

時代にまっすぐ、技術にまじめです。

Earnings Announcement

(1H FY3/15)

 **Hibiya Engineering, Ltd.**

November 18, 2014

Hibiya Group 50th Anniversary in July 2016

Financial Summary

First Half of FY2015/3

Financial Highlights (Consolidated)

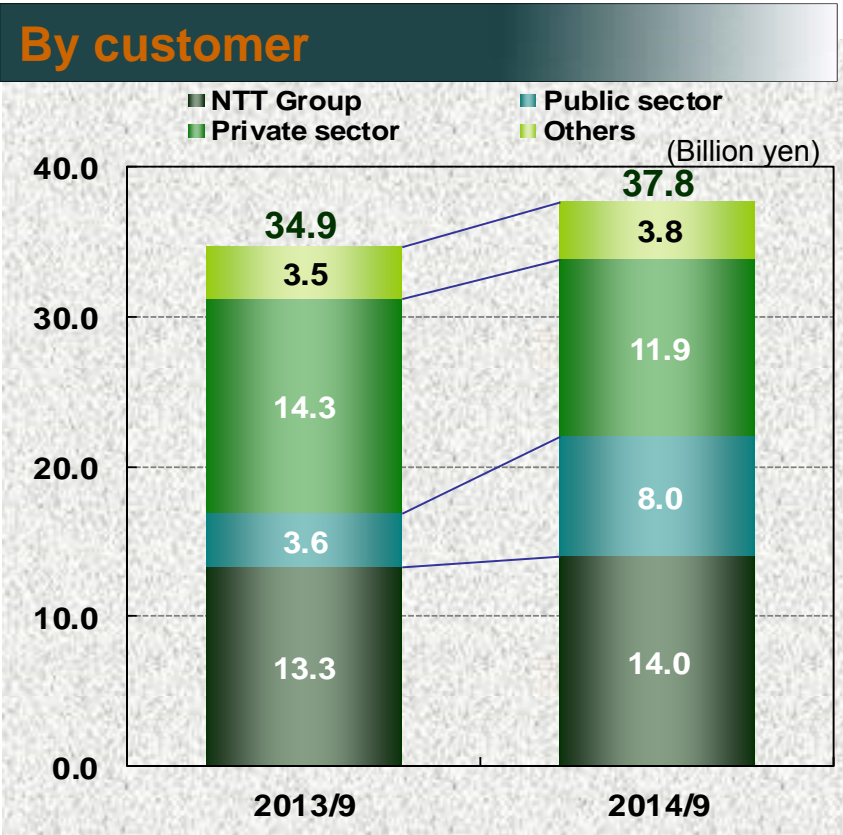
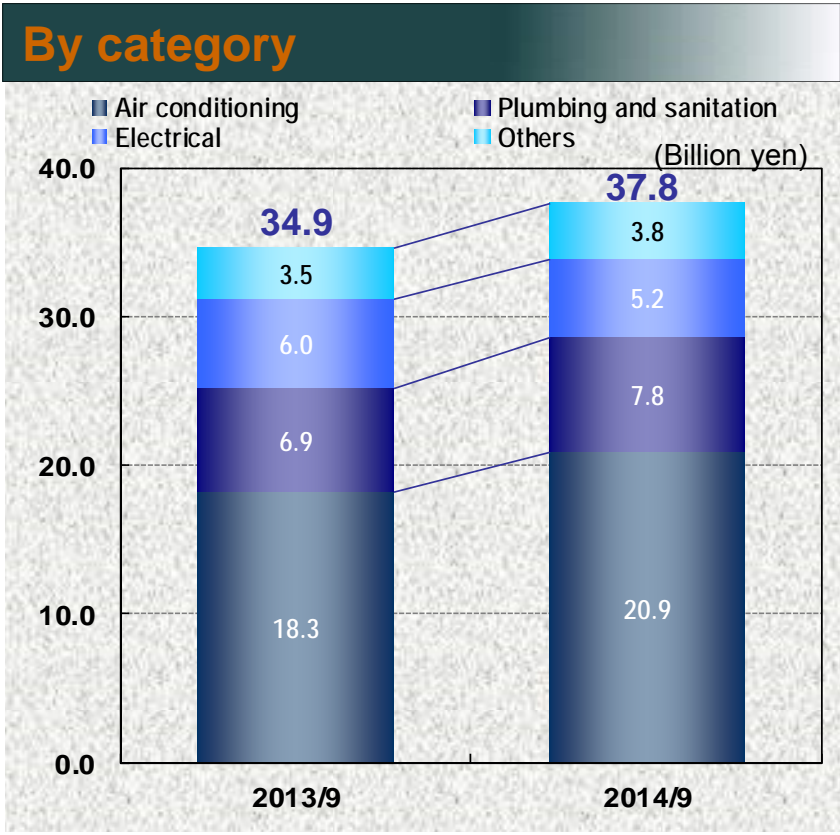
- Orders received and sales were both higher than one year earlier.
- There was an operating loss just as one year earlier because of unprofitable projects. But expect fiscal year results in line with the plan due to second half sales growth and heightened cost-reduction measures and other initiatives.

(Billion yen)

	2013/9 Actual	2014/9 Actual	YoY (%)	2015/3 Plan	First 3 years target of Fifth Medium-term Management Plan
Orders Received	34.98	37.85	8.2%	73.0	700~
Net sales	26.24	28.10	7.1%	71.0	700~
Operating Income	(0.91)	(0.97)	—	2.5	25~
Ordinary Income	(0.55)	(0.75)	—	3.3	33~
Net Income	0.11	(0.49)	—	2.0	20~

Orders Received by Category & by Customer (Consolidated)

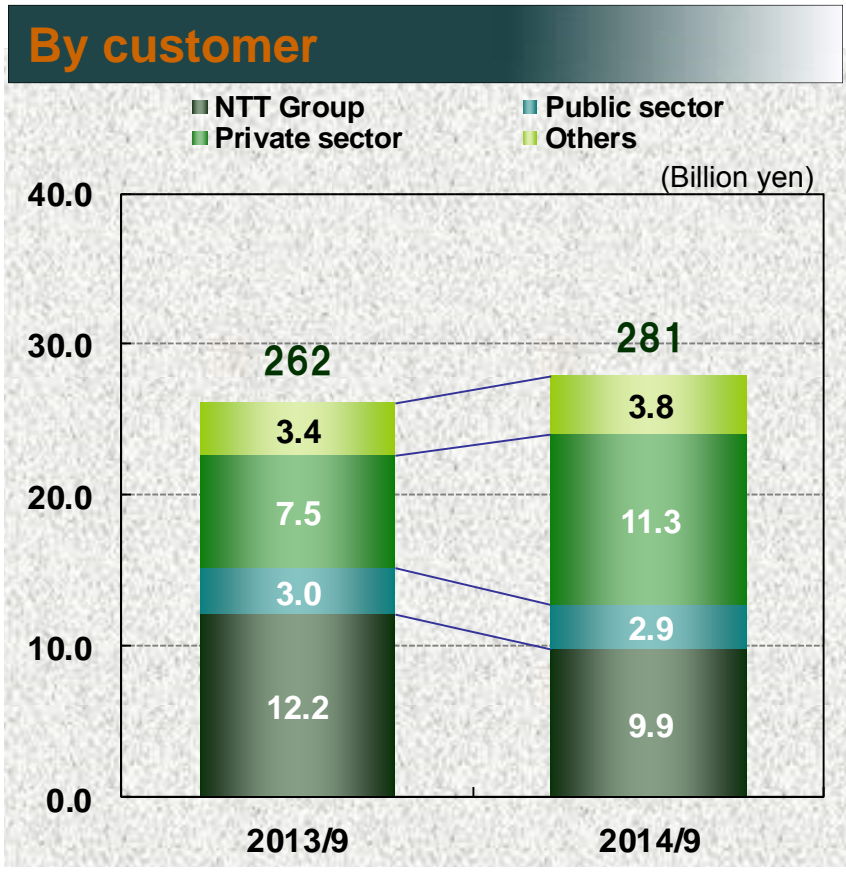
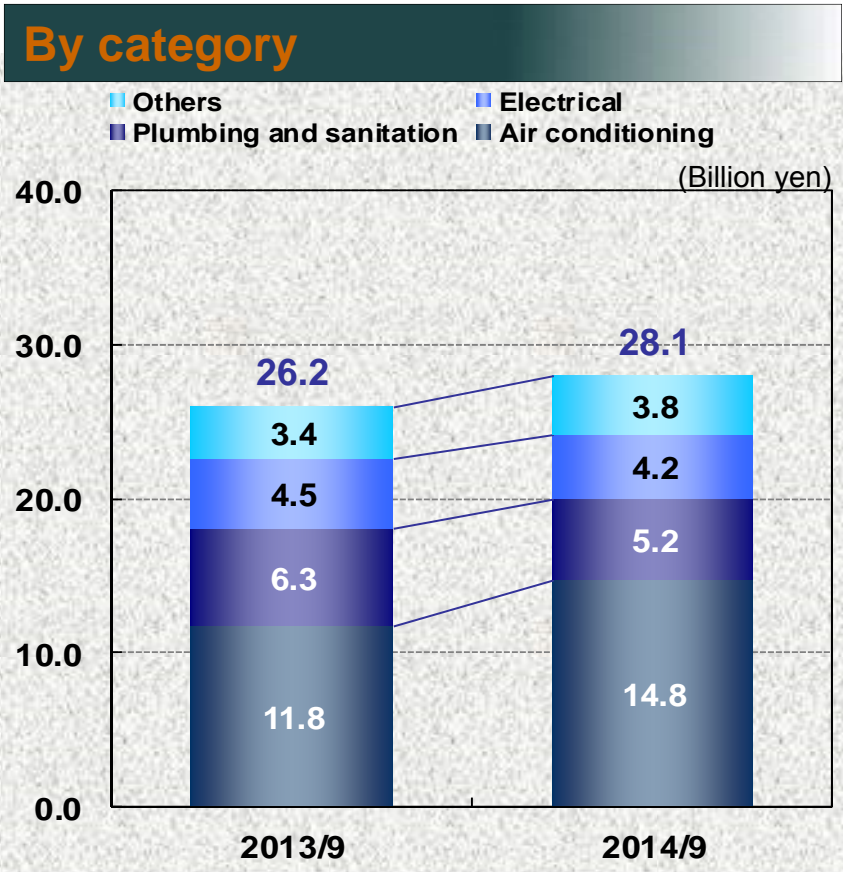
■ Increased orders received by stepping up solution-based sales activities in priority domains



*Other orders are orders received at group companies.

Sales by Category & by Customer (Consolidated)

■ Strong growth in orders led to higher sales, mainly in the private sector.



*Other orders are orders received at group companies.

Summary Income Statements (Consolidated)

- The gross margin decreased because of unprofitable projects, but an improvement is anticipated in the fiscal year gross margin because of heightened cost-reduction measures and other initiatives.

(Billion yen)

	2013/9 Actual	2014/9 Actual
Net sales	26.24	28.10
Cost of sales	23.71	25.82
Gross profit	2.52	2.28
Gross profit margin	9.6%	8.1%
SG&A expenses	3.44	3.25
Operating income	(0.91)	(0.97)
Non-operating income	0.36	0.21
Ordinary income	(0.55)	(0.75)
Extraordinary income	0.55*	0.00
Income taxes	(0.11)	(0.26)
Net income	0.11	(0.49)

* Gain on sales of securities and others

Earnings Distributions to Shareholders

Dividends

Fundamental policy

- For the earnings distributions to shareholders, pay a dividend based on “stable earnings distributions for shareholders” and on the consolidated dividends-on-equity (DOE) ratio
- Based on the Fourth Medium-term Management Plan policy of consistently paying a stable dividend while increasing net assets by retaining earnings, the dividend applicable to FY3/15 is **to increase by 2 yen to 32 yen per share, the sum of interim and year-end dividends of 16 yen.**

FY 2015/3

- In accordance with the basic policy, the interim dividend is 16 yen per share.

Repurchase and retirement of stock

Fundamental policy

- Hibiya Engineering will continue to repurchase stock in a flexible manner as part of measures to distribute earnings to shareholders.
- Treasury stock will be used effectively in principle. However, the company will take a flexible approach in response to the environment facing the company.

FY 2015/3

- Allowance of full year: 500,000 shares, 750 million yen
- Repurchased in 1H FY2015/3: 207,000 shares, 320 million yen
(41.5%) (43.2%)

The Fifth Medium-term Management Plan Progress and Major Initiatives

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

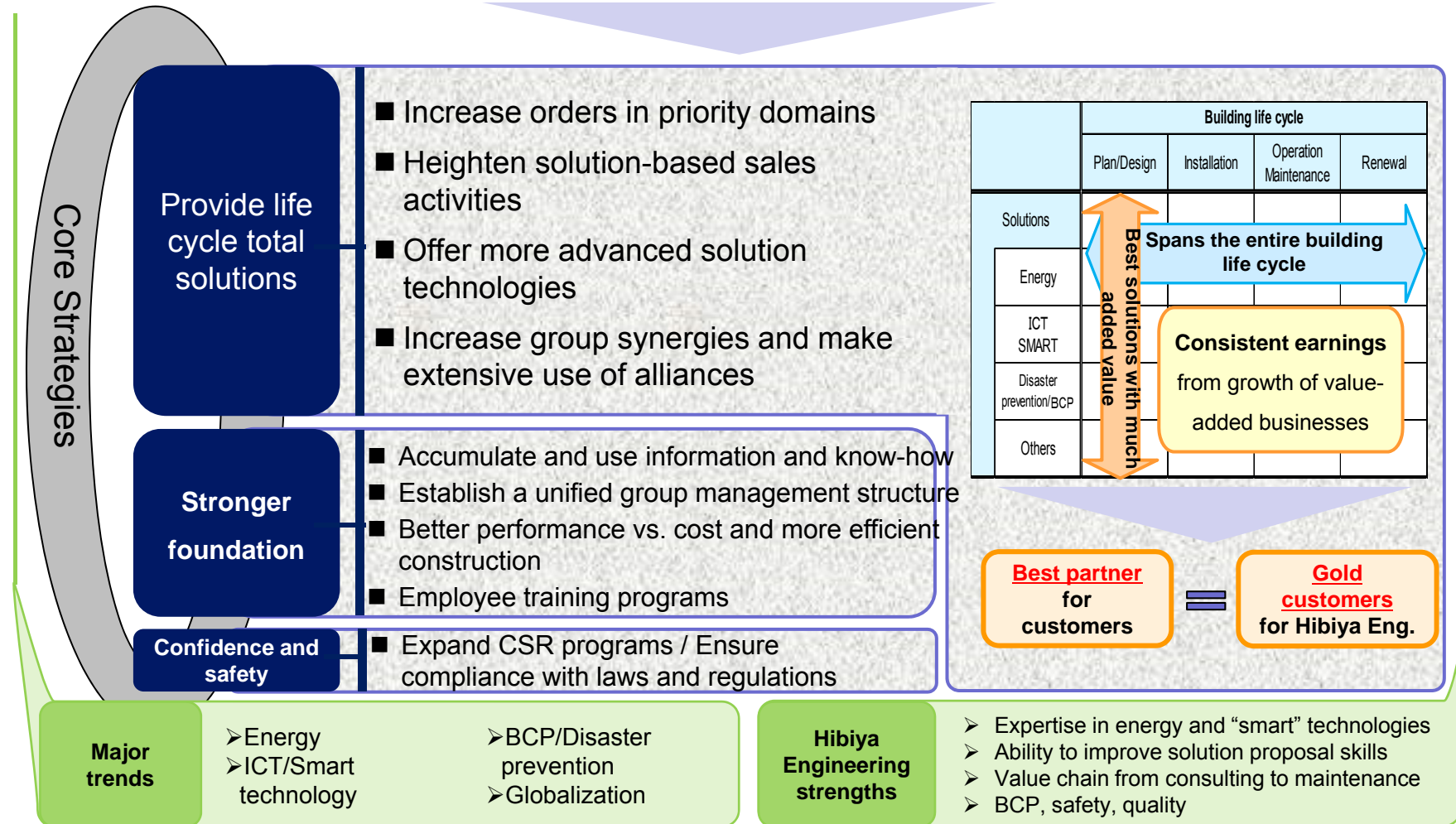
Hibiya Group 50th Anniversary in the final year of the Plan

Outline of the Plan

Fundamental policy

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

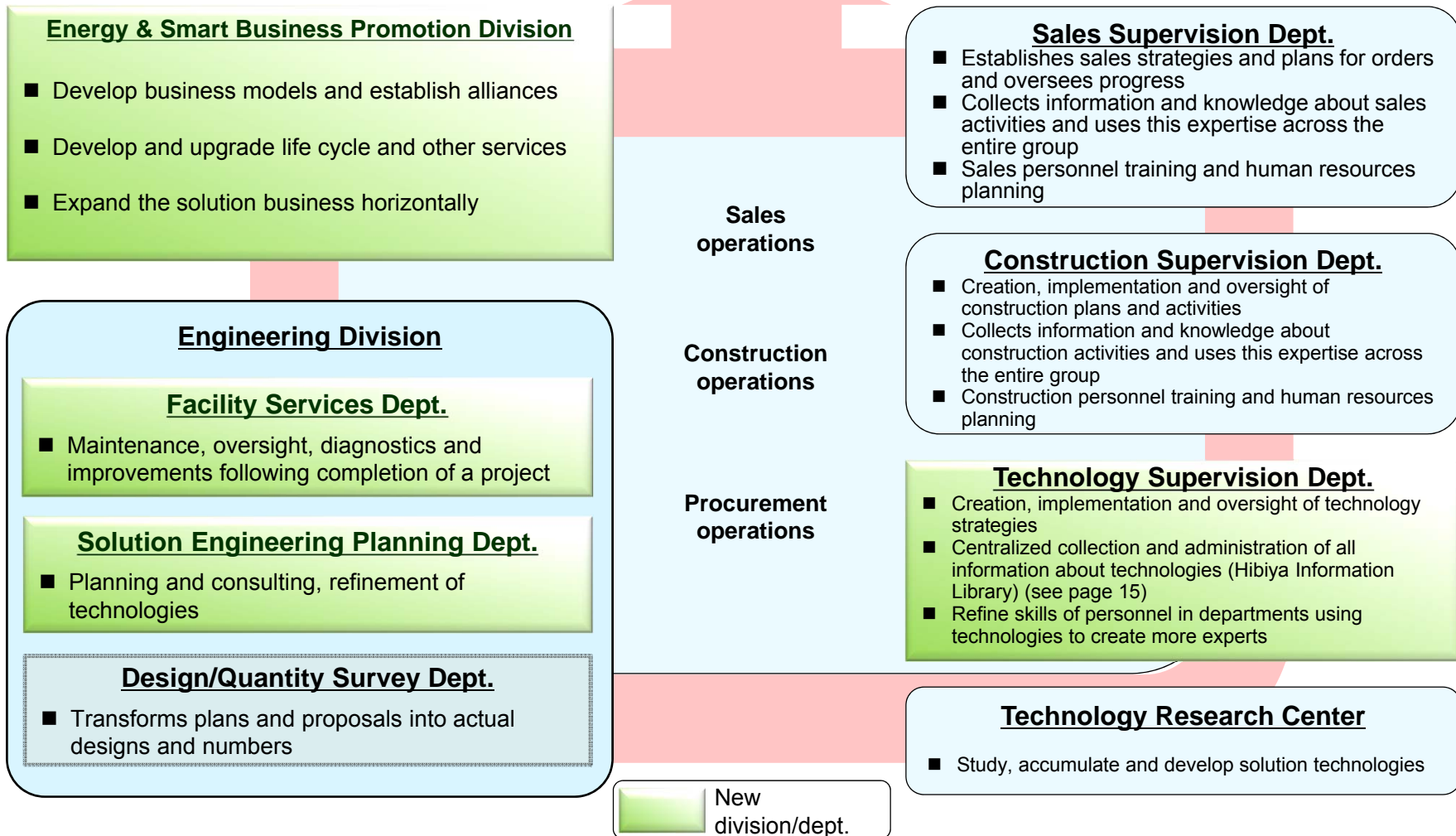
- Maintain consistent profitability by expanding value-added business activities
- Stronger operations with priority on confidence and safety



By enlarging the lineup of services spanning the entire life cycle of buildings, Hibiya Engineering aims to build “best partner” relationships that cover customers’ increasingly diverse, sophisticated and multi-faceted requirements.

A stronger infrastructure for offering life cycle total solutions

C u s t o m e r s

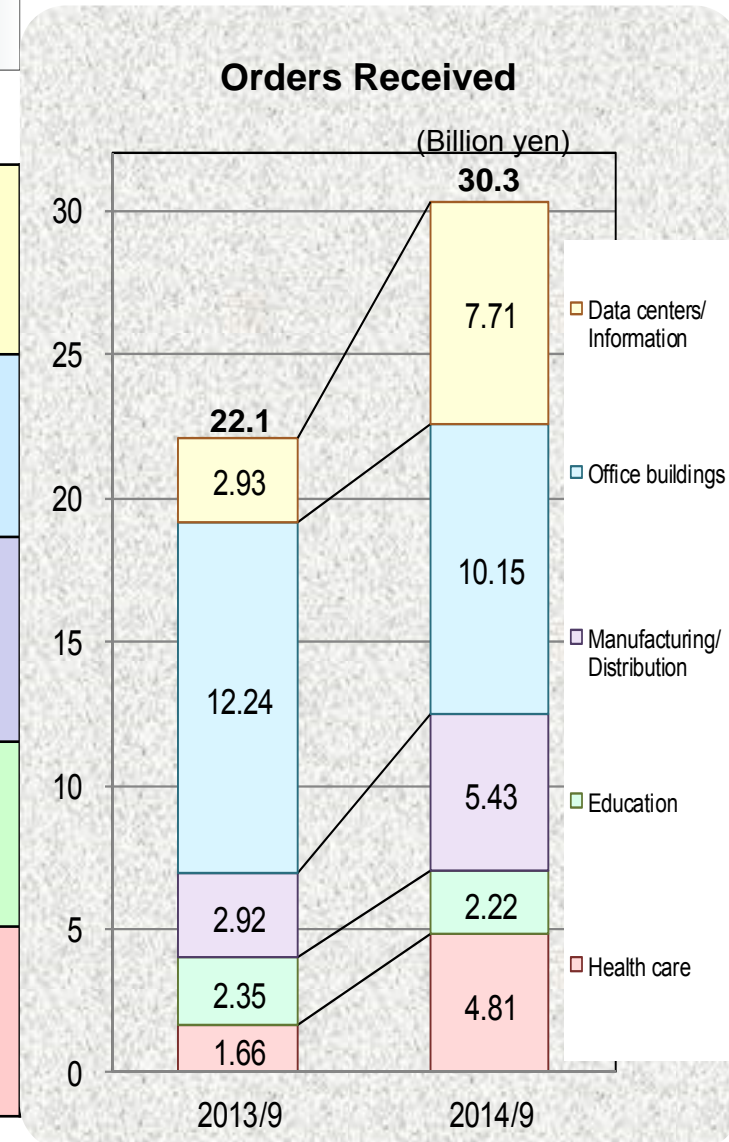


Increase orders in priority domains

Activities and accomplishments in priority domains

The Priority Domain Reinforcement Campaign (June-July)

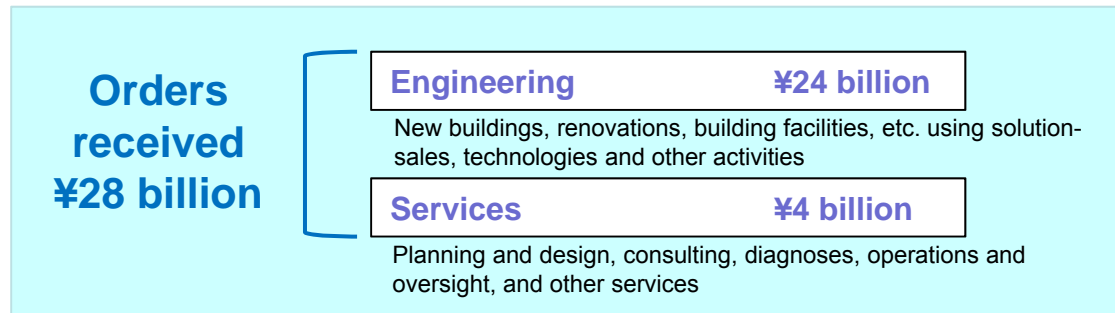
Data centers/ Information (¥7.71bn)	<ul style="list-style-type: none"> ➤ Established ties with private-sector data center operators by using alliances and synergies ➤ Offered proposals starting with business continuity planning, use of existing technologies, etc.
Office buildings (¥10.15bn)	<ul style="list-style-type: none"> ➤ Used past projects to offer multi-faceted proposals to Gold customers ➤ More alliances with building maintenance, property management and other companies
Manufacturing/ Distribution (¥5.43bn)	<ul style="list-style-type: none"> ➤ Ideas for BEMS and other ways to use less electricity ➤ Offered many service menus that reflect the growth of distribution activities
Education (¥2.22bn)	<ul style="list-style-type: none"> ➤ Proposals incorporating subsidies for the diagnosis of aging buildings, renovation plans, etc. ➤ PPP/PFI projects, such as for HVAC systems at public schools
Health care (¥4.81bn)	<ul style="list-style-type: none"> ➤ Used technologies and value-added service menus for health care equipment ➤ Continuously receive more business by reinforcing follow-up activities



Strengthen solution-based sales activities

Life cycle total solution sales performance

These sales activities involve the provision of value-added services spanning the entire life cycle of a building. Salespeople can offer customers the best possible ideas for their requirements at all stages of a building's life cycle.



Heat generation equipment

Major initiatives

Expanded sales activities with proposals following project completion

- Captured heat source upgrade orders by constantly submitting various proposals to Gold customers (see page 10)
- Sales activities for periodic maintenance of equipment installed by Hibiya Engineering

More sales activities starting with Hibiya Engineering “energy & smart” know-how

- Received order for cogeneration system in a hot spring area that uses natural gas (incorporates a subsidy) (see page 20)
- Offered joint proposals for HA-BEMS (see page 19) with subsidiary Hibiya Tsusho

Life cycle total solutions ideas for NTT Group companies (see page 11 (2))

- (1) Solutions for aging facilities (2) Energy conservation solutions (3) New technologies and joint proposals

Constant activities for overseas operations

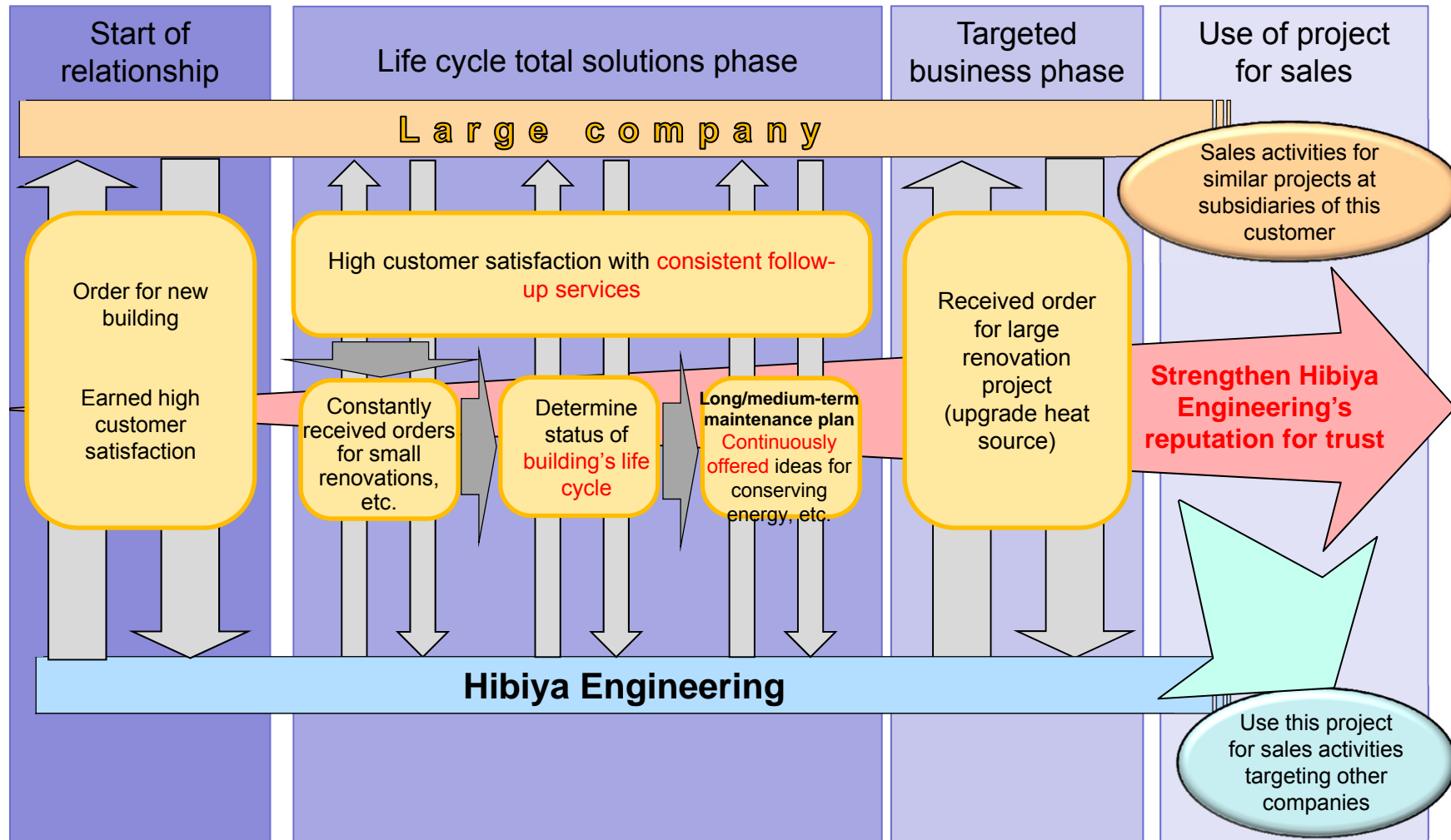
- Implemented the energy conservation demonstration project at hotels in Vietnam for NEDO



Natural gas cogeneration system

Strengthen solution-based sales activities (example 1)

Order for updating heat generation system for a large company's training center



Strengthen solution-based sales activities (example 2)

Life cycle total solutions for NTT Group companies

Hibiya Engineering's strengths

Superior technologies, such as use of existing facilities

Extensive experience involving communications facilities

Ability to evaluate a building's life cycle

Rapid follow-up services after completion

Life cycle total solution proposals

(1) Solutions for aging facilities

- Meet needs for business continuity planning and cost-cutting
- Upgrade and replace building facilities

(2) Solutions for energy conservation

- Solutions that include aging facilities, too
- Update of MACS III for communications equipment room
- Update to more efficient equipment
- Ideas for energy conservation measures (HA-BEMS, Smart-Save, Smart Lighting Controller (see page 21))

(3) New technologies, joint proposals

- Solar hybrid system (see page 22)
- Membrane HVAC system
- Data center wall output HVAC

Orders and installations (FY3/15 1H)

Communications equipment room

- Update/expansion of MACS HVAC
- Changed to an office space
- Updated fire alarm system
- Renovated to office HVAC system
- Updated building security system



MACS HVAC unit

Office building

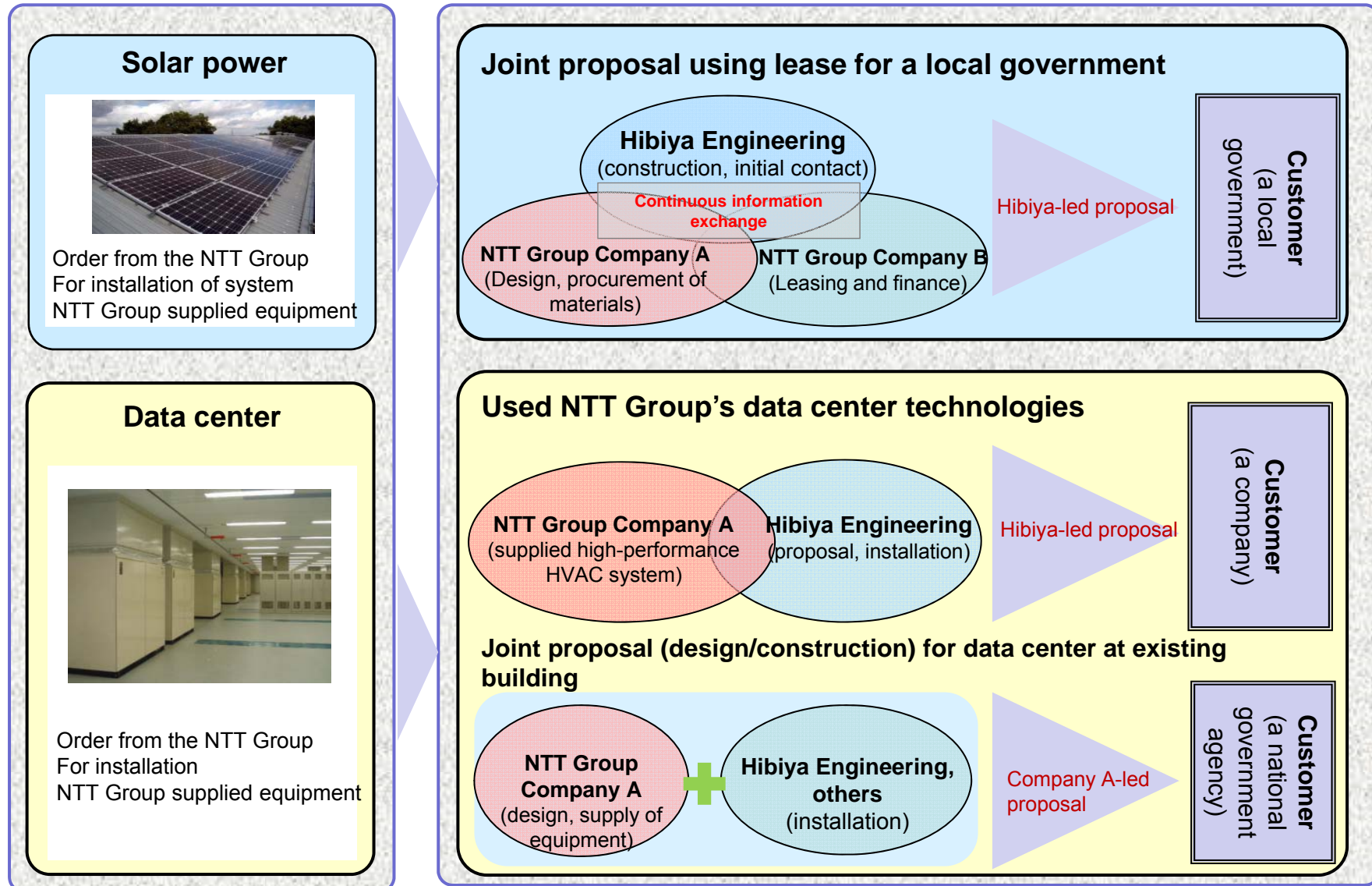
- Offered and implemented ideas for updates constantly over several years

Others

- Renewal of a very large transformer for a research facility
- Seismic reinforcement of secondary materials at a production facility

- Preparing for installation at an apartment building
- Now installing and testing a system at the office of an R&D center
- Installation under way at a newly constructed data center

Strengthen solution-based sales activities (collaborative sales with the NTT Group)



More advanced solution technologies

Use of advanced technologies for more efficiency and as sales tools

More accurate diagrams and more efficient studies

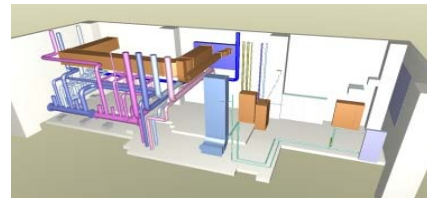
Imaging data from high-performance 3D scanner* is converted into a Building Information Modeling (BIM) 3D model

* 3D image distance measuring equipment

- Used as on-site energy-conservation tool, for renewal projects and for maintenance and management operations
- Expanding applications to mega-solar, factories and other uses; many inquiries



3D scanner image



A BIM model

Sources of inquiries

NTT Group

Government agencies

Large gas companies

Facility management companies

Academic institutions

Expand and refine technologies for data centers

Development of simulated heat source

Heat generation burden from the mock heat generating unit is used for a “heat run” test for

- Simulation of the operating environment prior to the start of operations at a data center
- Analysis of trial operating data from this simulation

Capping technology

Hibiya Engineering has developed an inexpensive capping system called the bearon box that uses a pipe and plastic sheet.

- Raises HVAC efficiency by creating a physical barrier for the exhaust heat space
- Maintains proper temperature of rack air supply surface



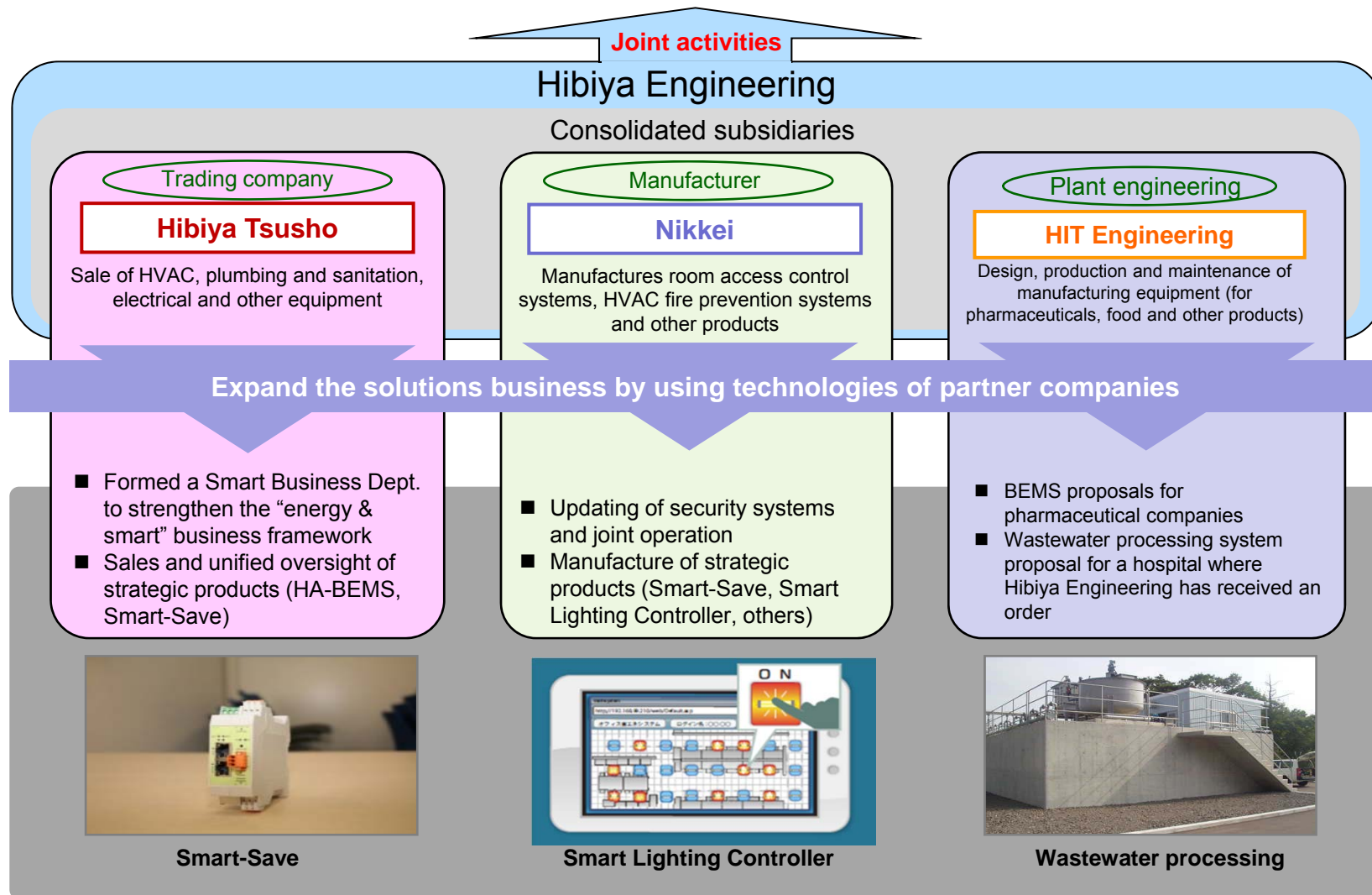
Simulated heat source
Made by Nikkei (consolidated subsidiary)



Bearon box
(patent pending)

Pursuing group synergies and utilizing alliances

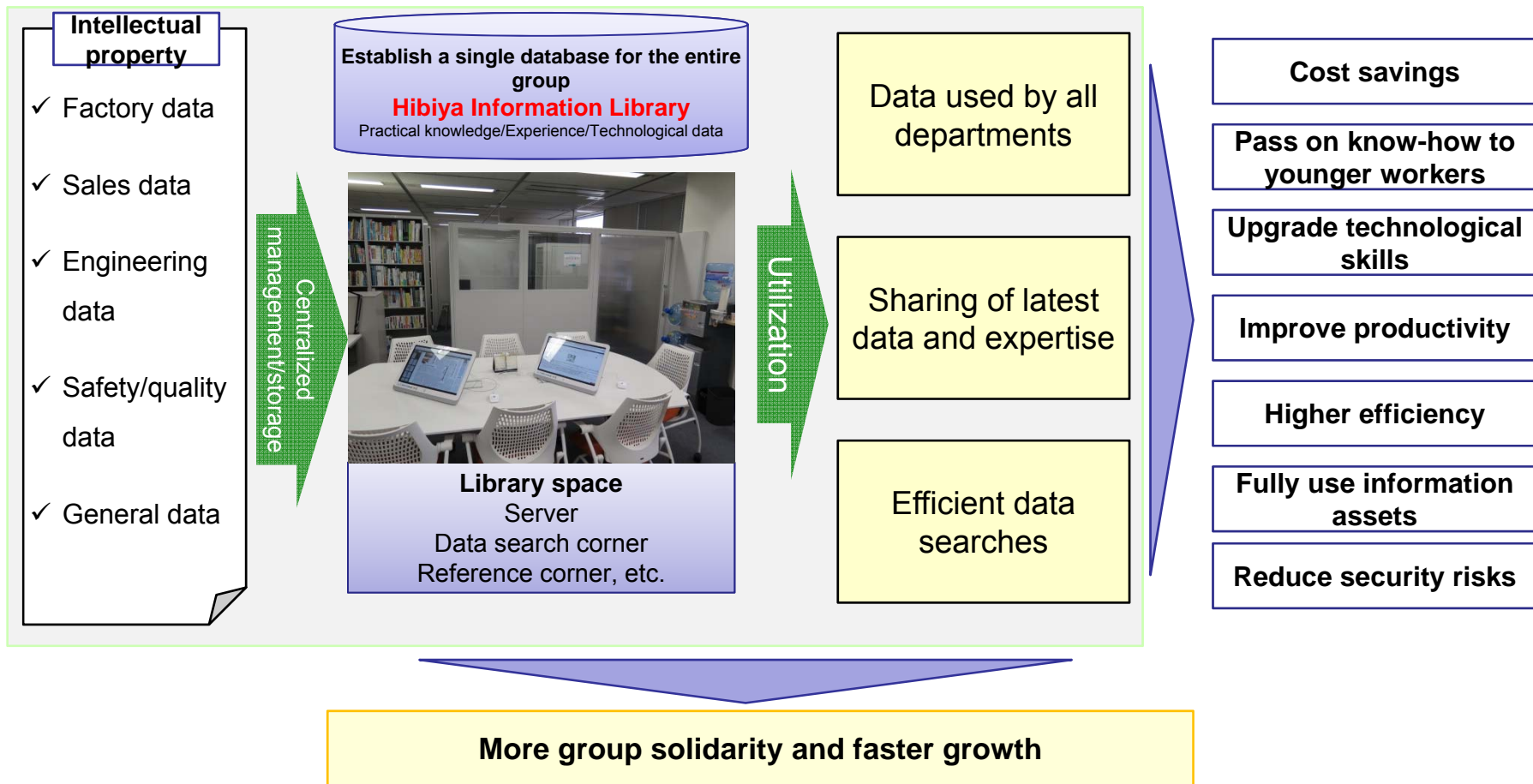
Customers (creating Gold customers)



Collect and use information and know-how (establish a Hibiya Information Library)

Facilitate the sharing of intellectual property throughout the Hibiya Engineering Group

Use the Hibiya Information Library to reinforce knowledge management



Unified group management

- Held a conference with group company senior executives and branch managers and corporate officers
- Used PT to create unified human resources, systems and other departments that serve the entire group
- Using the internal bulletin board (Internet) for more purposes and operating a unified group BCP and internal reporting system

Improvements in cost-performance and construction efficiency

- More centralized purchasing and strict profit oversight by the Budget Management Committee
- More VE and CD items due to construction study group and establishment of technology patrols
- Cost cutting from repeated measures to make construction activities more efficient and constant ideas for improving work at job sites
- Meetings and awards for announcements about outstanding projects to share knowledge

Training programs

- Enhanced training programs, with emphasis on on-the-job training, and held training for newly appointed managers and other activities
- Expanded training programs for official and internal (energy conservation master) certifications



Outstanding project announcement meeting



Hibiya Engineering Energy Conservation Master certificate

Transformed a school gymnasium into a government office

Relocation of office of the City of Himi in Toyama pref. (HVAC, plumbing and sanitation, electricity)

Customer's requirements

- Utilize space at a closed school.
- Maximum benefit from a small investment

Project highlights

- Incorporated HVAC, etc. in public bulletin board
→ Added benefit of effectively using nearby space
- No ceiling panels for visible pipes and HVAC units

Transformation accomplished with a small budget -> Attracted much media coverage



Floor area: 7,890m² Building: 3 floors Completed: April 2014



The Hibiya E&S Seminar – A forum for regular interaction with other industries

The seminar is held at the Hibiya E&S Plaza, Hibiya Engineering’s first permanent exhibition space, and is attended by people from many industries as well as government agencies, academic institutions and other organizations.

Past seminars

- | | | | |
|-----|-------------------|--|---|
| 1st | October 29, 2013 | (NTT Facilities, Daiwa House) | The new age of the solar energy business – Only the best will survive |
| 2nd | December 10, 2013 | (NTT Facilities, Nippon Mersen) | “Smart” is today’s key word – More advances in energy-conserving ICT technologies |
| 3rd | February 18, 2014 | (Development Bank of Japan, Finetec, Healthy Life Compass, CM Engineering) | Healthy offices create excellent companies |
| 4th | April 15, 2014 | (Veglia Laboratories, Tokyo Saraya) | Smart energy conservation for offices and factories that raises productivity and lowers expenses |
| 5th | July 9, 2014 | (Shiseido, Tokyo Crude Drugs Association) | New potential for the culture of health, beauty and food from the growth of plant factories |
| 6th | October 21, 2014 | (NTT Facilities, Sherpa, Power Place) | How BIM technology increases a building’s life cycle value |



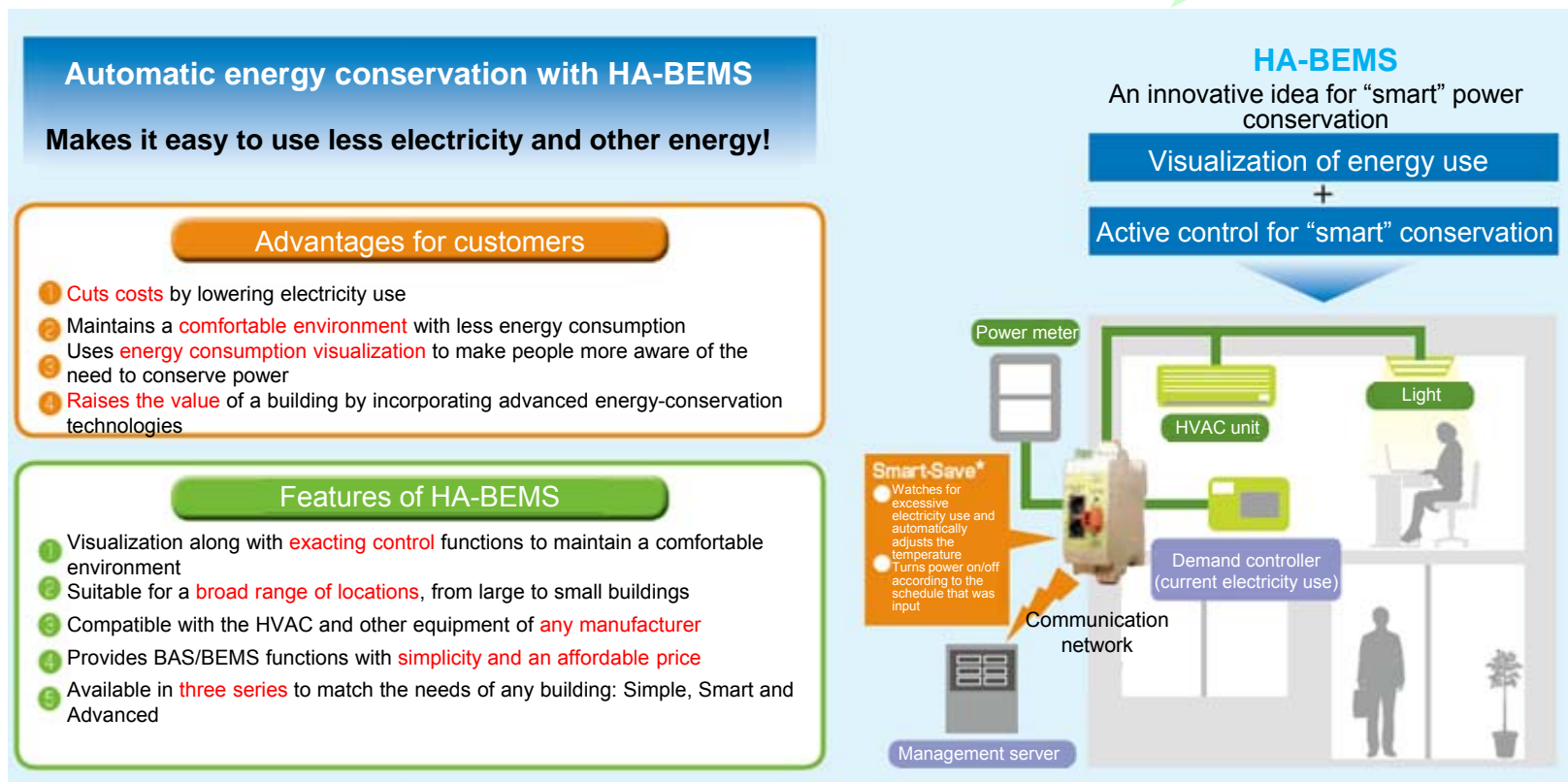
Reference (technologies)

HA-BEMS (Smart-Save)

The Building Energy Management System (BEMS)

- An efficient control and management system that uses ICT for measuring a building's electricity use, temperature and humidity and monitoring the operation of HVAC systems, lights and other facilities.

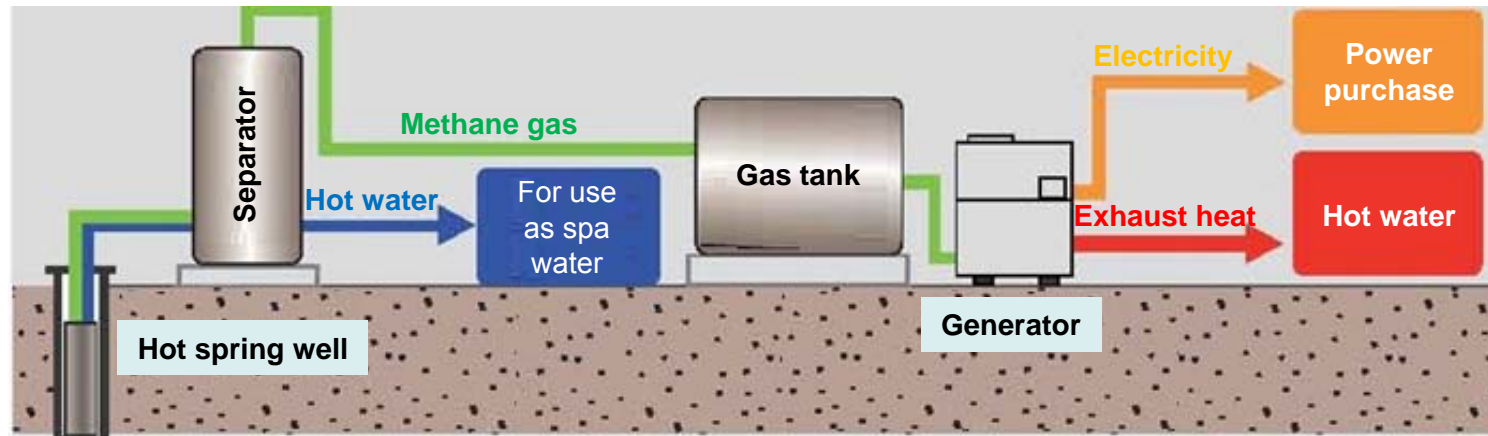
HA-BEMS provides visualization of information along with an **outstanding control function** linked with Smart-Save.



Natural gas cogeneration system

This system uses natural gas to generate electricity and produce hot water.

- Natural gas is separated from hot spring water and then processed and stored to power a gas engine.
- Electricity from the generator can be sold to a utility to reduce the electricity bill.
- Recovered exhaust heat is used to heat water, which reduces the amount of fuel required by an existing boiler.



Gas cogeneration has an extremely high overall thermal efficiency of more than 80%. Thermal power plants used by utilities to generate electricity have a thermal efficiency of only about 40%. Gas cogeneration is thus a technology ideally suited for meeting the world's need for energy sources with minimal waste.

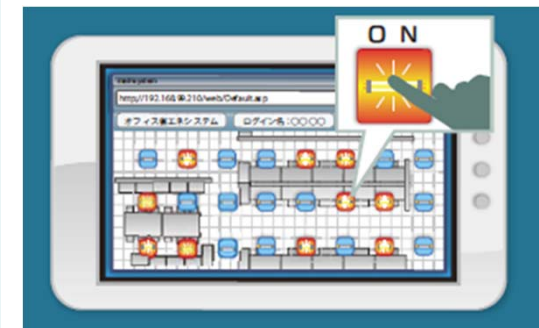
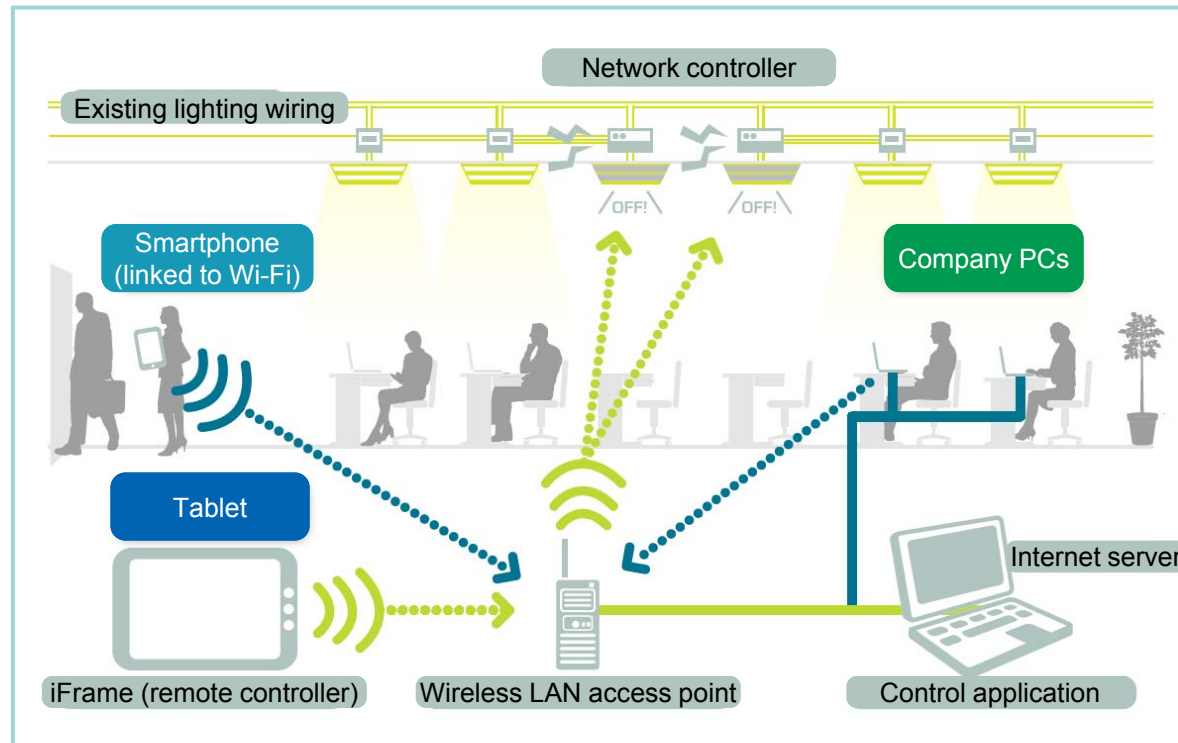
[Reference]

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

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.

時代にまっすぐ、技術にまじめです。

Earnings Announcement

First Half of Fiscal year ending March 31, 2015

Hibiya Engineering, Ltd.

November 18, 2014

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