construction contracts and other. Noncurrent assets increased mainly because of a 1,749 million yen increase in investments and other assets.

[Liabilities]

Liabilities declined 6,647 million yen from the end of the previous fiscal year to 15,856 million yen. This was attributable chiefly to decreases of 5,519 million yen in notes payable, accounts payable for construction contracts and other, 947 million yen in income taxes payable, and 675 million yen in the provision for bonuses.

[Net Assets]

Net assets were 50,072 million yen mostly because of a 1,083 million yen increase in the valuation difference on available-for-sale securities.

[Cash Flows]

(1) Operating activities

Net cash provided by operating activities was 1,734 million yen, 554 million yen less than one year earlier. This was primarily the result of decreases in notes and accounts receivable-trade and inventories, which are sources of cash, that exceeded the decrease in notes and accounts payable-trade, which used cash.

(2) Investing activities

Net cash provided by investing activities was 663 million yen compared with a negative cash flow of 944 million yen one year earlier. Cash was provided mainly by proceeds from redemptions of investment securities and securities.

(3) Financing activities

Net cash used in financing activities was 865 million yen compared with a positive cash flow of 764 million yen one year earlier. Cash was used mainly for the purchase of treasury stock and dividend payments.

As a result, there was a net increase of 1,533 million yen in cash and cash equivalents from the end of the previous fiscal year to 12,491 million yen at the end of the third quarter.

3. Forecast for fiscal year ending in March 2010

There are no revisions to the forecast for consolidated results of operations that was announced on May 15, 2009.

With regard to the dividend forecast, the company positions the distribution of earnings to shareholders as one of its highest priorities. The fundamental policy is to pay a large dividend that reflects earnings in each fiscal year while preserving a stable base of operations over the long term. At present, the target is to maintain a non-consolidated dividend payout ratio of 60% while paying an annual ordinary dividend of no less than 15 yen per share.

4. Others

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of simple method in accounting procedures and application of accounting procedures specific to the quarterly consolidated financial statements:
 - a. Calculation of estimated losses for ordinary receivables
Since there was no significant difference between the loss ratio at the end of the third quarter and the loss ratio calculated at the end of the previous fiscal year, the loss ratio at the end of the previous fiscal year was used to estimate losses.
 - b. Valuation of inventories
No physical inventory count was performed for the valuation of inventories at the end of the third quarter. The valuation was determined using a reasonable method based on the physical-count inventories at the end of the first half.
 - c. Depreciation of noncurrent assets
For noncurrent assets depreciated using the declining balance method, depreciation expenses are the percentage of fiscal year depreciation expenses corresponding to the length of the applicable fiscal period.
 - d. Income taxes and deferred tax assets and liabilities
Income tax payments are calculated by using only significant additions, deductions and tax deductions. To determine the likelihood of recovering deferred tax assets, since there have been no significant changes in the operating environment or the occurrence of one-time items since the end of the previous fiscal year, the sales and earnings forecast and tax planning used in the previous fiscal year have been used.
- (3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements:
 - a. Changes in accounting principles
(Change in standard for recognition of sales from completed construction contracts and cost of construction)
In the past, long-term construction contracts (contract amount of 100 million yen or more, construction period of more than 12 months and percentage of completion is at least 30%) were accounted for by the percentage of completion method. The completion method was used for all other construction contracts. Starting with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007). As a result, beginning with construction projects started in the first quarter of the current fiscal year, for projects where there has been definite progress to end of the third quarter, the percentage of completion method is used (the cost proportion method is used to estimate the percentage of completion). For all other projects, the completion method is used.

For construction projects started on or before March 31, 2009, as in previous fiscal years, the percentage of completion method is used for long-term construction contracts (contract amount of 100 million yen or more, construction period of more than 12 months and percentage of completion is at least 30%) and the completion method is used for all other projects.

Compared with the previous method, this change increased net sales for the first three quarters by 2,576 million yen, reduced the operating loss by 352 million yen, and increased ordinary income and income before income taxes and minority interests by 352 million yen each.
 - b. Additional information

Negative goodwill associated with affiliates accounted for using the equity method is amortized over a three-year period using the straight-line method.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	3Q ended December 31, 2009	FY ended March 31, 2009
Assets		
Current assets		
Cash and deposits	12,491	11,458
Notes receivable, accounts receivable from completed construction contracts and other	14,515	20,675
Short-term investment securities	1,051	1,601
Costs on uncompleted construction contracts and other	2,293	3,666
Other	952	1,461
Allowance for doubtful accounts	(29)	(51)
Total current assets	31,274	38,811
Noncurrent assets		
Property, plant and equipment	651	711
Intangible assets	610	604
Investments and other assets		
Investment securities	25,235	23,355
Other	8,291	8,529
Allowance for doubtful accounts	(133)	(241)
Total investments and other assets	33,392	31,643
Total noncurrent assets	34,654	32,959
Total assets	65,928	71,770
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	11,630	17,149
Short-term loans payable	780	780
Income taxes payable	84	1,031
Advances received on uncompleted construction contracts	1,164	1,271
Provision for bonuses	457	1,132
Provision for warranties for completed construction	37	34
Provision for loss on construction contracts	91	72
Other	887	377
Total current liabilities	15,132	21,851
Noncurrent liabilities		
Provision for retirement benefits	463	471
Provision for directors' retirement benefits	36	124
Other	223	55
Total noncurrent liabilities	723	652
Total liabilities	15,856	22,503

	3Q ended December 31, 2009	FY ended March 31, 2009
Net assets		
Shareholders' equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	36,180	36,201
Treasury stock	(605)	(368)
Total shareholders' equity	47,259	47,518
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,519	436
Total valuation and translation adjustments	1,519	436
Subscription rights to shares	40	-
Minority interests	1,252	1,312
Total net assets	50,072	49,267
Total liabilities and net assets	65,928	71,770

(2) Consolidated Statements of Income

(Million yen)

	Nine months ended Dec. 31, 2008 (Apr. 1, 2008 – Dec. 31, 2008)	Nine months ended Dec. 31, 2009 (Apr. 1, 2009 – Dec. 31, 2009)
Net Sales	38,662	39,551
Cost of sales	34,070	34,714
Gross profit	4,591	4,837
Selling, general and administrative expenses	4,319	4,914
Operating income (loss)	272	(77)
Non-operating income		
Interest income	194	96
Dividend income	184	130
Gain on sales of securities	33	3
Equity in earnings of affiliates	228	652
Other	256	187
Total of non-operating income	897	1,070
Non-operating expenses		
Interest expenses	11	11
Other	19	23
Total non-operating expenses	30	34
Ordinary income	1,138	957
Extraordinary income		
Gain on sales of investment securities	5	-
Reversal of allowance for doubtful accounts	-	49
Total extraordinary income	5	49
Extraordinary losses		
Loss on valuation of investment securities	645	222
Loss on valuation of golf club membership	-	15
Total extraordinary losses	645	238
Income before income taxes and minority interests	499	768
Income taxes-current	113	61
Income taxes-deferred	71	183
Total income taxes	184	245
Minority interests in income (loss)	2	(74)
Net income for the period	311	598

(3) Consolidated Statements of Cash Flows

(Million yen)

	Nine months ended Dec. 31, 2008 (Apr. 1, 2008 – Dec. 31, 2008)	Nine months ended Dec. 31, 2009 (Apr. 1, 2009 – Dec. 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	499	768
Depreciation and amortization	95	189
Increase (decrease) in allowance for doubtful accounts	79	(129)
Increase (decrease) in provision for retirement benefits	(114)	(8)
Increase (decrease) in provision for directors' retirement benefits	(2)	(88)
Increase (decrease) in provision for bonuses	(197)	(675)
Increase (decrease) in provision for warranties for completed construction	2	2
Increase (decrease) in provision for loss on construction contracts	(15)	18
Interest and dividends income	(379)	(226)
Interest expenses	11	11
Loss (gain) on sales of securities	(33)	(3)
Loss (gain) on sales of investment securities	(5)	-
Loss (gain) on valuation of investment securities	645	222
Equity in (earnings) losses of affiliates	(228)	(652)
Loss on valuation of golf club memberships	-	15
Decrease (increase) in notes and accounts receivable-trade	9,192	6,160
Decrease (increase) in inventories	(2,066)	1,372
(Decrease) increase in notes and accounts payable-trade	(6,171)	(5,519)
(Decrease) increase in advances received on uncompleted construction contracts	661	(107)
Decrease (increase) in consumption taxes receivable (payable)	(178)	474
Other, net	(366)	634
Subtotal	1,426	2,460
Interest and dividends income received	390	244
Interest expenses paid	(11)	(11)
Income taxes paid	(625)	(958)
Net cash provided by (used in) operating activities	1,180	1,734
Net cash provided by (used in) investing activities		
Payments into time deposits	-	(500)
Proceeds from withdrawal of time deposits	-	500
Proceeds from sales of short-term investment securities	116	17
Purchase of property, plant and equipment	(30)	(30)
Purchase of intangible assets	(206)	(103)
Proceeds from redemption of securities	-	1,100
Purchase of investment securities	(31)	(1,219)
Proceeds from sales of investment securities	8	53
Proceeds from redemption of investment securities	500	800
Purchase of insurance funds	(161)	(174)
Proceeds from maturity of insurance funds	288	182
Payment for investment in silent partnership	(1,000)	-
Proceeds from withdrawal of investments in silent partnership	2,154	8
Other, net	(30)	29
Net cash provided by (used in) investing activities	1,607	663

(Million yen)

	Nine months ended Dec. 31, 2008 (Apr. 1, 2008 – Dec. 31, 2008)	Nine months ended Dec. 31, 2009 (Apr. 1, 2009 – Dec. 31, 2009)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(759)	(234)
Proceeds from sales of treasury stock	39	0
Cash dividends paid	(902)	(619)
Cash dividends paid to minority shareholders	(6)	(6)
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	(1,629)	(865)
Net increase (decrease) in cash and cash equivalents	1,158	1,533
Cash and cash equivalents at beginning of period	12,331	10,958
Cash and cash equivalents at end of period	13,489	12,491

(4) Note on going concern assumption: None

(5) Note on significant change in shareholders' equity: None