

時代にまっすぐ、技術にまじめです。

Earnings Announcement
FY3/15

 **Hibiya Engineering, Ltd.**

May 19, 2015

Hibiya Group 50th Anniversary in July 2016

These materials include forward-looking statements that incorporate risks and uncertainties and are not guarantees concerning future performance. Future performance may differ from forecasts in these materials due to changes in the operating environment and other reasons.

Financial Summary FY3/15

Financial Highlights (Consolidated)

■ Achieved growth in sales and earnings in the first year of the Fifth Medium-term Management Plan

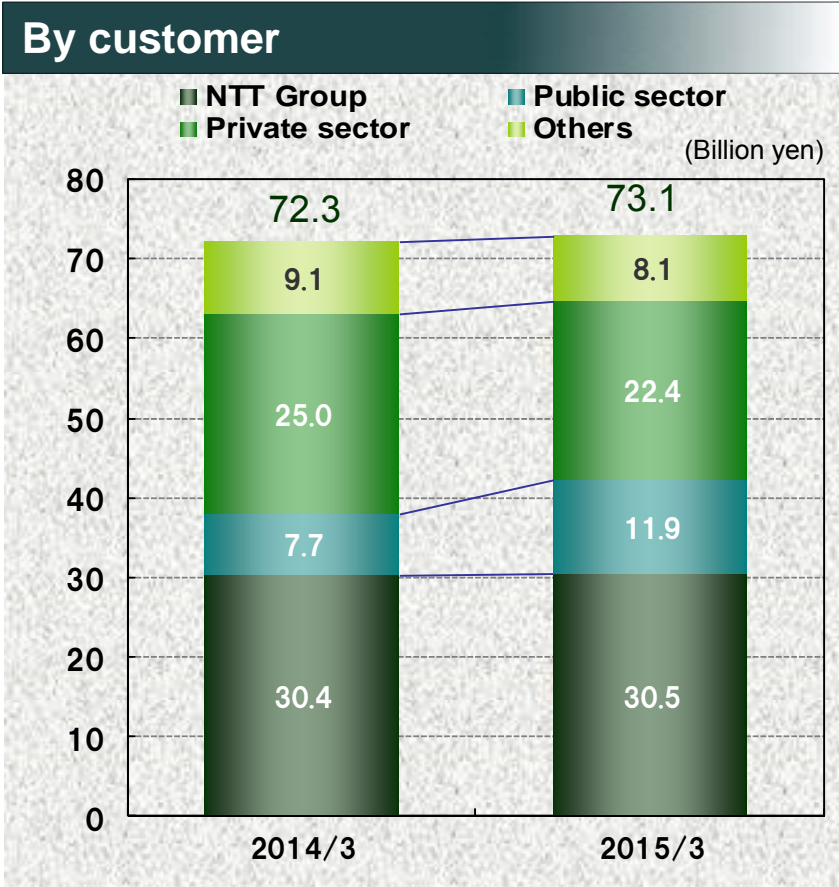
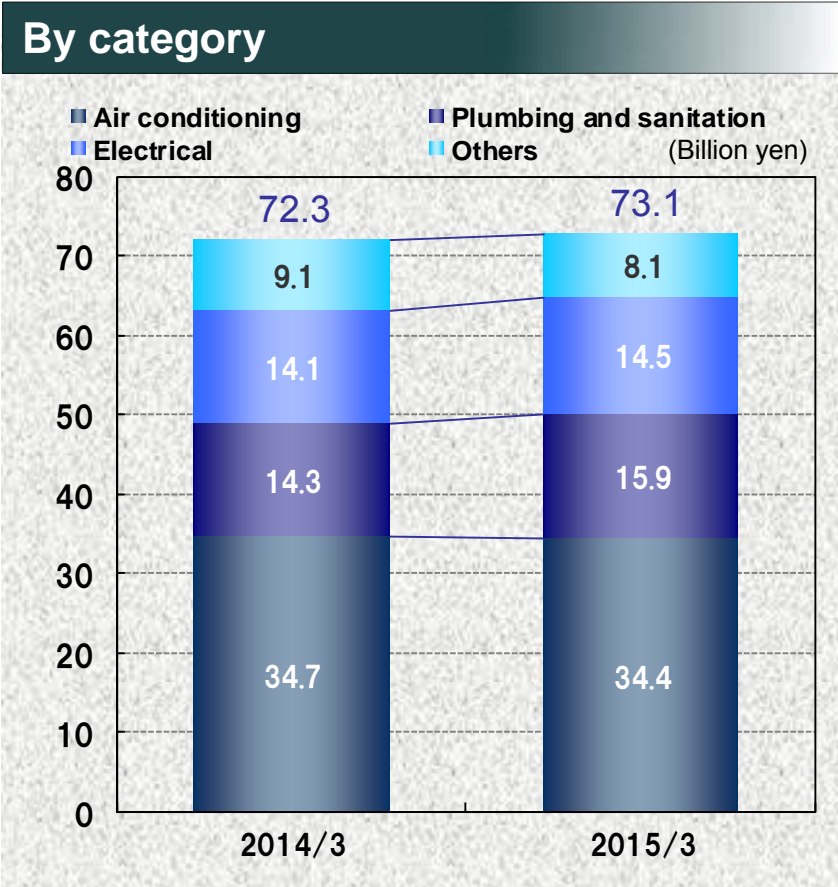
Orders, sales and net income all met or surpassed the FY3/15 plan

(Billion yen)

	2014/3 Actual	2015/3 Actual	YoY (%)	2015/3 Plan	2016/3 Plan	First 3 years target of Fifth Medium-term Management Plan
Orders Received	72.3	73.1	1.0%	73.0	74.0	70.0 ~
Net sales	69.4	71.3	2.7%	71.0	74.0	70.0 ~
Operating Income	1.8	1.9	7.7%	2.5	2.5	2.5 ~
Ordinary Income	2.8	3.0	6.0%	3.3	3.3	3.3 ~
Net Income	2.2	2.6	18.7%	2.0	2.0	2.0 ~

Orders Received by Category & by Customer (Consolidated)

■ Steady growth in orders due to the use of life cycle total solutions*¹



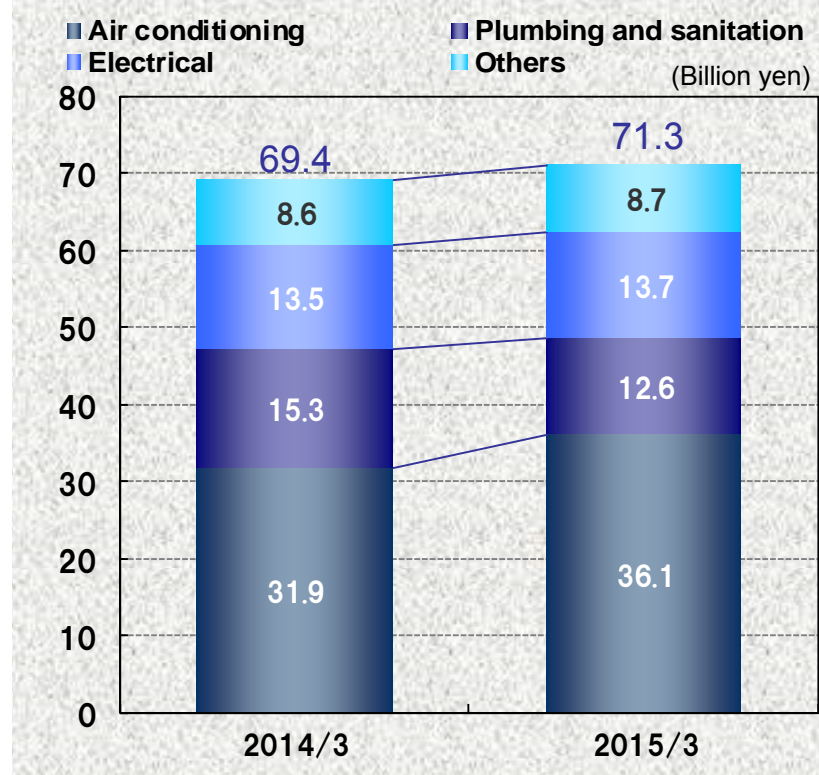
*Other orders are orders received at group companies.

*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.

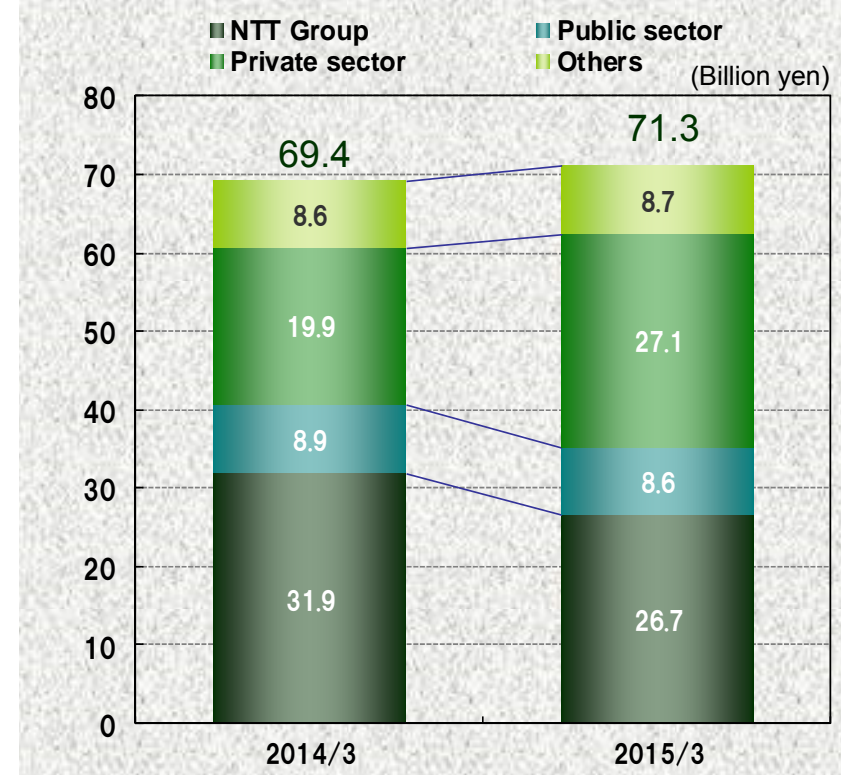
Sales by Category & by Customer (Consolidated)

■ Sales increased for the fourth consecutive year, mainly in the private sector, and topped 70 billion yen for the first time since FY3/01

By category



By customer



*Other orders are orders received at group companies.

- Higher operating income due to extensive measures to cut the cost of sales and all components of administrative expenses

(Billion yen)

	2014/3 Actual	2015/3 Actual
Net sales	69.4	71.3
Cost of sales	60.7	62.6
Gross profit	8.7	8.6
Gross profit margin	12.6%	12.2%
SG&A expenses	6.8	6.6
Operating income	1.8	1.9
Non-operating income	1.0	1.0
Ordinary income	2.8	3.0
Extraordinary income	0.5	1.0*
Income taxes	1.1	1.3
Net income	2.2	2.6
ROE	4.1%	4.7%

* Gain on sales of securities and others

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.

【FY3/15】

- Based the dividend on a DOE of 1.8%
- Fiscal year dividend increased by 2 yen to 32 yen (16 yen interim and year-end)

【FY3/16】

- Raising the DOE basis from 1.8% to 2.1%
- Plan to increase the dividend by 8 yen to 40 yen (20 yen interim and year-end)

Stock purchases

【Basic policy】

- We will continue to purchase stock in a flexible manner as one way to distribute earnings to shareholders.

【Actual/Plan】

	〔FY3/15 Actual〕		〔FY3/16 Plan〕	
	(Million Shares)	(Million Yen)	(Million Shares)	(Million Yen)
■ Allowance of full year	0.5	750	0.5	800
■ Repurchased in FY3/15 (Progress)	0.455 (91.1%)	720 (97.2%)	--	--

The Fifth Medium-term Management Plan and First Year Accomplishments

The Fifth Medium-term Management Plan: April 2014 - March 2017

Hibiya Group 50th Anniversary in July 2016, the final year of the Plan

The Fifth Medium-term Management Plan

(April 2014 – March 2017) (1)



Fundamental Goal

Become a **comprehensive engineering services organization** that is a one-stop source of services for all customer needs

< Core Strategy >

Supply life cycle total solutions

Increase orders in strategic domains

- Reinforce solution-based sales
- Upgrade solution technologies
- More synergies among group companies
- Make extensive use of alliances

Build a stronger foundation

- Accumulate and use information and knowledge
- Unified management for the entire group
- Focus on cost/performance to make construction more efficient
- More advanced training and emphasis on safety and quality

Confidence and safety

- Strengthen CSR and compliance activities
- Distribute more earnings to shareholders
- Improve employee satisfaction

Mega-trends

Energy

ICT/smart

BCP/
disasters

Global

Hibiya Engineering strengths

Accumulate energy and "smart" technologies

Improve solution proposal skills

Reinforce the value chain from consulting to maintenance

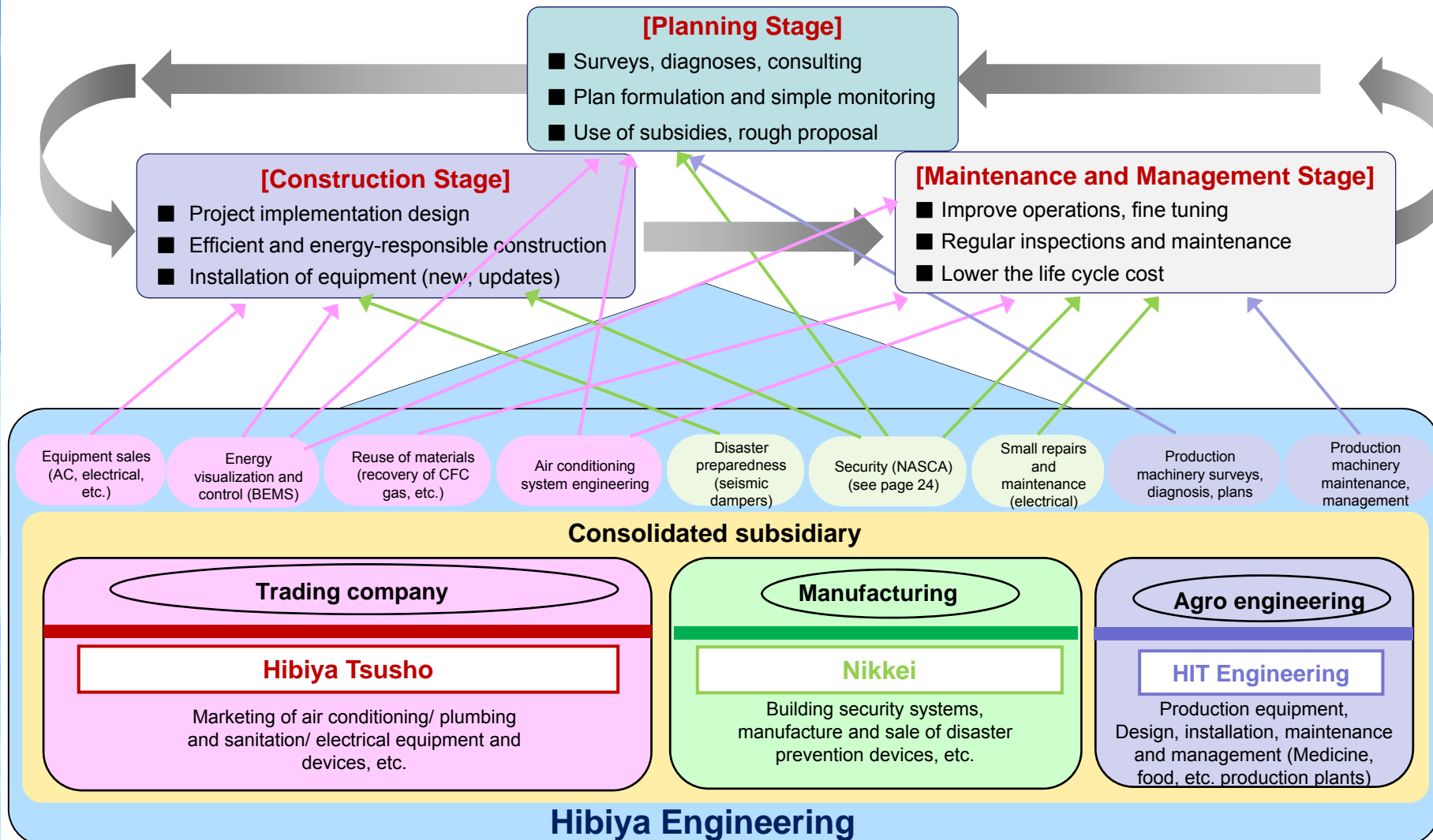
BCP, safety and quality

The Fifth Medium-term Management Plan

(April 2014 – March 2017) (2)



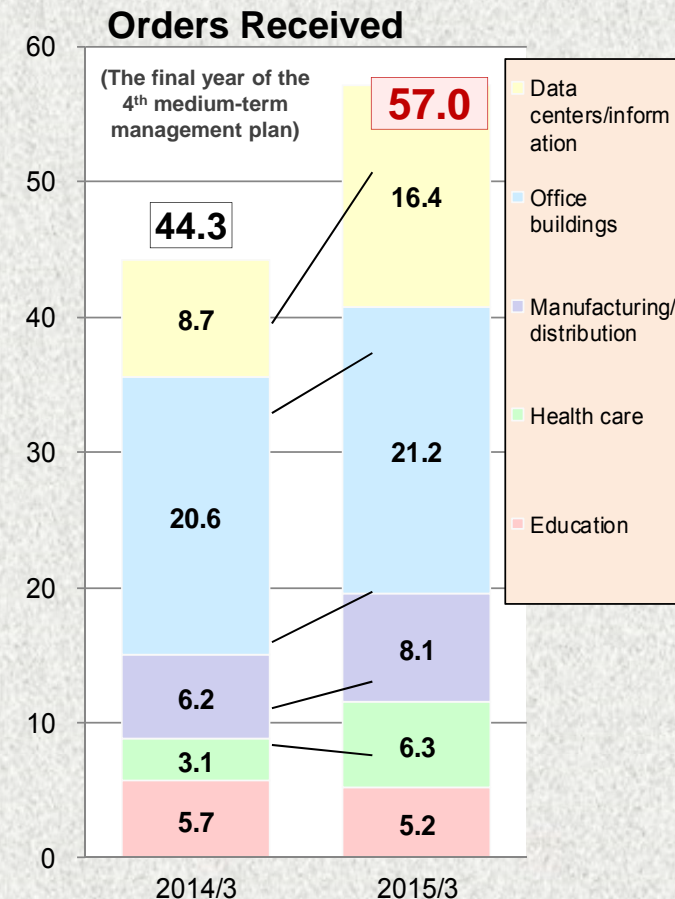
Supply life cycle total solutions by building on group synergies



Increase orders in priority domains

Activities and accomplishments in priority domains

Data centers/ Information ¥16.4 bn	<ul style="list-style-type: none"> Update and expansion of NTT Group data center Construction of data center for central government agency Electricity supply update for regional bank server room
Office buildings ¥21.2 bn	<ul style="list-style-type: none"> Building for redevelopment project of major developer Air conditioning system aging diagnosis and major update Automation update for a large government office building
Manufacturing/ Distribution ¥8.1 bn	<ul style="list-style-type: none"> Construction of new large Tokyo area wholesale market Installation of BEMS at factory of major pharmaceutical company Construction of plant factory using solely artificial light
Health care ¥6.3 bn	<ul style="list-style-type: none"> Construction of hospital (radiotherapy, radio isotope and other buildings) Equipment updates (clean room, operating rooms, others) Sale and installation of energy conservation, disaster preparedness and other equipment
Education ¥5.2 bn	<ul style="list-style-type: none"> New buildings for national and private universities Heat source update for financial institution training facility Maintenance, inspection, repair contract for school



Reinforce Solution-based Sales

Life cycle total solution sales

[Orders received] 56.6 billion yen

<p>[Engineering] 48.8bn yen</p>	<ul style="list-style-type: none"> Renovation projects due to solution-based sales Installation of systems and other facilities using energy and smart technologies (AC, BEMS, BCP measures) New business model cooperates with financial institutions and other customers (bulk leasing business* and other activities) <p>* A single lease for equipment at many locations</p>
<p>[Services] 7.8bn yen</p>	<p>Energy and smart technologies</p> <ul style="list-style-type: none"> Planning and designs Surveys, consulting, energy-conservation diagnoses Performance tests of completed facility Regular inspections, operations, etc.



[A cogeneration system that uses LP gas (control section)]

Activities

[Services following completion; use aging diagnoses to increase sales]

- Comprehensive management using a comprehensive maintenance outsourcing contract with a school (see Example 1 in page 10)
- Use aging diagnoses and update proposals to receive large improvement orders at facilities built by other companies

[Use energy and smart technologies to increase sales]

- Install natural gas cogeneration systems by working with prominent regional companies (see Example 2 in page 11)
- Install LP gas cogeneration systems at food processing plants (for BCP)

[Life cycle solution proposals for NTT Group companies (see Example 3 in page 14)]

- (1) Aging solutions (2) Energy conservation solutions (3) New technologies/Joint proposals

[Continue to grow outside Japan]

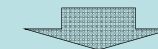
- The Hibiya Engineering greenhouse gas reduction measurement and assessment method has been adopted as the standard method for bilateral transactions (Vietnam hotel energy conservation demonstration project)

The greenhouse gas reduction measurement and assessment method

Technologies: Efficient boilers
Heat recovery heat pumps
LED lighting

Measures, predicts and verifies:

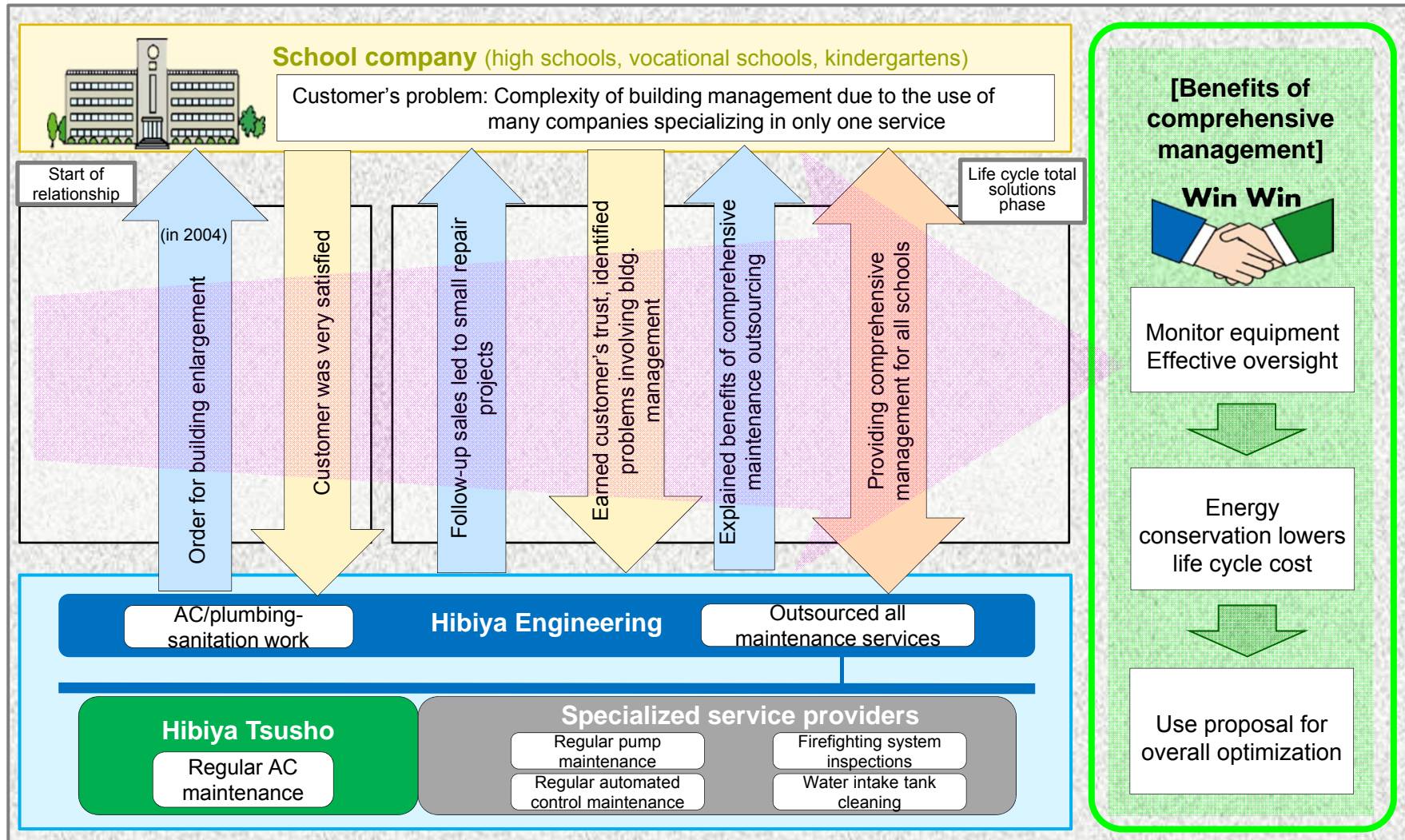
- Emissions at facilities before low-carbon measures
- Emissions after these measures
- Unforeseen emissions associated with the project
- Other items



The basis for a basic formula for quantifying GHG reductions

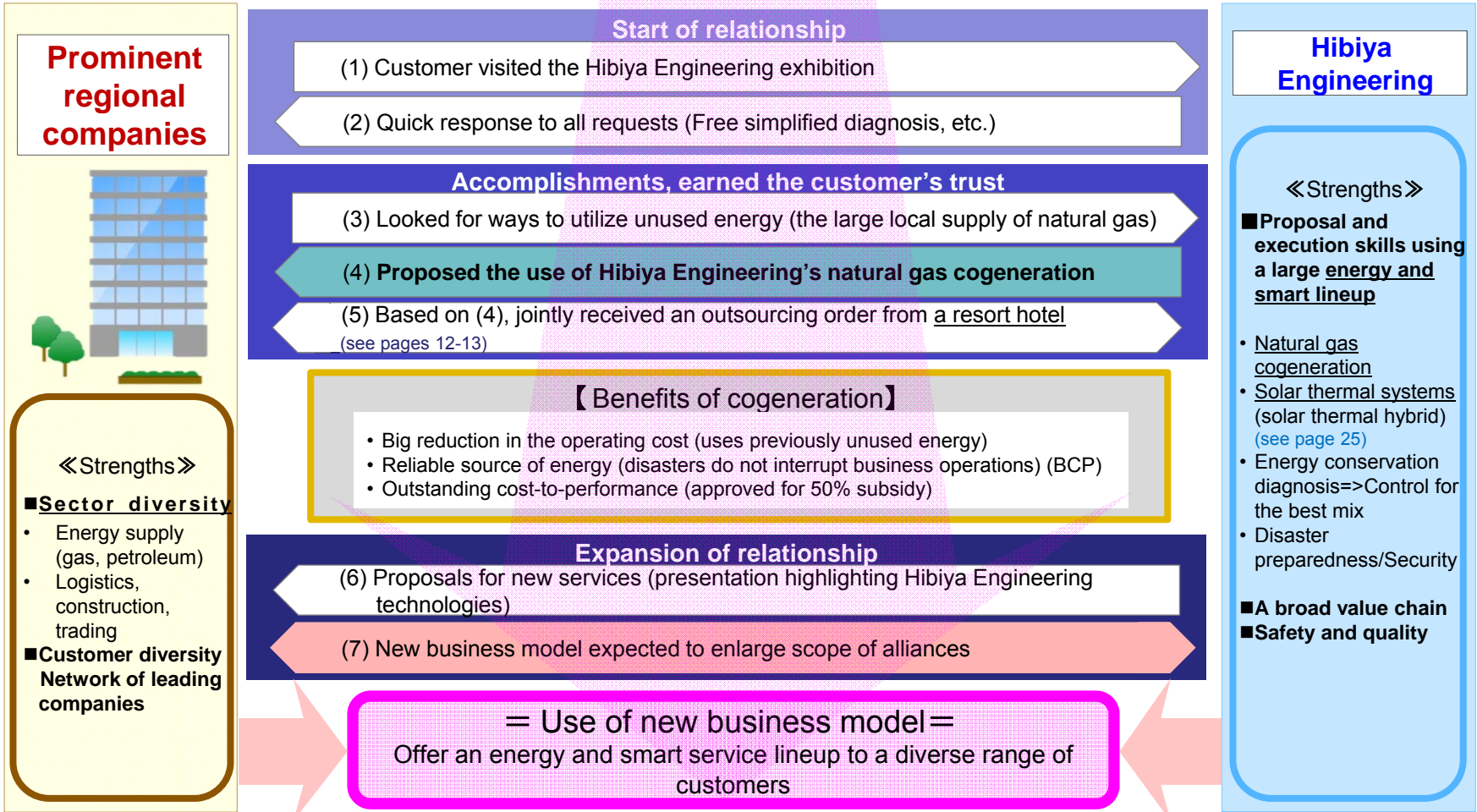
Reinforce Solution-based Sales (Example:1)

Comprehensive maintenance outsourcing contract with a school



Reinforce Solution-based Sales (Example:2)

[A mutual understanding]
 Create a new business domain by combining regional networks with cogeneration technology

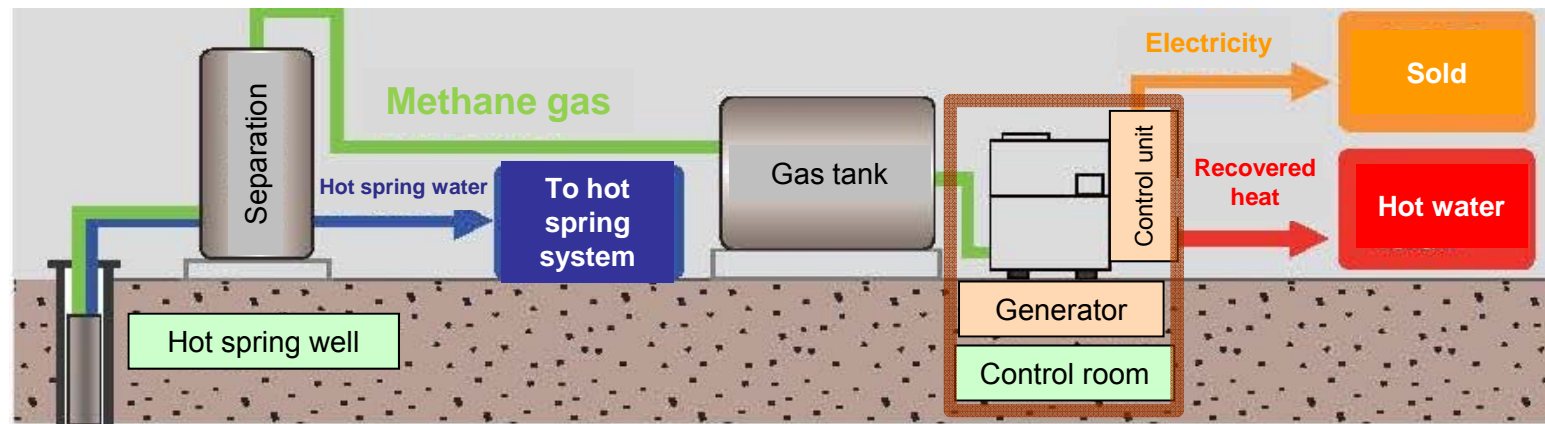


■ Many projects using this framework are under way ■

Natural Gas Cogeneration System

This system uses natural gas to supply electricity and hot water.

- Natural gas is separated from hot spring water, processed and stored to power the generator.
- The electricity is sold to reduce the amount of power purchased.
- Heat recovered from power generation is used to produce hot water, which cuts the cost of fuel.



- With an energy efficiency of more than 80%, a gas cogeneration system is an environmentally responsible technology that greatly lowers wasted energy compared with the conventional generation of electricity.

Reinforce Solution-based Sales (Example:2)

Example of a natural gas cogeneration system



【Hotel exterior】



【Gas tank and control room】



【Separation unit】



【Generator】



【Control unit】

Produces 50kW of electricity and 276.4MJ/h of heat (enough energy for about 100 households)

Reinforce Solution-based Sales (Example:3)

Life cycle total solution ideas for the NTT Group

Hibiya Engineering strengths

- Superior technologies, including for use of existing facilities
- Much experience with communication facilities
- Skill in determining a building's life cycle
- Fast follow-up sales after completion

Life cycle total solution ideas

Solutions for building aging

- (1) Diagnosis services using 3D scanners (see page 26)
- (2) Update old air conditioning equipment
- (3) Update outdated fire alarm system

Solutions for conserving energy


- (4) Proposals for using cogeneration systems
- (5) Proposals for use of Smart Lighting Controller (see page 27)
- (6) Value engineering, CD and other value-added proposals
- (7) Update Multi-unit Air Conditioning System (MACS) for communication equipment room

New technologies and joint proposals


- (8) Solar hybrid system
- (9) Membrane air conditioning system
- (10) Smart DASH® (a data center air conditioning control system with a learning capability developed by NTT-F)
- (11) Data center wall outlet air conditioning
- (12) Electronic shutoff device for communication base stations

Orders and completed projects (FY3/15)

- (1) Used these solutions for complete update of water supply/effluent facilities
- (2) Proposals and installation for continuous air conditioning renewals over several years
- (3) Renewal of fire early detection system (All Tokyo area NTT Docomo node buildings)
- (4) Preparations for use at a research center
- (5) Started Smart Lighting Controller at NTT East Japan head office building
- (6) Used proposal evaluation method for a new office building
- (7) Installed the most advanced MACS (all communication base station buildings in Japan)
- (8) Preparing for use at an apartment building
- (9) Started membrane air conditioning system at an R&D center office
- (10) Started Smart DASH® at an NTT Docomo building
- (11) Installation under way at a new data center
- (12) Started electronic shutoff device at an NTT Docomo building



【Solar hybrid system】



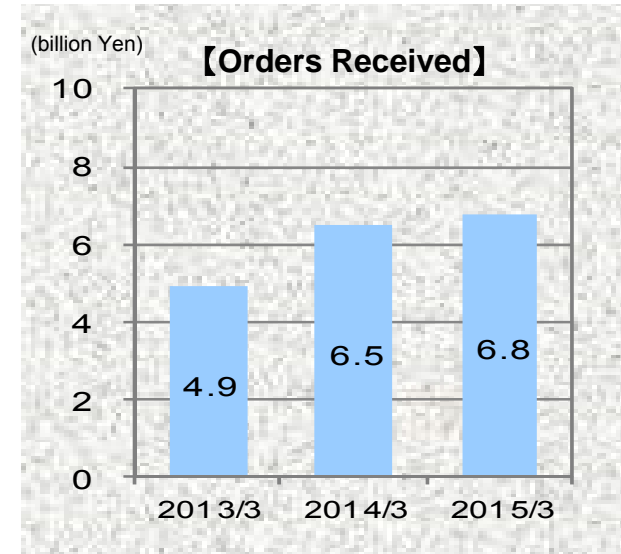
【MACS】

Reinforce Solution-based Sales (Collaboration with the NTT Group)

Collaboration sales activities with the NTT Group

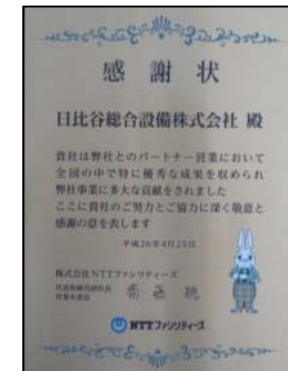
【Orders received】 ¥6.8 billion

【Number of orders】 275



Activities

- Order for renewal of automation system for a large government agency building (Equipment made by Nikkei)
- Solar power generation system for a local government using a lease
- Joint energy conservation proposal for branches of a regional bank => Started using Smart-Save (see page 28) at some branches
- Repairs at nationwide business sites (factories, offices, etc.) of a housing equipment manufacturer => Hibiya Engineering provided support for the Kanto area
- Ordered equipment required for construction projects (UPS, solar panels, capacitors, etc.) => Received outstanding agent award for the third consecutive year



【Outstanding agent letter of appreciation】

Visualization of energy consumption and building life cycle optimization

The best proposals that combine exclusive Hibiya Engineering automated diagnoses and state-of-the-art technologies

- Input building size, use, energy/water use and other information to –
- Perform an automated energy use comparison and forecast of equipment renewal timing
- Offer the best proposal that incorporates Hibiya Engineering advanced diagnosis and analysis technologies

Building ABC Bldg.

Floor area : 5,000 m²

Use : Office

Constructed : 1997

Data from customers

Electricity used : 1,500,000 kWh / year

Contracted power : 1,000 kW

Gas used : 15,000 m³ / year

Oil used : 2,500 L / year

Water used : 6,500 m³ / year

Annual total cost : 24,770,000 yen / year

Annual cost per m² : 5,000 yen / m² year

Electricity

Gas

Fuel oil

➔

*Primary energy

Conversion to primary energy

*Secondary energy
...Energy from sources processed for ease of use, such as gasoline and electricity

Automated calculations

Primary energy consumption*

Entire building: 15,727,750 MJ / year

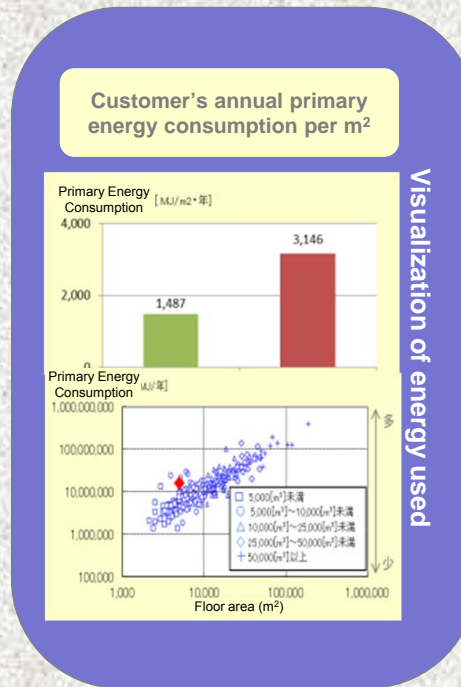
Per square meter: 3,146 MJ / m² · year

CO₂ emissions

CO₂ emissions: 737 t-CO₂ / year

Energy Consumption

〇月×日(金) 晴礼
Automated diagnosis



Hibiya Engineering's advanced diagnosis and analysis technologies



Building life cycle optimization

More Advanced Solution Technologies

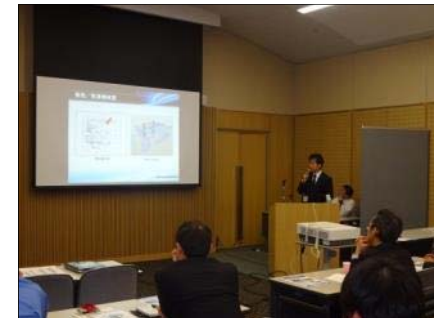
Improve efficiency by using advanced technologies

【 Higher diagram accuracy and more efficient surveys 】

- Use image data from high-performance 3D scanners (3D image distance measuring equipment) after conversion to Building Information Modeling (BIM) 3D models

Expansion to on-site energy conservation tool/renewal/maintenance business

- Many requests for seminars, including at the 37th Information Systems Use Technology Symposium of the Architectural Institute of Japan
- Performed surveys for public-sector schools (site photography by Nikkei)
=> Many other inquiries (from government agencies, maintenance companies and others)



【A presentation at a symposium】

Technical data library and technology development with NTT Group

【 Technical data library (a database for sharing intellectual information throughout the Hibiya Engineering Group) 】

- Documentation of innovations at projects for efficiency, energy conservation and other improvements for sharing within the group

Examples: Atmospheric air AC using well water, hot spring gas co-generation, mini-balcony unit

【 Technology development with the NTT Group 】

- Technology cooperation for FIT-LC (made by NTT Facilities), a wireless individual lighting control system (Sale of Hibiya parts: Hibiya Tsusho; manufacturing: Nikkei)



【The mini-balcony unit】

Unified group management

- Held a branch manager and corporate officer conference that included group company senior executives
- Use PT to create unified human resources, systems and other departments that serve the entire group

Improvements in cost-performance and construction efficiency

- Increased centralized purchasing (volume was ¥12 billion)
- Using iPads as a labor-saving tool for construction management

Training programs

- On-the-job training for solution-based sales activities (3-month program, about 12 people each year)
- Training programs for official and internal (energy conservation master) certifications =>Goal is 150 energy conservation masters

More emphasis on CSR and compliance

- Held a compliance seminar for all management-level individuals (250 people)
- Head office and other offices received Information Security Management System (ISMS) certification
=>Currently enlarging this certification to cover all group companies; goal is to finish this process during FY2015



【A compliance training session】



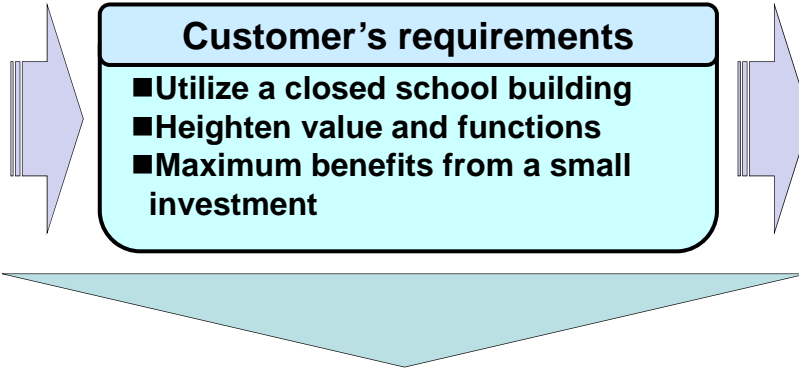
【ISMS certificate】

Major completed projects of FY3/15

【 Major completed projects of FY3/15 】

An unprecedented renovation of an unused school gymnasium (I)

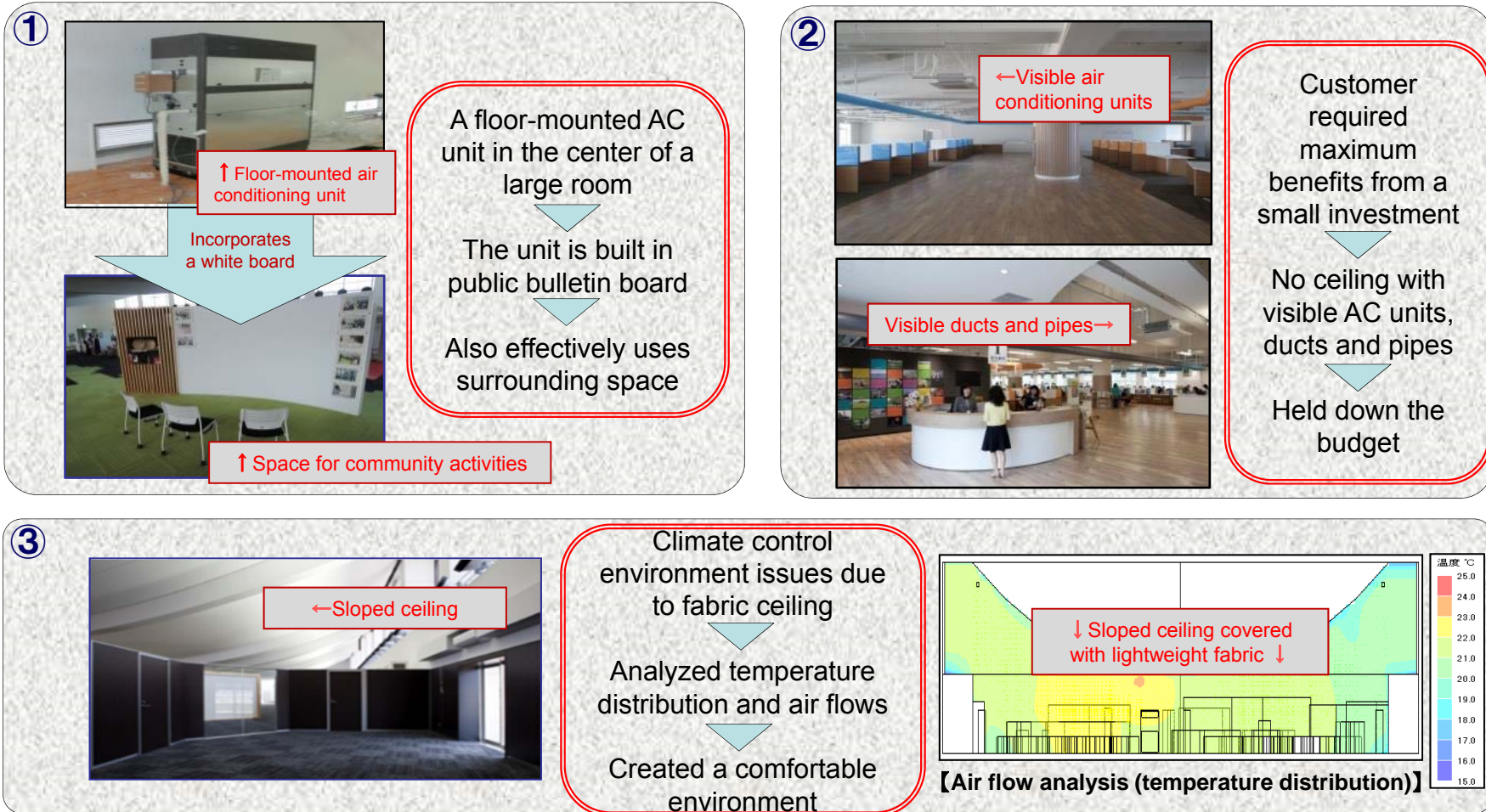
Relocation of offices of the city of Himi in Toyama prefecture
(air conditioning, plumbing and sanitation, electric)



Building: Three floors, 7,890m² floor area Completion: April 2014

【Major completed projects of FY3/15】

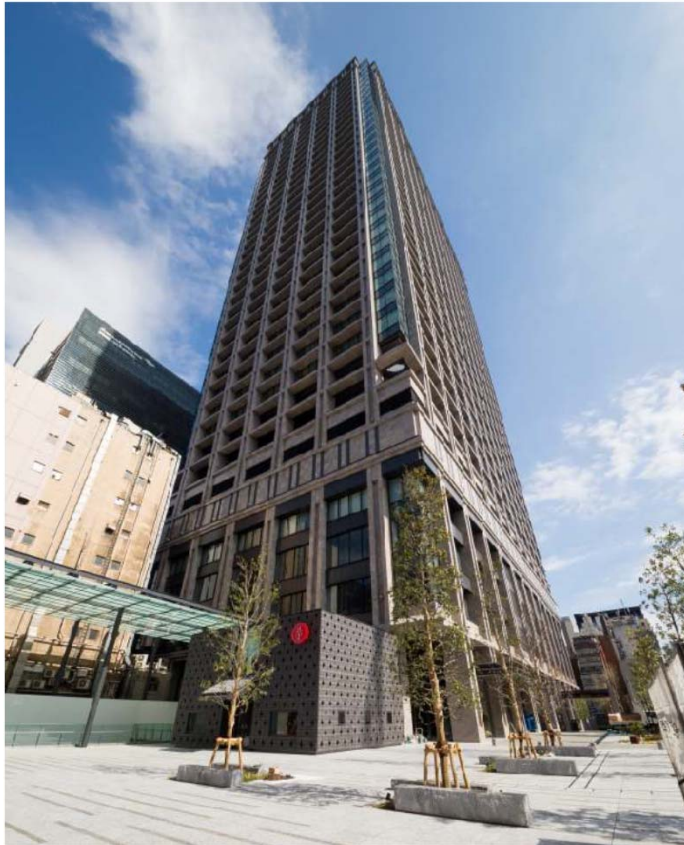
An unprecedented renovation of an unused school gymnasium (II)



Used a small budget to convert a building => Attracted much media coverage

【Major completed projects of FY3/15】

Office Buildings



Tokyo Nihombashi Tower



Shinagawa Season Terrace

【Major completed projects of FY3/15】



Office Buildings/Accommodations



**Software Service, Inc.
Nishimiyahara Head Office**



Tokyu Harvest Kyoto Takamine

【Major completed projects of FY3/15】

Medical Facilities



Aiiiku Hospital



New Yonemori Hospital

Reference (technologies)

[Reference]

The NASCA Security System

■ An embedded contact-free IC card reader for simplicity with outstanding performance



Advantages of the contact-free IC card reader

- Compact size and ability to connect with two switch boxes
- Semi-transparent LCD panel with antenna on the back
- A multi-card reader compatible with ISO14443 type A and B cards and FeliCa cards
- Audio guidance and error detection
- Touch-panel display with three-color backlight for a variety of images
- Can be customized to display English and pictures
- Easy to operate and includes a sensor to conserve energy when not in use

Features of the NASCA security system

Flexible system construction to match the size of the application

Can create a room access security system with many functions

Also compatible with many authorization devices, elevator floor access and other functions

A variety of system settings to match many operating methods

Joint demonstration test of solar hybrid system with NTT Facilities

Advantages

- Solar energy comprehensive conversion rate of more than 40%
- Reduction in power generation loss caused by high temperature of solar cells
- Supplies both electricity and hot water
- Uses less roof space by combining power generation and heat collection in a single panel

Major applications

Health care facilities
(senior/nursing care facilities,
hospitals)

Restaurants
(suburban and roadside locations)

Residential buildings
(houses and apartment buildings)

Solar hybrid systems



Solar hybrid panels are similar to photovoltaic panels.



Solar heat collection units are placed under the photovoltaic panels.

【Reference】

On-site Survey Support System Using a 3D Scanner*



*3D camera collects site information as visual data

【Customers' requirements】

- ◎ Need current data because current diagrams are outdated
- ◎ Shorten time needed for surveys of locations with complex pipes and ducts
- ◎ Perform on-site survey even where there is a high ceiling

The Solutions



3D camera (Focus3D:Faro社製)

Step 1

Scan the site using a 3D camera



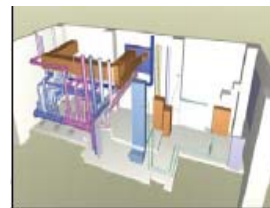
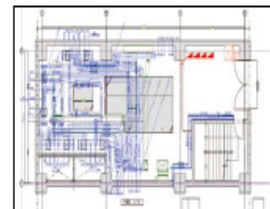
Step 2

Convert images to point cloud data



Step 3

Use point cloud data to produce CAD image of the site



■ Solutions ■

- ◎ Need current data because current diagrams are outdated

Produces an accurate diagram using the latest data

- ◎ Shorten time needed for surveys of locations with complex pipes and ducts

Performs on-site surveys quickly and efficiently

- ◎ Perform on-site survey even where there is a high ceiling

Able to perform surveys even in difficult locations

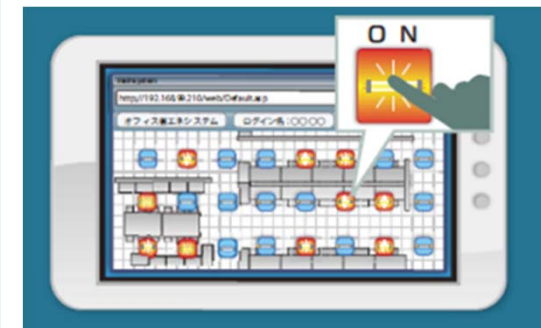
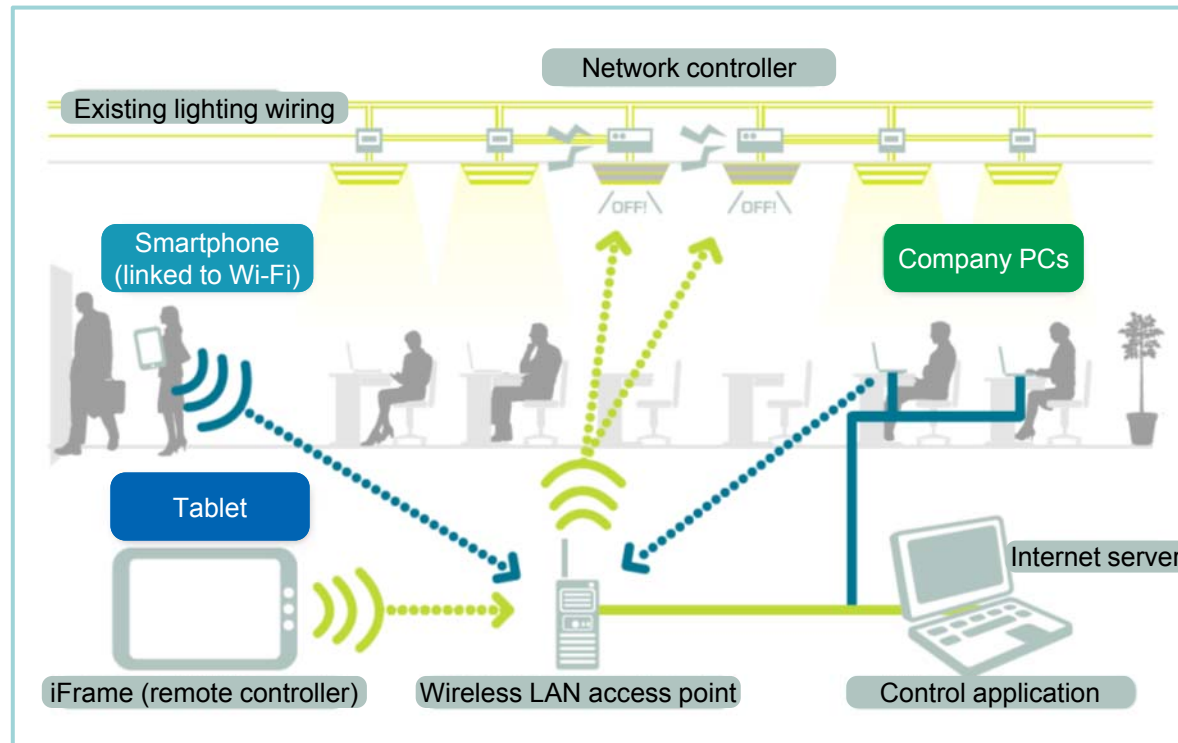
[Reference]

Smart Lighting Controller

*Registered trademark of Hibiya Engineering



- A system that can significantly cut electricity consumption by sending a control signal via a wireless LAN from a PC or smartphone to switch on and off individual lights
- Easy to install: No new power supply or signal wiring is needed.
 - Sales promotion activities under way with existing buildings the primary target



Switch lights on and off by touching the screen of a tablet, smartphone or iFrame

【Reference】

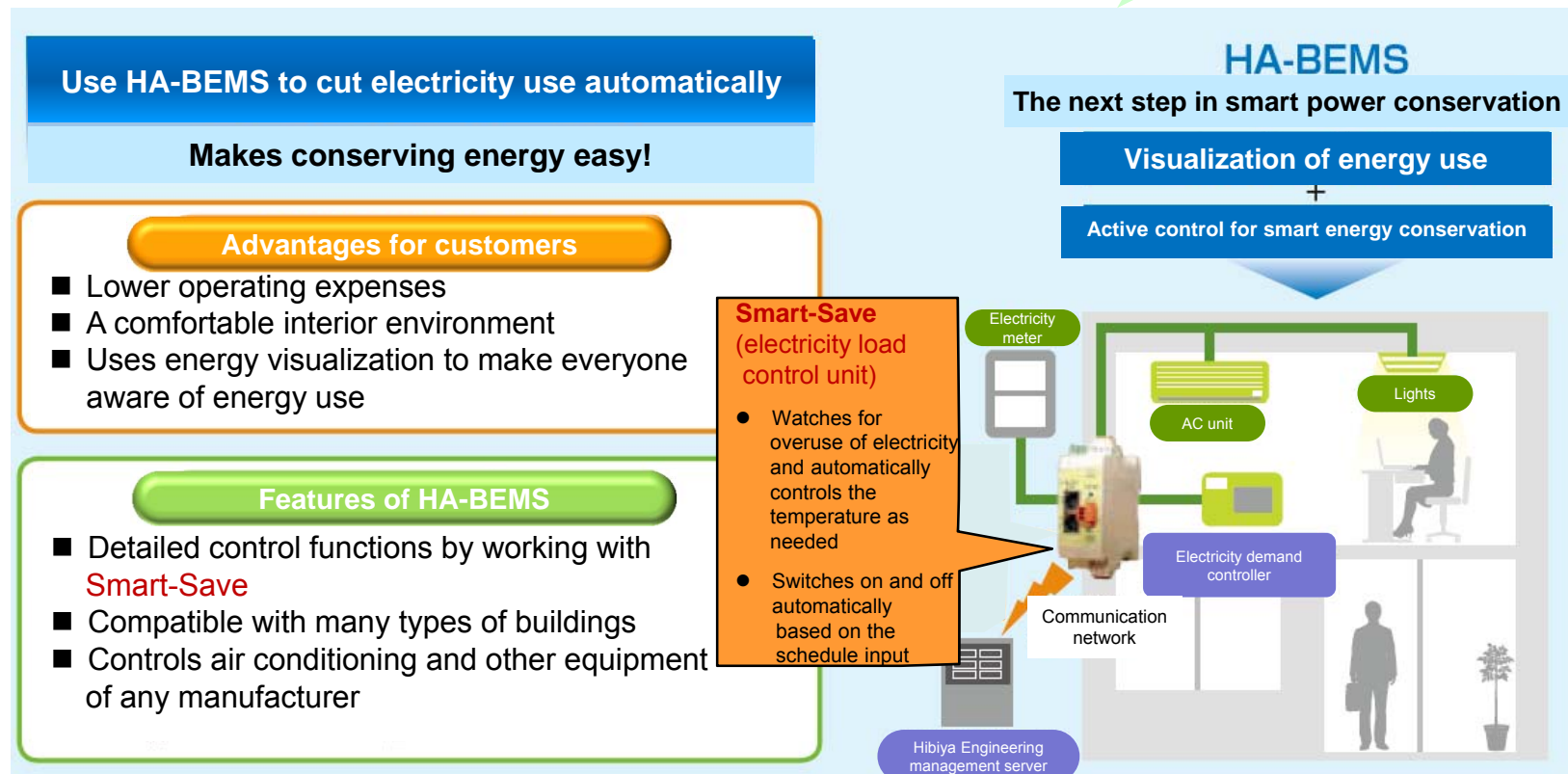
HA(Hibiya-Active)-BEMS

HA-BEMS (Hibiya-Active Building Energy Management System)

Uses ICT to measure a building's electricity use, humidity and temperature as well as efficiently control climate control, lights and other items.

Why choose HA-BEMS?

Provides visualization along with **outstanding control functions** in association with Smart-Save



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