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

August 7, 2009

Company: Hibiya Engineering, Ltd.
Stock exchange listing: Tokyo Stock Exchange (First Section)
Stock code: 1982
URL: http://hibiya-eng.co.jp/
Representative Director: Shinya Kimura, President
Contact: Hiroshi Abe, Manager of Finance Division
Tel: 03-6803-5960

1. Consolidated results of operations for the first quarter of the fiscal year ending March 2010 (April 1, 2009 – June 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	%
1Q ended June '09	12,830	35.9	(229)	—	20	—	127	—
1Q ended June '08	9,440	—	(465)	—	(182)	—	(138)	—

	Earnings per share (for the period, basic)	Earnings per share (for the period, diluted)
	Yen	Yen
1Q ended June '09	3.83	—
1Q ended June '08	(3.85)	—

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
1Q ended June '09	67,020	50,035	72.8	1,462.41
FY ended March '09	71,770	49,267	66.8	1,435.82

(For reference) Shareholders' equity: 48,778 million yen as of the end of FY10 1Q 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	Annual
FY March 2009	—	7.50	—	11.00	18.50
FY March 2010	—				
FY March 2010 (Estimate)		7.50	—	9.00	16.50

Note: change in dividend forecast for the first 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
1Q, 2Q cumulative	25,500	10.1	(350)	—	150	—	150	—	4.49
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 quarter, there were signs of an end to the downturn in some market sectors in Japan even as the global economic recession continued to affect the Japanese economy. However, the economy remained weak because of declining corporate earnings and lackluster consumer spending.

In the construction industry, market conditions are still difficult. There was a brief upturn in public-works expenditures, but companies continue to suspend or reduce capital expenditures.

Although Hibiya Engineering Group worked on maintaining the volume of orders received, the difficult market conditions resulted in a 24.3% decrease in orders received from one year earlier to 9,181 million yen. Net sales increased 35.9% to 12,830 million yen. As a result, the order backlog at the end of the first quarter was 30,138 million yen, 16.6% less than one year earlier.

Regarding earnings, the Group placed priority on profitability when accepting new orders and cut costs to improve profit margins. The result was an operating loss of 229 million yen and ordinary income of 20 million yen. Net income was 127 million yen, an improvement of 266 million over the net loss in the previous fiscal year's first quarter.

2. Analysis of financial condition

[Assets]

Assets totaled 67,020 million yen at the end of the first quarter, 4,750 million yen less than at the end of the previous fiscal year. Current assets decreased 5,465 million yen to 33,345 million yen and noncurrent assets increased 715 million yen to 33,675 million yen. The decrease in current assets was mainly the net result of an increase of 1,047 million yen in short-term investment securities and decreases of 5,553 million yen in notes receivable, accounts receivable from completed construction and 876 million yen in costs on uncompleted construction contracts and other. The increase in noncurrent assets was attributable mainly to an increase of 757 million yen in investments and other assets.

[Liabilities]

Liabilities decreased 5,518 million yen from the end of the previous fiscal year to 16,984 million yen. The decrease was attributable mainly to decreases of 3,435 million yen in notes payable, accounts payable for construction contracts and other, 951 million yen in income taxes payable, 865 million yen in advances received on uncompleted construction contracts, and 732 million yen in the provision for bonuses.

[Net Assets]

Net assets totaled 50,035 million yen at the end of the first quarter because of a 1,071 million yen increase in valuation difference on available-for-sale securities.

[Cash Flows]

(1) Operating activities

Net cash provided by operating activities decreased 1,162 million yen to 1,136 million yen. Cash was used mainly by decreases in the provision for bonuses and notes and accounts payable-trade and by income taxes paid. In addition, there was a large decline from one year earlier in cash provided by the decrease in notes and accounts receivable-trade.

(2) Investing activities

Net cash used in investing activities was 156 million yen, 1,851 million yen less than the positive cash flow one year earlier. Cash was used mainly for purchases of investment securities.

(3) Financing activities

Net cash used in financing activities decreased 425 million yen to 381 million yen. The main use of cash was cash dividends paid.

The result of these cash flows was a net increase of 598 million yen in cash and cash equivalents to 11,556 million yen.

3. Forecast for fiscal year ending in March 2010

There is no change to the forecast for consolidated performance that was announced on May 15, 2009.

Hibiya Engineering positions the return of earnings to shareholders as its highest management priority. The basic policy is to pay a dividend that reflects results of operations while retaining sufficient earnings to maintain a sound base of operations from a long-term perspective. At present, in consideration of the need to maintain adequate retained earnings, the target is a non-consolidated dividend payout ratio of 60%, with a minimum annual ordinary dividend of 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 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 first quarter. The valuation was determined using a reasonable method based on the physical-count inventories at the end of the previous fiscal year.

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 during the 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 quarter net sales by 228 million yen, reduced the operating loss by 31 million yen, and increased ordinary income and income before income taxes and minority interests by 31 million yen each.

b. Change in presentation method

(Quarterly consolidated statement of income)

In the first quarter of the previous fiscal year, equity in earnings of affiliates was included in the "Other" item of non-operating expenses. Since equity in earnings of affiliates has exceeded 20% of total non-operating income, this figure is presented as a separate item starting with the first quarter of the current fiscal year. In the first quarter of the previous fiscal year, "Other" in non-operating income included 3 million yen of equity in earnings of affiliates.

c. 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)

	1Q ended June 30, 2009	FY ended March 31, 2009
Assets		
Current assets		
Cash and deposits	11,557	11,458
Notes receivable, accounts receivable from completed construction contracts and other	15,121	20,675
Short-term investment securities	2,649	1,601
Costs on uncompleted construction contracts and other	2,789	3,666
Other	1,268	1,461
Allowance for doubtful accounts	(41)	(51)
Total current assets	33,345	38,811
Noncurrent assets		
Property, plant and equipment	683	711
Intangible assets	590	604
Investments and other assets		
Investment securities	24,722	23,355
Other	7,823	8,529
Allowance for doubtful accounts	(144)	(241)
Total investments and other assets	32,401	31,643
Total noncurrent assets	33,675	32,959
Total assets	67,020	71,770
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	13,714	17,149
Short-term loans payable	780	780
Income taxes payable	79	1,031
Advances received on uncompleted construction contracts	406	1,271
Provision for bonuses	399	1,132
Provision for warranties for completed construction	38	34
Provision for loss on construction contracts	78	72
Other	816	377
Total current liabilities	16,314	21,851
Noncurrent liabilities		
Provision for retirement benefits	438	471
Provision for directors' retirement benefits	39	124
Other	193	55
Total noncurrent liabilities	670	652
Total liabilities	16,984	22,503

(Million yen)

	1Q ended June 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	35,960	36,201
Treasury stock	(375)	(368)
Total shareholders' equity	47,270	47,518
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,508	436
Total valuation and translation adjustments	1,508	436
Minority interests	1,257	1,312
Total net assets	50,035	49,267
Total liabilities and net assets	67,020	71,770

(2) Consolidated Statements of Income

(Million yen)

	1Q ended June 30, 2008	1Q ended June 30, 2009
Net Sales	9,440	12,830
Cost of sales	8,479	11,377
Gross profit	960	1,453
Selling, general and administrative expenses	1,425	1,683
Operating income (loss)	(465)	(229)
Non-operating income		
Interest income	75	37
Dividend income	115	69
Equity in earnings of affiliates	—	103
Other	99	48
Total of non-operating income	290	259
Non-operating expenses		
Interest expenses	4	3
Other	3	5
Total non-operating expenses	8	8
Ordinary income (loss)	(182)	20
Extraordinary income		
Reversal of allowance for doubtful accounts	—	32
Total extraordinary income	—	32
Extraordinary losses		
Loss on valuation of investment securities	35	—
Total extraordinary losses	35	—
Income (loss) before income taxes and minority interests	(217)	53
Income taxes-current	24	15
Income taxes-deferred	(93)	(30)
Total income taxes	(69)	(15)
Minority interests in income (loss)	(9)	(59)
Net income (loss) for the period	(138)	127

(3) Consolidated Statements of Cash Flows

(Million yen)

	1Q ended June 30, 2008	1Q ended June 30, 2009
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	(217)	53
Depreciation and amortization	31	62
Increase (decrease) in allowance for doubtful accounts	27	(73)
Increase (decrease) in provision for retirement benefits	(50)	(33)
Increase (decrease) in provision for directors' retirement benefits	(16)	(85)
Increase (decrease) in provision for bonuses	(251)	(732)
Increase (decrease) in provision for warranties for completed construction	(0)	3
Increase (decrease) in provision for loss on construction contracts	(11)	5
Interest and dividends income	(191)	(107)
Interest expenses	4	3
Loss (gain) on valuation of investment securities	35	—
Equity in (earnings) losses of affiliates	(3)	(103)
Decrease (increase) in notes and accounts receivable-trade	9,954	5,553
Decrease (increase) in inventories	(2,139)	876
Decrease (increase) in notes and accounts payable-trade	(5,245)	(3,435)
Decrease (increase) in advances received on uncompleted construction contracts	844	(865)
Decrease (increase) in consumption taxes receivable (payable)	(144)	(21)
Other, net	(3)	839
Subtotal	2,620	1,940
Interest and dividends income received	215	113
Interest expenses paid	(4)	(3)
Income taxes paid	(533)	(914)
Net cash provided by (used in) operating activities	2,298	1,136
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7)	(5)
Purchase of intangible assets	(1)	(18)
Purchase of investment securities	(26)	(202)
Proceeds from redemption of investment securities	500	—
Purchase of insurance funds	(41)	(39)
Proceeds from maturity of insurance funds	113	93
Payment for investment in silent partnership	(1,000)	—
Proceeds from withdrawal of investments in silent partnership	2,154	—
Other, net	2	14
Net cash provided by (used in) investing activities	1,694	(156)

(Million yen)

	1Q ended June 30, 2008	1Q ended June 30, 2009
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(201)	(4)
Proceeds from sales of treasury stock	35	—
Cash dividends paid	(634)	(369)
Cash dividends paid to minority shareholders	(6)	(6)
Repayments of lease obligations	—	(1)
Net cash provided by (used in) financing activities	(807)	(381)
Net increase (decrease) in cash and cash equivalents	3,186	598
Cash and cash equivalents at beginning of period	12,331	10,958
Cash and cash equivalents at end of period	15,518	11,556

(4) Note on going concern assumption

(First quarter, April 1, 2009 – June 30, 2009) None

(5) Note on significant change in shareholders' equity

(First quarter, April 1, 2009 – June 30, 2009) None