Earnings Announcement
For the First Half of FY3/18

November 21, 2017

Hibiya Engineering,Ltd.

〈Securities code1982〉

Financial Summary
For the First Half of FY3/18

Financial Highlights (Consolidated)

■ **Sales and earnings declined, but first half orders, sales and earnings were consistent with the FY3/18 plan.**
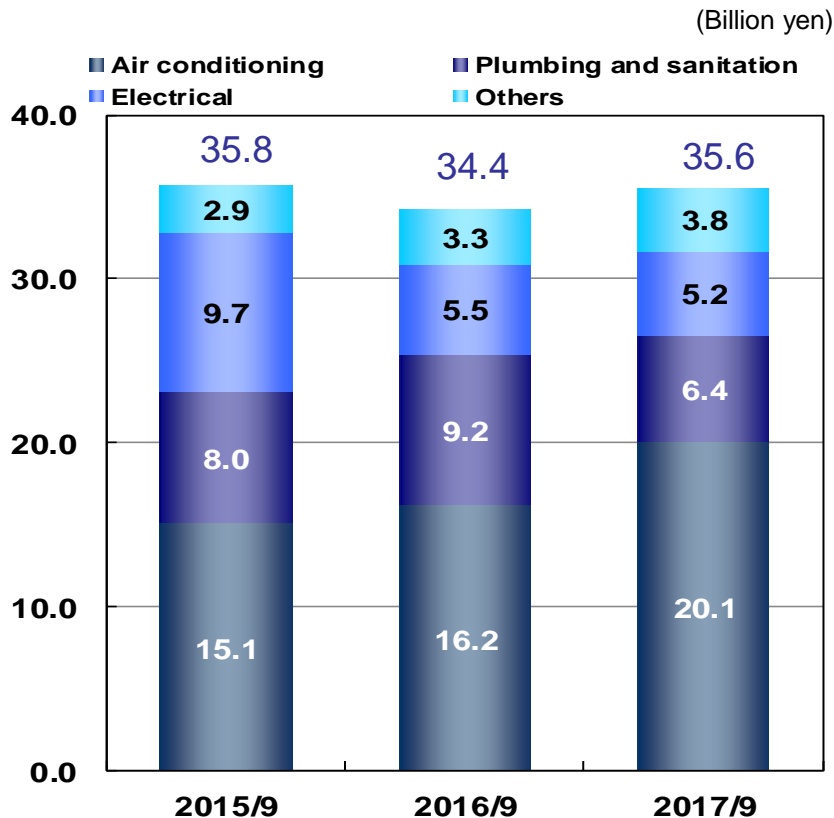
(Billion yen)

	2015/9 Actual	2016/9 Actual	2017/9 Actual	YoY (%)	2018/3 Plan	Targets of Sixth Medium-term Management Plan
Orders Received	35.86	34.43	35.65	3.6%	75.0	75.0~
Net sales	27.25	29.58	27.70	-6.4%	75.0	75.0~
Operating Profit	-0.53	1.54	0.70	-54.1%	4.0	4.0~
Ordinary Profit	-0.33	1.47	0.91	-37.8%	5.0	5.0~
Profit attributable to owners of parent	-0.27	0.90	5.00	454.8%	7.3*	3.0~

* The FY3/18 forecast was revised on June 28 because of extraordinary income.
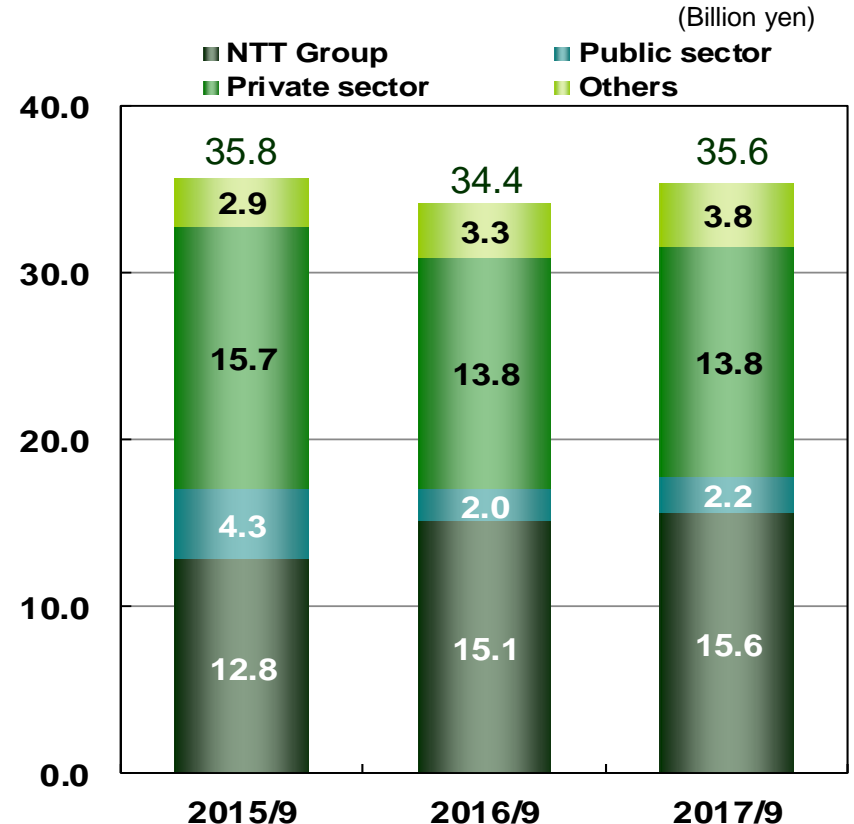
Orders Received by Category & by Customer (Consolidated)

■**Continued upgrading life cycle total solutions**[1] **(sales activities using proposals for life cycle services**[2]**)**

By category

(Billion yen)

■ Air conditioning ■ Plumbing and sanitation
■ Electrical ■ Others

	2015/9	2016/9	2017/9
Total	35.8	34.4	35.6
Others	2.9	3.3	3.8
Electrical	9.7	5.5	5.2
Plumbing and sanitation	8.0	9.2	6.4
Air conditioning	15.1	16.2	20.1

By customer

(Billion yen)

■ NTT Group ■ Public sector
■ Private sector ■ Others

	2015/9	2016/9	2017/9
Total	35.8	34.4	35.6
Others	2.9	3.3	3.8
Private sector	15.7	13.8	13.8
Public sector	4.3	2.0	2.2
NTT Group	12.8	15.1	15.6

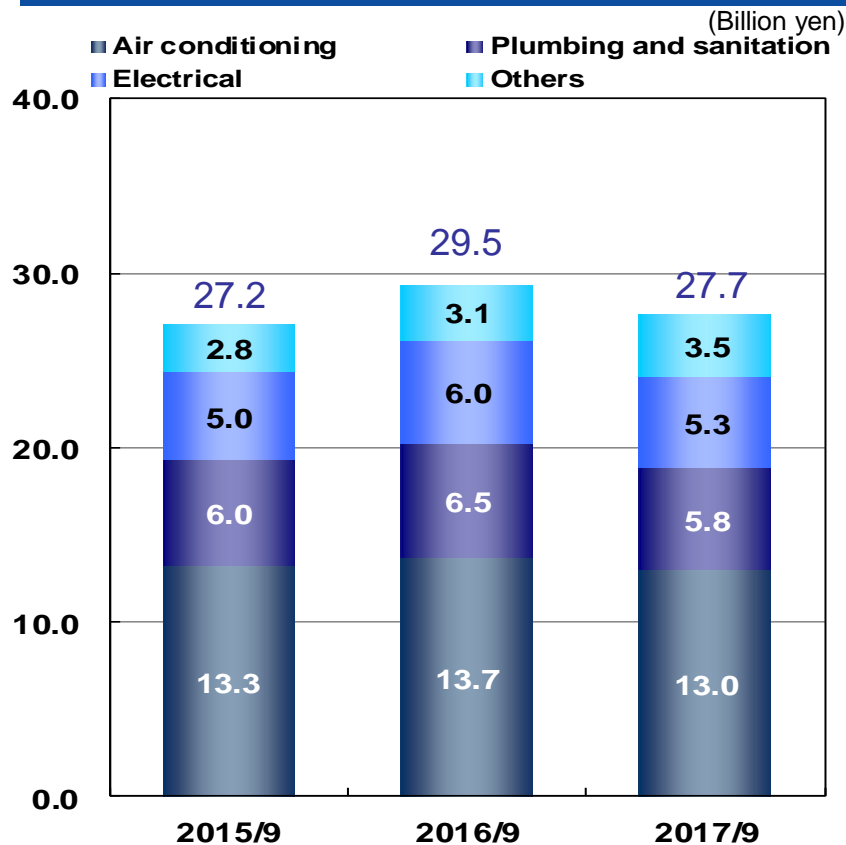[1] Hibiya Engineering aims to build "best partner" relationships with customers by enlarging services across the entire life cycle of a building in order to meet their increasingly diverse, sophisticated and multi-faceted requirements.

[2] Proposals for medium and long-term life cycle support for maintenance and other services involving customers' equipment
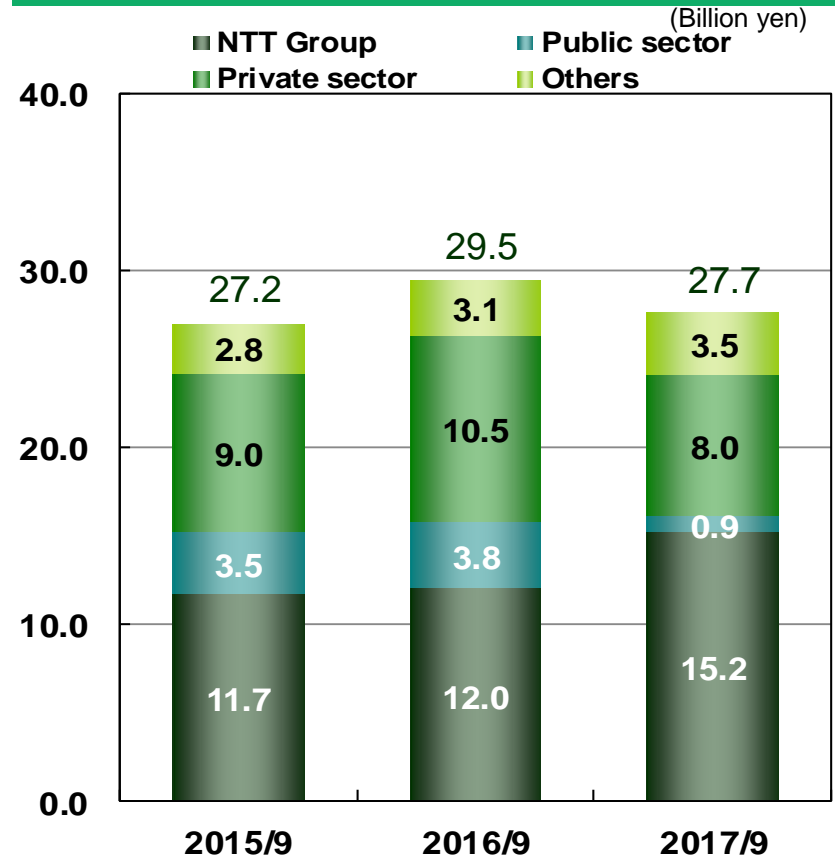
Sales by Category & by Customer (Consolidated)

■The NTT Group's share of sales increased and the public-sector share decreased.

By category (Billion yen)

- ■ Air conditioning
- ■ Plumbing and sanitation
- ■ Electrical
- ■ Others

	2015/9	2016/9	2017/9
Total	27.2	29.5	27.7
Others	2.8	3.1	3.5
Electrical	5.0	6.0	5.3
Plumbing and sanitation	6.0	6.5	5.8
Air conditioning	13.3	13.7	13.0

By customer (Billion yen)

- ■ NTT Group
- ■ Public sector
- ■ Private sector
- ■ Others

	2015/9	2016/9	2017/9
Total	27.2	29.5	27.7
Others	2.8	3.1	3.5
Private sector	9.0	10.5	8.0
Public sector	3.5	3.8	0.9
NTT Group	11.7	12.0	15.2

Summary Income Statements (Consolidated)

■**Life cycle total solution sales activities and rigorous cost-cutting measures kept the gross profit margin steady.**

(Billion yen)

	2015/9 Actual	2016/9 Actual	2017/9 Actual
Net sales	27.25	29.58	27.70
Cost of sales	24.57	24.48	23.18
Gross profit	2.67	5.09	4.52
Gross profit margin	9.8%	17.2%	16.3%
SG&A expenses	3.21	3.55	3.81
Operating profit	-0.53	1.54	0.70
Non-operating income	0.20	-0.06	0.20
Ordinary profit	0.33	1.47	0.91
Extraordinary income	0	0	4.52
Income taxes	0.06	0.57	0.43
Profit attributable to owners of parent	0.27	0.90	5.00

Distributions to Shareholders

Dividends

【**Basic policy**】 ■ To provide even more stable earnings distributions for shareholders, the basic policy is to place emphasis on the consolidated dividends-on-equity (DOE) ratio.

【**FY3/18**】 ■ Based on the Sixth Medium-term Management Plan earnings target, the plan is to pay a **FY3/18 dividend per share of ¥60**, which is ¥10 higher than the FY3/17 dividend after excluding the ¥10 commemorative dividend.
■ The FY3/18 first half dividend will be **¥30 per share** as planned.

Tender offer to repurchase stock

1. Purpose of stock repurchase
   Return more earnings to shareholders and use capital more efficiently
   → Some of the stock held by large shareholders will be purchased and retired

2. Summary of tender offer
   Shares to be purchased   5,000,000 (16.1% of all shares issued)

   Shares of large shareholders

   to be purchased   3,798,109 (12.3% of all shares issued)

   Purchase price   Market price (closing price on Nov. 6)

   Purchase period   November 8 to December 6, 2017

Sixth Medium-term Management Plan Achievement

The Sixth Medium-term Management Plan: April 2017 - March 2020

Fundamental Goal and Core Strategies

Fundamental Goal

"Establish and reinforce corporate reforms"
for the stable and long-term continuation and advancement of business operations

Core Strategies

Invest in human resources and ICT to change how people work

- **Recruiting, training and skill enhancement activities**
  - Recruit the people needed to achieve sustained growth
  - Upgrade all training programs
- **Workforce diversity activities**
  - Implement programs to make greater use of female employees
- **Maintain the proper work-life balance**
  - Establish job site support centers

Establish a competitive edge and operate efficiently
  - Use ICT for more efficient and advanced job site supervision

More advanced life cycle total solutions

- **Expand and upgrade consistent-revenue businesses**
  - Increase opportunities by enlarging the scope of life cycle solutions
- **Cooperation among Hibiya Engineering Group companies**
  - Provide engineering services that combine the capabilities of all group companies
- **Collaborative sales activities with the NTT Group**
  - Expand the solution menu by incorporating the technologies of NTT Group companies
- **Use alliances**
  - Create a broader range of new ideas for customers by using cooperation with business alliance partners

[Core Strategy] Invest in human resources and ICT to change how people work

Use of tablets *ICT for more advanced oversight of work at job sites*

Use of tablets for construction management (the cloud service app)

- No need for paper documents at job sites

- Construction progress management

- Construction records and photos

- Work instruction forms and job site inspection materials

- Preparation of patrol inspection forms

Job Site Supervision Using Tablets with the Cloud Service

No need for paper documents at job sites

Before

■ Designs, requests, equipment specs and other documents required at job sites had to be prepared and filed in advance and then taken to the job site.

With tablets

■ All required documents are accessible at any time

■ Information stored in the cloud is arranged in folders for quick and easy access

■ Thumbnail displays and a bookmark function make it easy to view even documents with many pages

List of data available on the cloud service
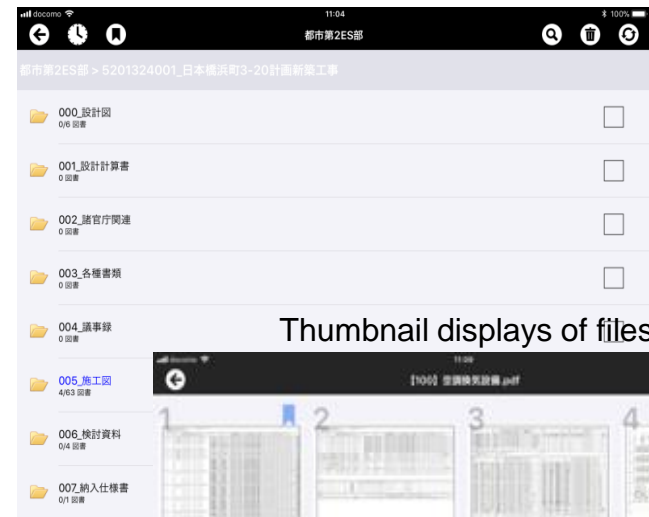
Thumbnail displays of files

← Bookmark

Using paper

Using a tablet
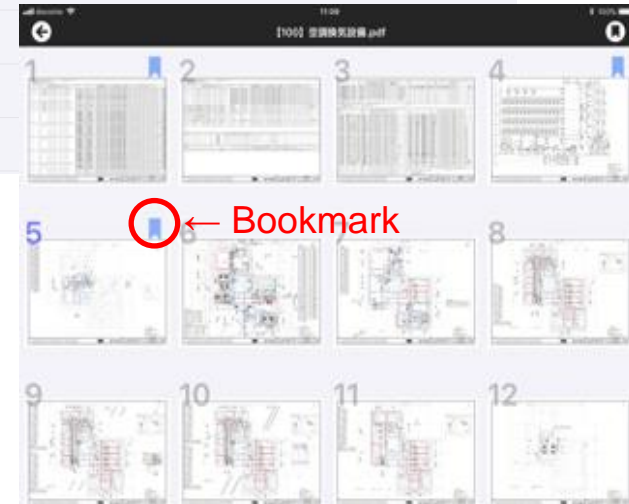
Job Site Supervision Using Tablets with the Cloud Service

Construction progress management

Before

■ Check work by using hand-written notes on paper diagrams

→ **Time consuming bookbinding**
Materials are produced personally, making it difficult to confirm items that have been checked (unable to share information)

■ New documents are needed when a design is revised

→ **Time is needed to replace documents**

With tablets

■ Able to put notes in documents similar to writing on a paper document

■ Allows checking job sites using the latest design information

■ When designs are revised, replacement work is easy and records of prior checks can be retained

→ **Allows sharing information with many people**
(several people can make entries in a single design at the same time)
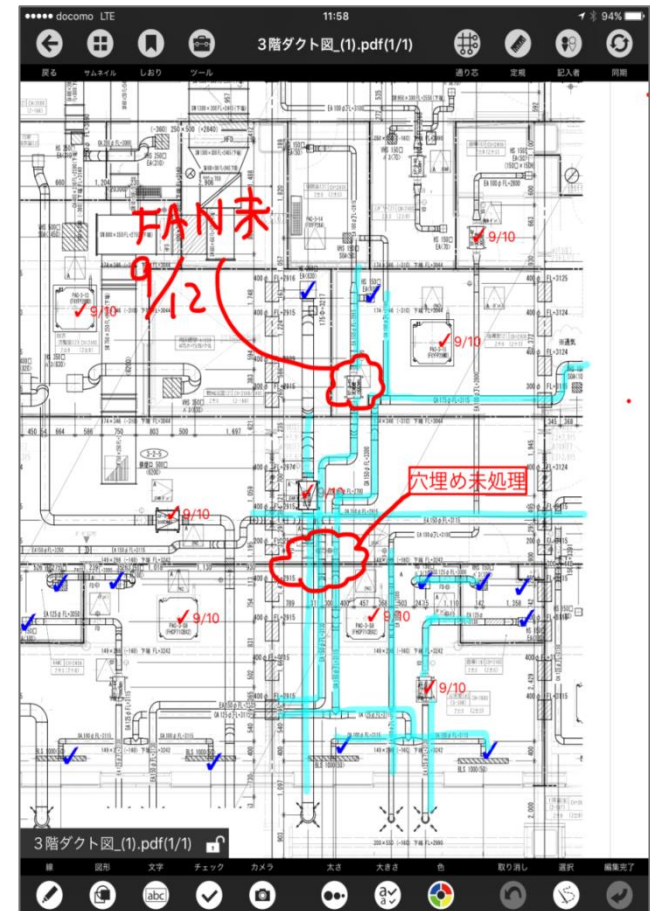
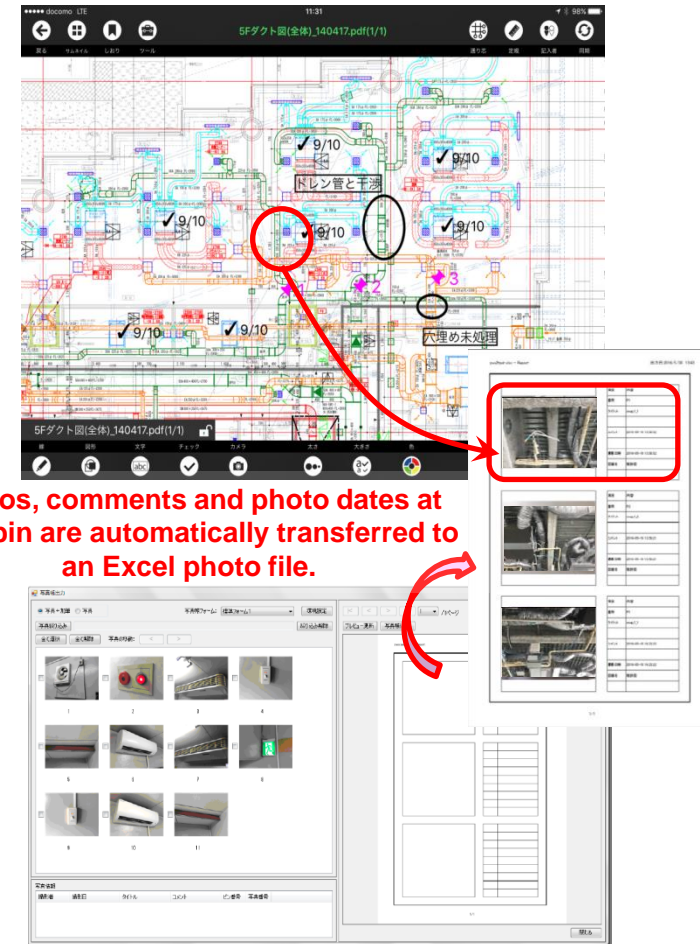# Job Site Supervision Using Tablets with the Cloud Service

Construction records and photos

Before

■ Manual procedures using an Excel photo file while comparing with designs with photo data

→ **Time is needed to arrange photos**

With tablets

▪ Input photos and comments together by using pins (photo locations) on design diagrams

▪ Also, automatic input to an Excel photo file on a PC is possible

→ **Efficient organization of photos**

→ **Can also be used for self-inspection records and other applications**

▪ Able to record many photos at a single pin (photo location) for management of photos before and after work is performed

→ **Also suitable for records of tests and photos of completed work**

Reduces time needed to prepare documents

Photos, comments and photo dates at each pin are automatically transferred to an Excel photo file.

PC photo editing screen

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Job Site Supervision Using Tablets with the Cloud Service

## Work instruction forms and job site inspection materials

Before

- When changes were made, verbal instructions and paper diagrams were used to explain the revisions to workers
  - → **Verbal instructions and diagrams alone result in information that is unclear.**

With tablets

- Job site photos can be attached to pins on designs and additional information can be written on the photos.
  - → **Allows preparation of work instruction forms that can be easily understood by workers**
  - → **Allows preparing documents by simply entering data at the job site**

- Can also be used to record job site inspections

Reduces time needed to prepare documents
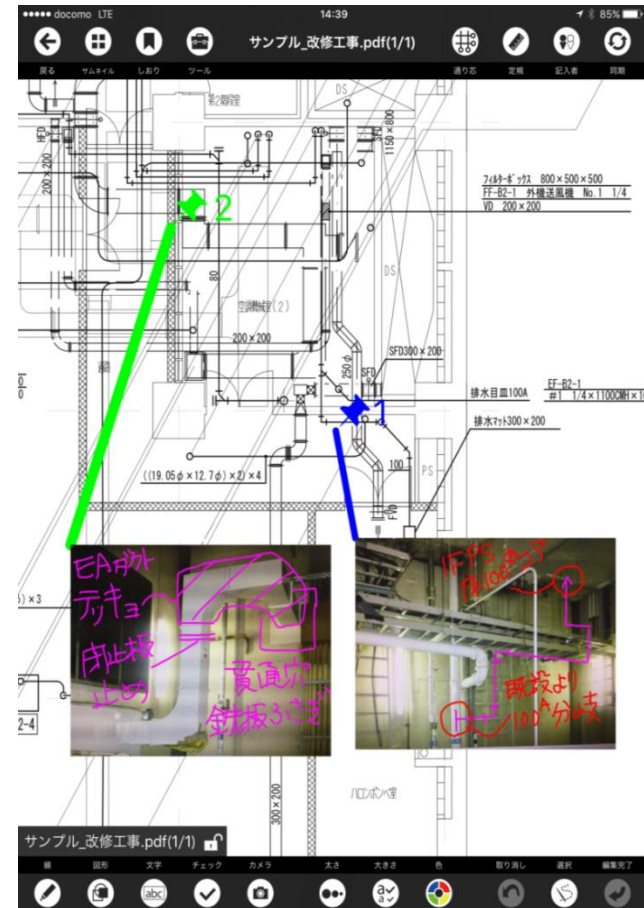
Editing screen

Job Site Supervision Using a Tablet and App

Preparation of patrol inspection forms

Produce documents using the form production app

- Data can be input using the <u>familiar Excel file format</u>.
- <u>Many input patterns</u> make data input efficient.
- Document management <u>using the cloud</u>

Before

- Patrol inspection tables were prepared on a PC at the office after inspecting a job site and then send by e-mail.
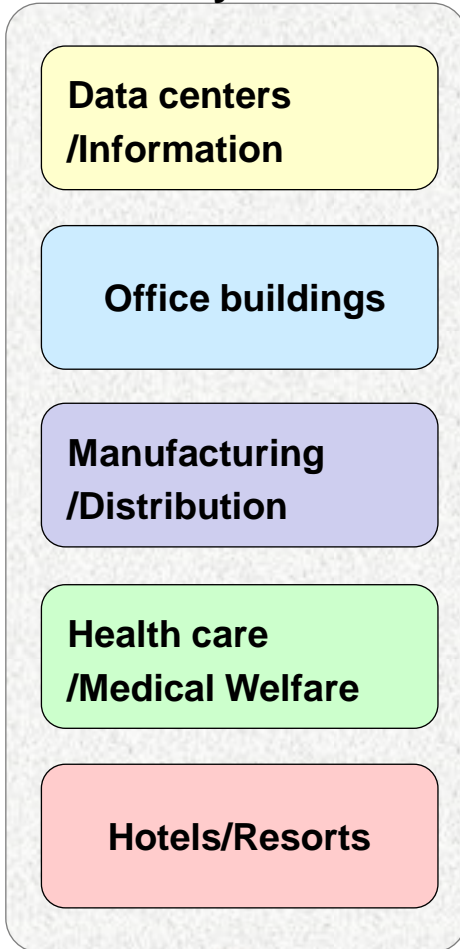
With tablets

- Inspection records are produced while performing the on-site inspection.
  → **Documents can be produced by simply entering data at the job site.**
- At locations with a problem, an inspector can take photos to create a photo file and enter remarks on the photos.

Many data entry methods are possible
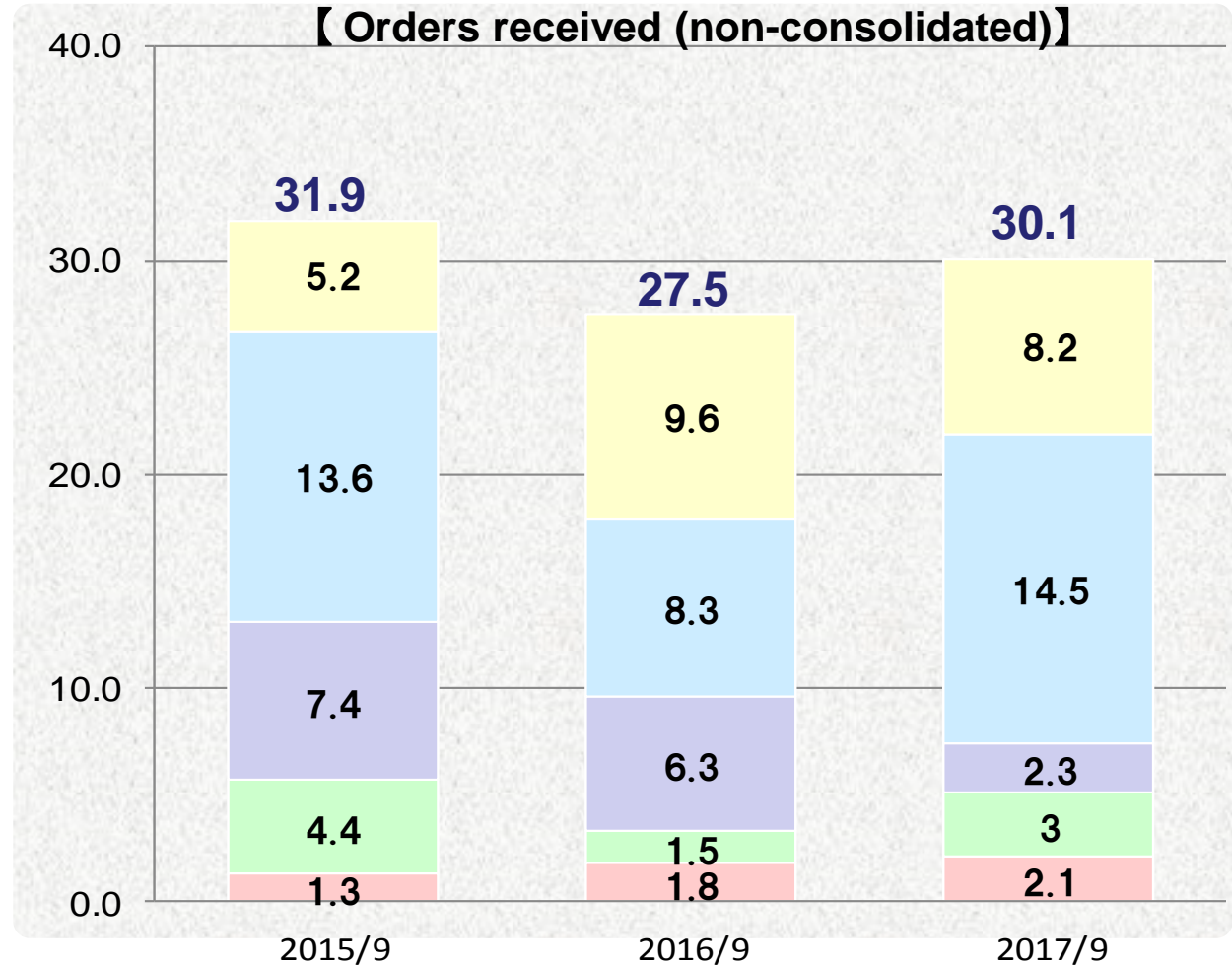
Calendar input

Pull-down menu
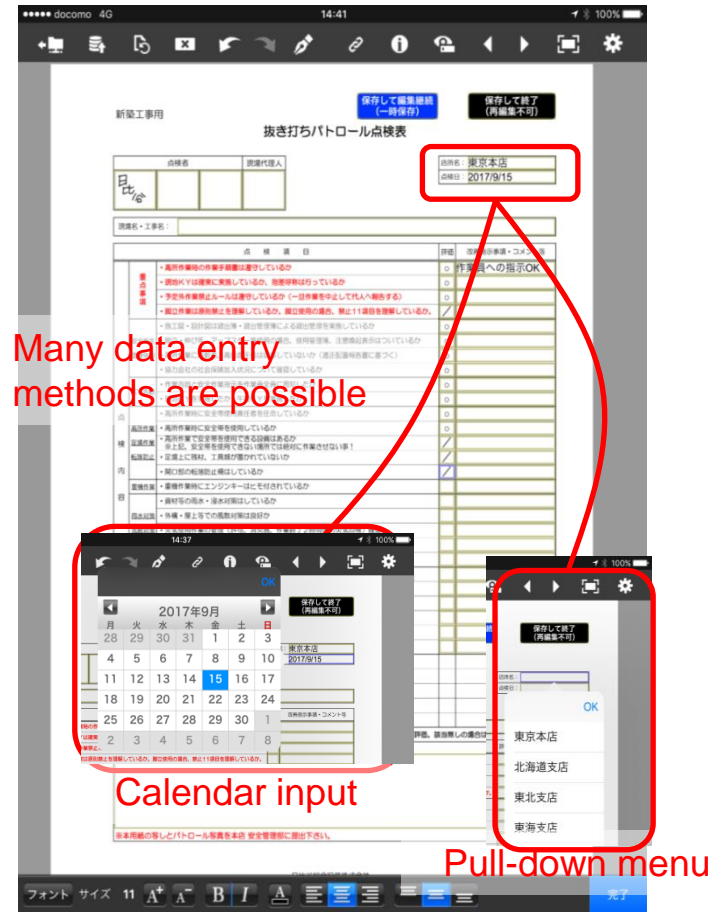
[Core Strategy] More Advanced Life Cycle Total Solutions (Reinforce solution-based sales activities)

■ Many orders in the core rebuilding market sector as well as for office buildings and other structures at redevelopment projects

【**Priority Domains**】

(Billion yen)

Data centers /Information

Office buildings

Manufacturing /Distribution

Health care /Medical Welfare

Hotels/Resorts

【**Orders received (non-consolidated)**】

	2015/9	2016/9	2017/9
Total	31.9	27.5	30.1
Data centers/Information	5.2	9.6	8.2
Office buildings	13.6	8.3	14.5
Manufacturing/Distribution	7.4	6.3	2.3
Health care/Medical Welfare	4.4	1.5	3
Hotels/Resorts	1.3	1.8	2.1

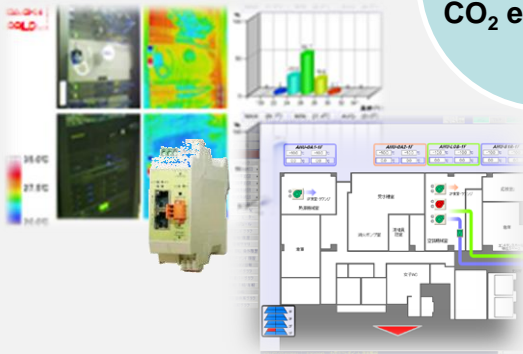**[Core Strategy] More Advanced Life Cycle Total Solutions**

"Whole Building Proposals" for the NTT Group and Other Key Customers

**Currently focusing on "whole building proposals" for large buildings**

- Selecting suitable buildings based on size, age and other characteristics
- Comprehensive consistent-revenue proposals for individual large buildings

Conserve energy and cut CO_2 emissions

Construction technology

Diagnosis of aging equipment

"Whole building proposals"
Ideas for specific buildings

Solution menu

Improve reliability

Use ICT for a service menu for creating "smart" buildings

Medium/long-term plan for equipment life cycle optimization
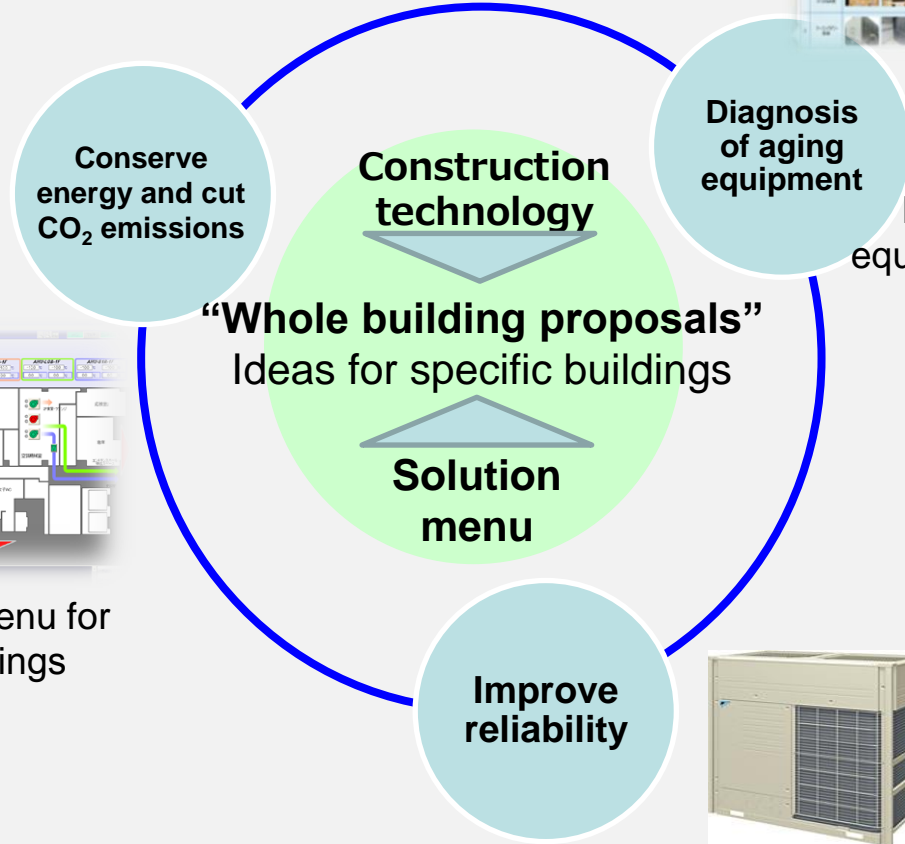
Improve reliability by raising the efficiency of equipment

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[Core Strategy] **More Advanced Life Cycle Total Solutions**

Capture orders by using conversion project experience and expertise

Construction experience

Office building/Consumer electronics-appliance store

Converted to a hotel quickly and at a low cost

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Aging diagnosis
(HVAC/Plumbing/Electrical)

\+

Energy conservation diagnosis

Medium/long-term equipment proposal

Use experience including conversions and renovations to produce medium/long-term plans beginning with an aging diagnosis

Implementation Plan
(HVAC/Plumbing/Electrical)

\+

Conversion and Renewal Consulting
Use change, cost plan, master processes, confirmation application, others

Use comprehensive equipment skills and advanced technologies to earn a sound reputation

Non-competitive orders covering all building equipment
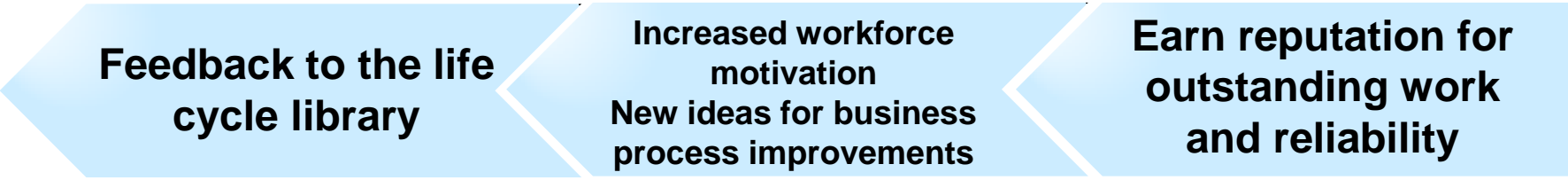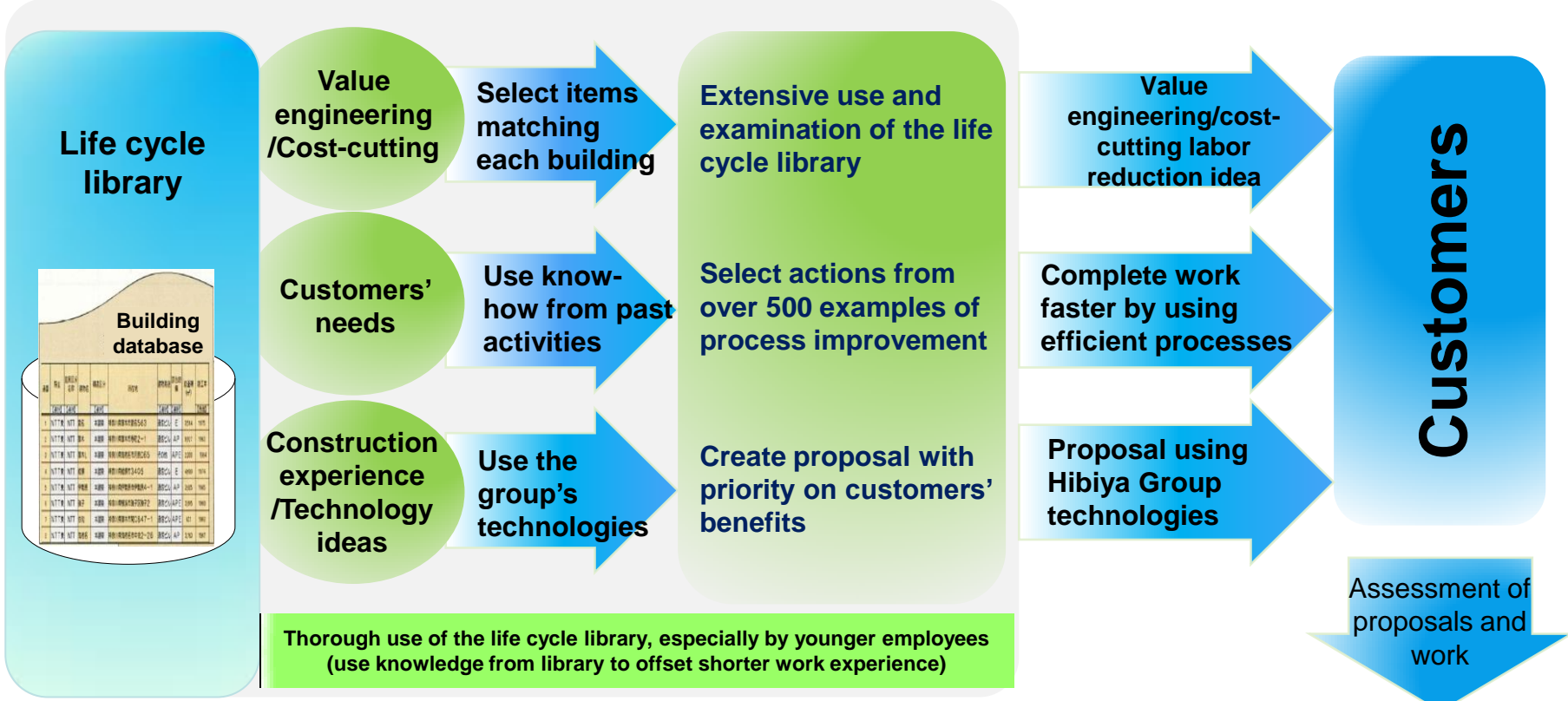
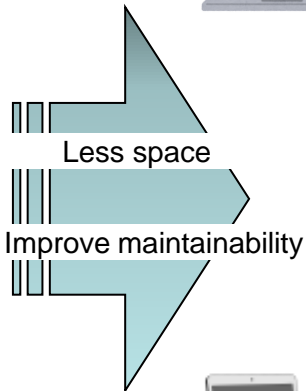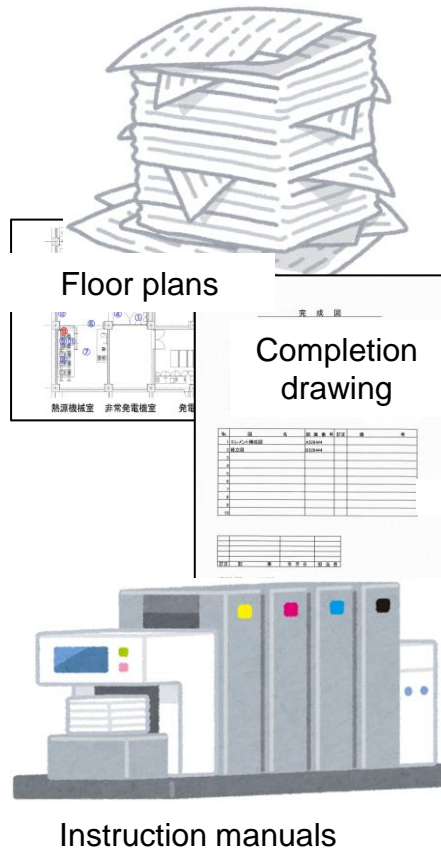| Conversion/renovation project experience | Sales activities | Plan and design services | Engineering |

HIBIYA

[Core Strategy] More Advanced Life Cycle Total Solutions

Extensive use of life cycle library to improve efficiency and offer value engineering/cost-cutting ideas

Life cycle library

Building database

Value engineering /Cost-cutting → **Select items matching each building** →

Customers' needs → **Use know-how from past activities** →

Construction experience /Technology ideas → **Use the group's technologies** →

Extensive use and examination of the life cycle library

Select actions from over 500 examples of process improvement

Create proposal with priority on customers' benefits

Value engineering/cost-cutting labor reduction idea →

Complete work faster by using efficient processes →

Proposal using Hibiya Group technologies →

Customers

Assessment of proposals and work

Thorough use of the life cycle library, especially by younger employees (use knowledge from library to offset shorter work experience)

Feedback to the life cycle library

**Increased workforce motivation
New ideas for business process improvements**

Earn reputation for outstanding work and reliability

[Core Strategy] **More Advanced Life Cycle Total Solutions** **> Improvement of efficiency**
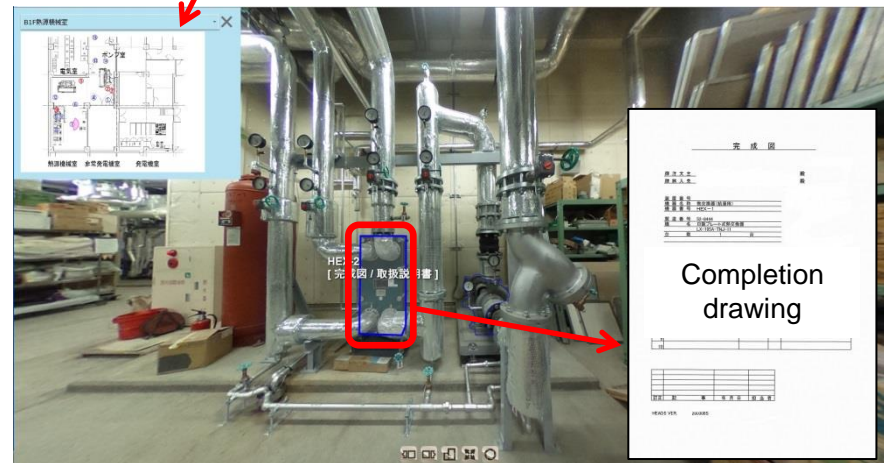
Combining a virtual tour with a digital manual

Consolidate a large volume of paper documents into a single virtual tour manual

360deg. perspective using a panorama camera

Floor plans

Completion drawing

Less space

Improve maintainability

Instruction manuals

Floor plan

Completion drawing

One page of a virtual tour manual

*Patent pending (with other companies)

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時代にまっすぐ、技術にまじめです。

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