

Summary of Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2018 [Japan GAAP]

Company: Hibiya Engineering, Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1982
 URL: <http://www.hibiya-eng.co.jp/English>
 Representative Director: Yoshiharu Nishimura, President
 Contact: Hiroshi Ikeji, Senior Executive Officer, Manager of IR and PR Office, Administration Division
 Tel: 03-3454-2720
 Date of filing of quarterly securities report: February 6, 2018 (tentative)
 Date of commencement of dividend payment: -
 Supplementary explanatory documents: No
 Earnings presentation: No

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Financial results for the first three quarters of the fiscal year ending March 2018 (April 1, 2017 – December 31, 2017)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters ended Dec. 2017	43,177	(9.4)	758	(71.7)	1,091	(62.7)	5,077	147.1
First three quarters ended Dec. 2016	47,638	4.0	2,681	248.6	2,928	119.5	2,054	85.2

Note: Comprehensive income: First three quarters of FY3/2018: 7,278 million yen (173.8%)
 First three quarters of FY3/2017: 2,658 million yen (-%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Dec. 2017	175.94		175.07	
First three quarters ended Dec. 2016	70.27		69.87	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	73,541	57,427	75.5	2,275.55
As of March 31, 2017	93,661	63,719	65.4	2,117.40

Notes: Shareholders' equity

As of December 31, 2017: 55,553 million yen

As of March 31, 2017: 61,251 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2017	-	25.00	-	25.00	50.00
Fiscal year ending March 2018	-	30.00	-		
Fiscal year ending March 2018 (estimate)				30.00	60.00

Note 1: Change in the estimation of dividend from the latest announcement: No

Note 2: Dividends for FY3/17 include 40.00 yen ordinary dividend and 10.00 yen commemorative dividend.

3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 to March 31, 2018)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	75,000	(4.3)	4,000	(28.7)	5,000	(28.3)	7,300	40.2	252.35

Note: Change in the forecast from the latest announcement: No

* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: No

(b) Changes other than in (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2017:	31,000,309	As of March 31, 2017:	31,000,309
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(b) Treasury shares

As of December 31, 2017:	6,587,185	As of March 31, 2017:	2,072,671
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2017:	28,857,806	Period ended December 31, 2016:	29,239,077
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* This report is exempt from the audit procedure

Forward-looking statements, important Notes, etc.

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 these forecasts for a number of reasons.

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.

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1. Results of Operations

(1) Overview of consolidated business performance

In the first three quarters of the fiscal year ending in March 2018, the slow recovery of the Japanese economy continued with the support of actions by the Japanese government and Bank of Japan. Against a backdrop of improving corporate sentiment, capital expenditures are increasing gradually mainly for investments that boost productivity and expenditures in growing market sectors. In addition, consumer spending continues to recover along with improvements in the number of jobs and personal income.

Japan's construction market was strong during the first three quarters because of redevelopment projects, capital expenditures for streamlining production processes and other purposes, and growth in public-works projects due to government measures to support the economy.

The Hibiya Engineering Group continued to make progress by taking actions aimed at becoming a comprehensive engineering services organization that is a one-stop source of services for all customer needs.

In the first three quarters, orders received increased 0.5% from one year earlier to 53,769 million yen. Sales decreased 9.4% to 43,177 million yen. Operating profit was down 71.7% to 758 million yen, ordinary profit declined 62.7% to 1,091 million yen and profit attributable to owners of parent was up 147.1% to 5,077 million yen.

(2) Overview of financial condition

Assets

Total assets were 73,541 million yen at the end of the third quarter, 20,119 million yen less than at the end of the previous fiscal year. Current assets decreased 14,389 million yen to 41,839 million yen and noncurrent assets decreased 5,730 million yen to 31,702 million yen. The decrease in total assets was primarily the net result of an increase of 3,731 million yen in securities and a 21,612 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities were 16,114 million yen, 13,827 million yen less than at the end of the previous fiscal year. The main reasons were decreases of 10,510 million yen in notes payable, accounts payable for construction contracts and other and 1,979 million yen in income taxes payable.

Net assets

Net assets were 57,427 million yen at the end of the third quarter. Profit attributable to owners of parent in the first three quarters was 5,077 million yen but there was an increase of 11,153 million yen in treasury shares primarily because of a tender offer to repurchase stock.

(3) Forecast for fiscal year ending in March 2018

There is no change in the forecast for the consolidated results of operations that was announced on June 28, 2017.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Third quarter ended Dec. 2017 (As of December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	11,345	11,109
Notes receivable, accounts receivable from completed construction contracts and other	41,102	19,490
Securities	968	4,700
Costs on uncompleted construction contracts and other	711	1,092
Other	2,117	5,454
Allowance for doubtful accounts	(17)	(7)
Total current assets	56,229	41,839
Noncurrent assets		
Property, plant and equipment	646	726
Intangible assets	181	153
Investments and other assets		
Investment securities	32,227	26,295
Other	4,406	4,579
Allowance for doubtful accounts	(29)	(52)
Total investments and other assets	36,604	30,822
Total noncurrent assets	37,432	31,702
Total assets	93,661	73,541

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Third quarter ended Dec. 2017 (As of December 31, 2017)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	20,826	10,315
Income taxes payable	2,115	135
Advances received on uncompleted construction contracts	157	544
Provision for bonuses	3,015	756
Provision for warranties for completed construction	53	157
Provision for loss on construction contracts	315	482
Other	2,490	1,859
Total current liabilities	28,974	14,250
Noncurrent liabilities		
Net defined benefit liability	340	339
Other	627	1,524
Total noncurrent liabilities	967	1,864
Total liabilities	29,942	16,114
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,896
Retained earnings	49,292	52,693
Treasury shares	(2,624)	(13,777)
Total shareholder's equity	58,352	50,566
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	3,342	5,348
Deferred gains or losses on hedges	0	0
Remeasurements of defined benefit plans	(444)	(361)
Total accumulated other comprehensive income	2,898	4,987
Subscription rights to shares	181	170
Non-controlling interests	2,287	1,703
Total net assets	63,719	57,427
Total liabilities and net assets	93,661	73,541

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (For the first three quarters)

(million yen)

	First three quarters ended December 2016 (April 1, 2016 – December 31, 2016)	First three quarters ended December 2017 (April 1, 2017 – December 31, 2017)
Net sales	47,638	43,177
Cost of sales	39,436	36,685
Gross profit	8,201	6,491
Selling, general and administrative expenses	5,519	5,732
Operating profit	2,681	758
Non-operating income		
Interest income	45	38
Dividend income	174	200
Share of profit of entities accounted for using equity method	–	2
Other	128	130
Total non-operating income	347	372
Non-operating expenses		
Interest expense	2	0
Share of loss of entities accounted for using equity method	94	–
Commission for purchase of treasury shares	2	35
Other	2	3
Total non-operating expenses	101	39
Ordinary profit	2,928	1,091
Extraordinary income		
Gain on sales of non-current assets	254	–
Gain on sales of investment securities	–	4,523
Total extraordinary income	254	4,523
Profit before income taxes	3,183	5,614
Income taxes-current	421	139
Income taxes-deferred	620	336
Total income taxes	1,041	476
Profit	2,141	5,138
Profit attributable to non-controlling interests	86	61
Profit attributable to owners of parent	2,054	5,077

(Quarterly consolidated statements of comprehensive income)
(For the first three quarters)

(million yen)

	First three quarters ended December 2016 (April 1, 2016 – December 31, 2016)	First three quarters ended December 2017 (April 1, 2017 – December 31, 2017)
Profit	2,141	5,138
Other comprehensive income		
Valuation difference on available-for-sale securities	410	1,980
Deferred gains or losses on hedges	(0)	(0)
Remeasurements of defined benefit plans, net of tax	54	53
Share of other comprehensive income of entities accounted for using equity method	52	105
Total other comprehensive income	516	2,139
Comprehensive income	2,658	7,278
Comprehensive income attributable to owners of parent	2,521	7,165
Comprehensive income attributable to non-controlling interests	136	112

(3) Notes to consolidated financial statements

(Going concern assumptions)

None

(Notes on significant change in shareholders' equity)

The Hibiya Engineering Board of Directors approved a resolution on November 7, 2017 for a tender offer to repurchase stock. This tender offer resulted in the repurchase of 4,493,988 shares. As a result, there was an increase of 11,153 million yen in treasury shares during the first three quarters of the current fiscal year to 13,777 million yen at the end of the third quarter.