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

November 10, 2009

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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1. Consolidated results of operations for the second quarter of the fiscal year ending March 2010 (April 1, 2009 – September 30, 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	%
2Q ended Sept '09	24,467	5.6	(247)	—	266	—	297	—
2Q ended Sept '08	23,169	—	(569)	—	(48)	—	(323)	—

	Earnings per share (for the period, basic)	Earnings per share (for the period, diluted)
	Yen	Yen
2Q ended Sept '09	8.92	—
2Q ended Sept '08	(9.04)	—

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
2Q ended Sept '09	64,715	50,022	75.3	1,467.22
FY ended March '09	71,770	49,267	66.8	1,435.82

(For reference) Shareholders' equity: 48,755 million yen as of the end of FY10 2Q 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 second 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".

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Results of Operations and Financial Condition

1. Analysis of results of operations

In the first half of the fiscal year, there were recoveries in some categories of manufacturing and exports, but Japan's economy remained generally weak due to falling corporate earnings and further declines in employment and personal income.

In the construction industry, despite a brief upturn in pubic-works expenditures, the operating environment became even more challenging because of a sharp decline in private-sector capital expenditures.

In response, the Hibiya Engineering Group took actions aimed at capturing new orders. Although first half orders received were down 14.8% from one year earlier to 22,417 million yen, net sales increased 5.6% to 24,467 million yen. The result was a 14.0% decrease in the order backlog at the end of the first half to 33,259 million yen.

The group worked on improving earnings by placing priority on profitability when accepting orders and cutting costs. In the first half, there was an operating loss of 247 million yen and an ordinary income of 266 million yen. Net income was 297 million yen, an improvement of 620 million yen over the net loss one year earlier.

2. Analysis of financial condition

[Assets]

Total assets were 64,715 million yen, 7,055 million yen less than at the end of the previous fiscal year. Current assets decreased 7,840 million yen to 30,970 million yen and noncurrent assets increased 784 million yen to 33,744 million yen. The decrease in current assets was mainly the net result of a 1,642 million yen increase in cash and deposits and decreases of 8,438 million yen in notes receivable, accounts receivable from completed construction contracts and other and 485 million yen in costs on uncompleted construction contracts and other. Noncurrent assets increased mainly because of an 882 million yen increase in investments and other assets.

[Liabilities]

There was a 7,811 million yen decrease in liabilities to 14,692 million yen. The main causes were decreases of 7,475 million yen in notes payable, accounts payable for construction contracts and other, 911 million yen in income taxes payable, and 486 million yen in the provision for bonuses.

[Net Assets]

Net assets totaled 50,022 million yen because of a 984 million yen increase in the valuation difference on available-for-sale securities.

[Cash Flows]

(1) Operating activities

Net cash provided by operating activities was 1,599 million yen, 32 million yen less than one year earlier. Major uses of cash were a decrease in the provision for bonuses, a decrease in notes and accounts payable-trade and income taxes paid. Major sources of cash were a decrease in notes and accounts receivable-trade and an increase in advances received on uncompleted construction contracts.

(2) Investing activities

Net cash provided by investing activities was 1,030 million yen compared with a negative cash flow of 492 million yen one year earlier. Cash was provided mainly by proceeds from redemptions of investment securities.

(3) Financing activities

Net cash used in financing activities was 487 million yen compared with a positive cash flow of 669 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 2,142 million yen in cash and cash equivalents from the end of the previous fiscal year to 13,101 million yen.

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 first half 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. 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.

c. 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 second 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 first half net sales by 1,183 million yen, reduced the operating loss by 156 million yen, and increased ordinary income and income before income taxes and minority interests by 156 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)

	2Q ended September 30, 2009	FY ended March 31, 2009
Assets		
Current assets		
Cash and deposits	13,101	11,458
Notes receivable, accounts receivable from completed construction contracts and other	12,236	20,675
Short-term investment securities	1,349	1,601
Costs on uncompleted construction contracts and other	3,180	3,666
Other	1,129	1,461
Allowance for doubtful accounts	(26)	(51)
Total current assets	30,970	38,811
Noncurrent assets		
Property, plant and equipment	656	711
Intangible assets	561	604
Investments and other assets		
Investment securities	24,316	23,355
Other	8,358	8,529
Allowance for doubtful accounts	(148)	(241)
Total investments and other assets	32,526	31,643
Total noncurrent assets	33,744	32,959
Total assets	64,715	71,770
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	9,674	17,149
Short-term loans payable	780	780
Income taxes payable	119	1,031
Advances received on uncompleted construction contracts	2,111	1,271
Provision for bonuses	646	1,132
Provision for warranties for completed construction	37	34
Provision for loss on construction contracts	97	72
Other	546	377
Total current liabilities	14,013	21,851
Noncurrent liabilities		
Provision for retirement benefits	446	471
Provision for directors' retirement benefits	33	124
Other	198	55
Total noncurrent liabilities	678	652
Total liabilities	14,692	22,503

(Million yen)

	2Q ended September 30, 2009	FY ended March 31, 2009
Net assets		
Shareholders' equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	36,129	36,201
Treasury stock	(479)	(368)
Total shareholders' equity	47,334	47,518
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,420	436
Total valuation and translation adjustments	1,420	436
Minority interests	1,267	1,312
Total net assets	50,022	49,267
Total liabilities and net assets	64,715	71,770

(2) Consolidated Statements of Income

(Million yen)

	2Q ended September 30, 2008 (Apr. 1, 2008 – Sept. 30, 2008)	2Q ended September 30, 2009 (Apr. 1, 2009 – Sept. 30, 2009)
Net Sales	23,169	24,467
Cost of sales	20,850	21,482
Gross profit	2,319	2,985
Selling, general and administrative expenses	2,889	3,232
Operating income (loss)	(569)	(247)
Non-operating income		
Interest income	141	65
Dividend income	133	78
Equity in earnings of affiliates	-	255
Other	269	145
Total of non-operating income	544	545
Non-operating expenses		
Interest expenses	8	7
Other	14	23
Total non-operating expenses	23	31
Ordinary income (loss)	(48)	266
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	350	-
Total extraordinary losses	350	-
Income (loss) before income taxes and minority interests	(393)	315
Income taxes-current	77	47
Income taxes-deferred	(143)	22
Total income taxes	(66)	69
Minority interests in income (loss)	(3)	(51)
Net income (loss) for the period	(323)	297

(3) Consolidated Statements of Cash Flows

(Million yen)

	2Q ended September 30, 2008 (Apr. 1, 2008 – Sept. 30, 2008)	2Q ended September 30, 2009 (Apr. 1, 2009 – Sept. 30, 2009)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	(393)	315
Depreciation and amortization	60	120
Increase (decrease) in allowance for doubtful accounts	72	(83)
Increase (decrease) in provision for retirement benefits	(94)	(25)
Increase (decrease) in provision for directors' retirement benefits	(10)	(91)
Increase (decrease) in provision for bonuses	46	(486)
Increase (decrease) in provision for warranties for completed construction	(1)	2
Increase (decrease) in provision for loss on construction contracts	(13)	24
Interest and dividends income	(275)	(143)
Interest expenses	8	7
Loss (gain) on sales of investment securities	(5)	(3)
Loss (gain) on valuation of investment securities	350	-
Equity in earnings (losses) of affiliates	(79)	(255)
Decrease (increase) in notes and accounts receivable-trade	11,928	8,438
Decrease (increase) in inventories	(1,654)	485
Decrease (increase) in notes and accounts payable-trade	(7,765)	(7,475)
Decrease (increase) in advances received on uncompleted construction contracts	559	840
Decrease (increase) in consumption taxes receivable (payable)	(385)	415
Other, net	(448)	277
Subtotal	1,902	2,364
Interest and dividends income received	272	159
Interest expenses paid	(8)	(7)
Income taxes paid	(533)	(915)
Net cash provided by (used in) operating activities	1,632	1,599
Net cash provided by (used in) investing activities		
Payments into time deposits	-	(500)
Proceeds from withdrawal of time deposits	-	500
Purchase of property, plant and equipment	(12)	(10)
Purchase of intangible assets	(150)	(20)
Purchase of investment securities	(28)	(605)
Proceeds from sales of investment securities	8	-
Proceeds from redemption of investment securities	500	1,600
Purchase of insurance funds	(83)	(92)
Proceeds from maturity of insurance funds	176	130
Payment for investment in silent partnership	(1,000)	-
Proceeds from withdrawal of investments in silent partnership	2,154	-
Other, net	(39)	28
Net cash provided by (used in) investing activities	1,523	1,030

(Million yen)

	2Q ended September 30, 2008 (Apr. 1, 2008 – Sept. 30, 2008)	2Q ended September 30, 2009 (Apr. 1, 2009 – Sept. 30, 2009)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(552)	(108)
Proceeds from sales of treasury stock	37	-
Cash dividends paid	(634)	(369)
Cash dividends paid to minority shareholders	(6)	(6)
Other, net	(0)	(2)
Net cash provided by (used in) financing activities	(1,156)	(487)
Net increase (decrease) in cash and cash equivalents	1,999	2,142
Cash and cash equivalents at beginning of period	12,331	10,958
Cash and cash equivalents at end of period	14,330	13,101

(4) Note on going concern assumption:
None

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