

時代にまっすぐ、技術にまじめです。

First Half of Fiscal year ending March 31, 2013

Earnings Announcement

Hibiya Engineering, Ltd.

November 15, 2012

Financial Summary

First Half of Fiscal Year 2013/3

Financial Highlights (Consolidated)

Big increases in orders received and sales over one year earlier

On target in relation to fiscal year plan; no change in fiscal year forecast

(Billion yen)

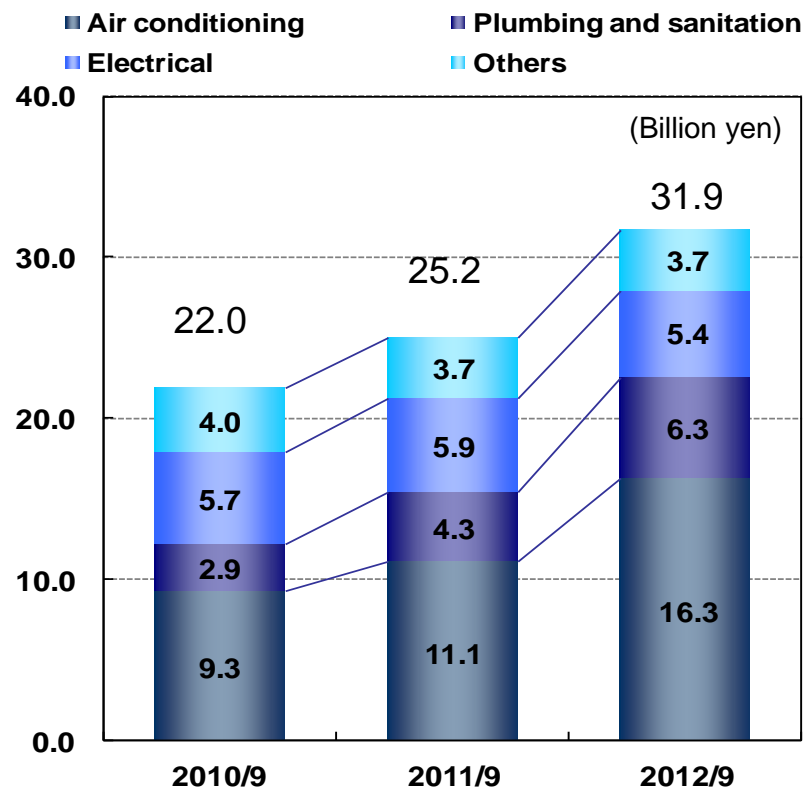
Medium-term management plan

	2010/9 (actual)	2011/9 (actual)	2012/9 (actual)	YoY (%)	2013/3 (plan)	2014/3 (plan)
Orders Received	22.08	25.24	31.93	+26.5%	69.0	73.0 ~
Net sales	23.12	22.88	29.20	+27.6%	66.0	70.0 ~
Operating Income	0.56	(0.48)	0.14	—	2.5	2.5 ~
Ordinary Income	1.11	(0.00)	0.35	—	3.5	3.5 ~
Net Income	0.63	(0.19)	0.23	—	2.0	2.0 ~

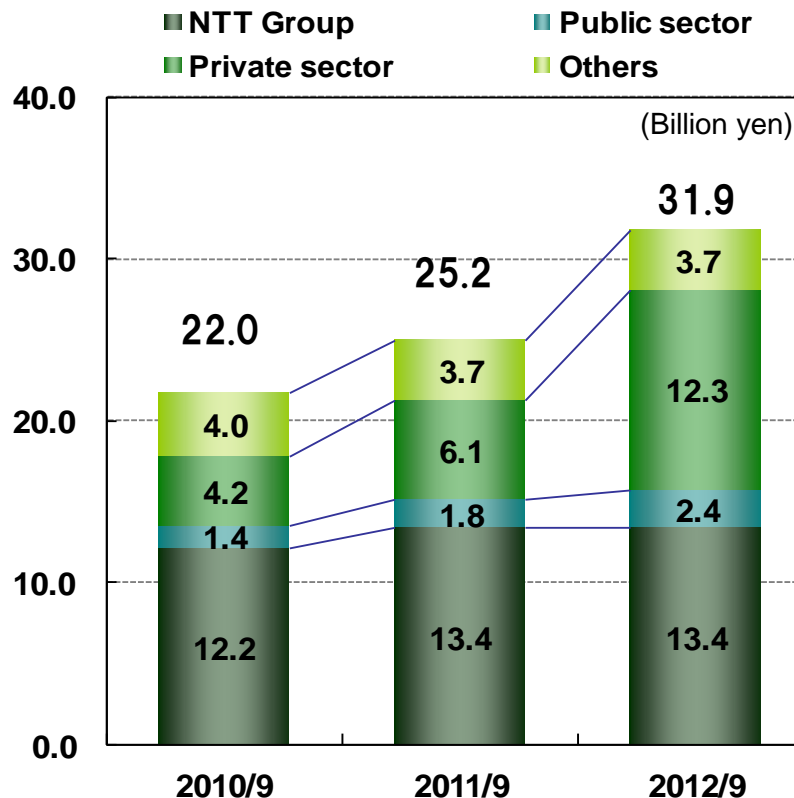
Orders Received by Category & by Customer (Consolidated)

By category, air conditioning and plumbing and sanitation were the main contributors to growth. By customer, private sector orders received doubled due to solution-based sales and other initiatives.

By category



By customer

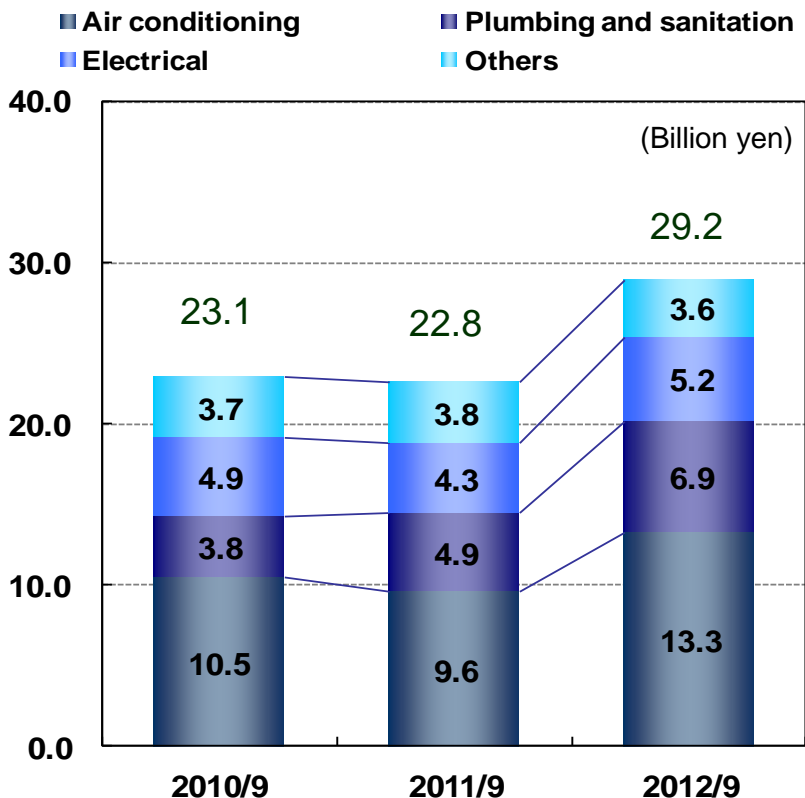


*Other orders are orders received at group companies other than Hibiya Engineering.

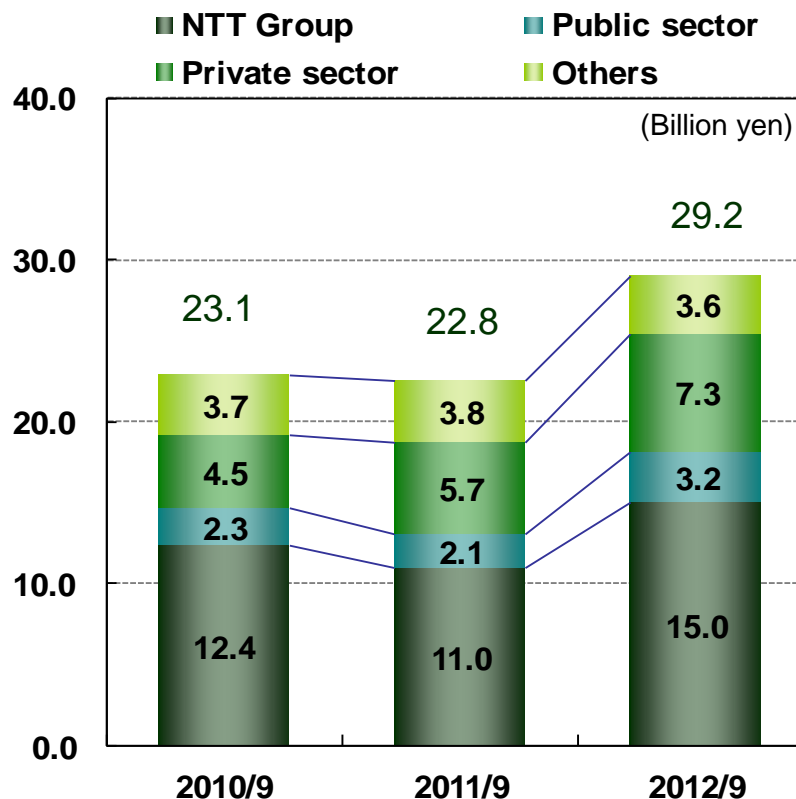
Sales by Category & by Customer (Consolidated)

By category, air conditioning and plumbing and sanitation were the primary sources of growth. For customers, NTT Group sales increased due mainly to an increase in orders carried over from the previous fiscal year.

By category



By customer



*Other orders are orders received at group companies other than Hibiya Engineering.

Summary Income Statements (Consolidated)

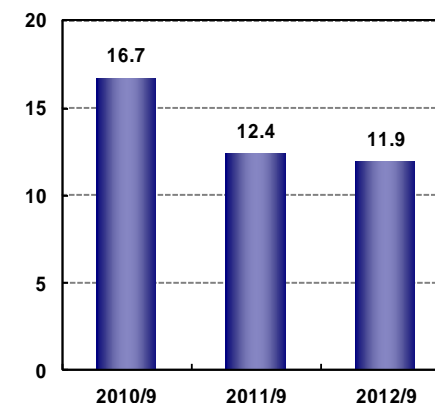


Profitability was about the same as one year earlier despite intense competition because of cost-cutting measures and other actions.

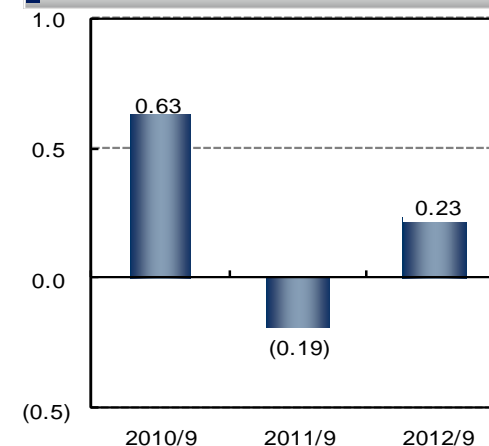
(Billion yen)

	2010/9 (actual)	2011/9 (actual)	2012/9 (actual)
Net sales	23.12	22.88	29.20
Cost of sales	19.26	20.04	25.71
Gross profit	3.86	2.83	3.48
Gross profit margin	16.7%	12.4%	11.9%
SG&A expenses	3.29	3.31	3.33
Operating income	0.56	(0.48)	0.14
Non-operating income	0.54	0.47	0.20
Ordinary income	1.11	(0.00)	0.35
Extraordinary income (loss)	(0.06)	(0.21)	0.11
Income taxes	0.40	(0.02)	0.23
Net income	0.63	(0.19)	0.23

Gross profit margin (%)



Net income (Billion yen)



Earnings Distributions to Shareholders

Dividends

Fundamental policy

- Stable earnings distributions for shareholders
- Will base dividends on the consolidated dividends on equity (DOE) ratio

Fiscal year ending in March 2013 (Forecast)

- Interim dividend: ¥15 per share
- Annual dividend: ¥30 per share (¥15 for year-end)

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 not be retired on the premise that the shares will be used effectively in the future.

FY2013/3

- Plan for full year: 1 million shares / ¥1 billion

FY2012/3:	Plan for 1H	500,000	Actual 410,000
	Plan for 2H	250,000	Actual 230,000

- Repurchased in 1H: 550,000 shares / ¥0.5 billion
(Includes 185,000 shares by off-floor purchase)

The Fourth Medium-term Management Plan and Major Initiatives in First Half

The Fourth Medium-term Management Plan

(April 2011 – March 2014)



Fundamental policy

Increase orders received while preserving profitability, get new businesses off the ground, and seek more business opportunities

Fundamental Strategies

Mega-trends

Cloud computing

Green innovation

Smart cities

Health care

Globalization

BCP

Hibiya Engineering strengths

Technology for renovations using existing facilities

Green engineering/ICT engineering skills/A broad-based value chain/Excellent safety and quality

Leverage strengths

Data centers
Manufacturing equipment
Academic facilities
Office buildings
Health care and welfare facilities
U.S. military

Target growing markets

Smart city creation
Health care domain
Overseas expansion

Priority domains, etc.

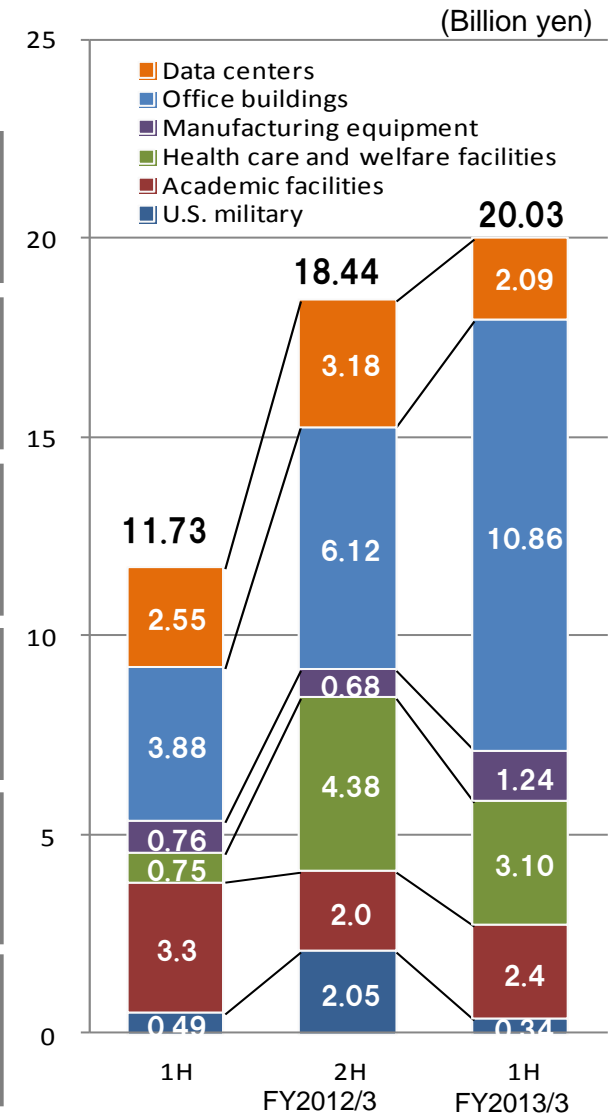
In the first year, there were benefits from measures to increase orders received and target business opportunities by strengthening solution-based sales and using other initiatives.

In the plan's second year, the goal is to achieve more progress since this is a critical period to build a base for the plan's final year (the next fiscal year).

- Capture orders by significantly enlarging the customer base by targeting mega-trends.
 - Increase orders in priority domains
 - Focusing on solution-based sales activities
 - Collaborative sales activities with the NTT Group
- Get new businesses off the ground
- Expand overseas operations
- Pursue a more sophisticated strategy regarding technology
- Build a stronger base of operations for the group

Increase orders in priority domains

Priority domains	Initiatives	1H performance
Data centers ¥2.09 billion	Promote extensive know-how for renovations that use existing facilities Aggressive proposal-based sales activities for existing server rooms	NTT Group data centers Server rooms, etc. for national universities and cable TV companies
Office buildings ¥10.86 billion	Effectively use existing channels Proposal-based sales using energy conservation subsidies Consulting/diagnosis services for buildings of property management companies, etc.	NTT Group office buildings Redevelopment buildings of large real estate companies Buildings of property management companies, etc.
Manufacturing equipment ¥1.24 billion	Main targets are electrical equipment, electronics, food and machinery manufacturers Comprehensive proposals covering energy conservation diagnosis, visualization, BCP ideas, etc.	Pharmaceutical manufacturers Automotive parts manufacturers Water treatment for fragrance manufacturer, etc.
Health care and welfare facilities ¥3.10 billion	Promote experience in this sector and offered timely ideas for projects using cogeneration and other subsidies to meet customers' needs	National university hospital (Kumamoto) Private-sector hospitals (Gifu, Hyogo) Special elderly care home (Hokkaido), others
Academic facilities ¥2.38 billion	Target increasing use of ICT at academic facilities. Promote extensive experience and offer proposals for energy conservation, security and other fields	National university (Miyagi, Aichi, Tokushima) and private university (Kanagawa) buildings, etc.
U.S. military ¥0.34 billion	Aiming to capture first-time orders at other bases Use comprehensive skills to offer construction and installation management services with business partners and others	Facilities at bases at Yokosuka, Atsugi, Zama and Iwakuni



Focusing on solution-based sales activities



Solution-based sales performance

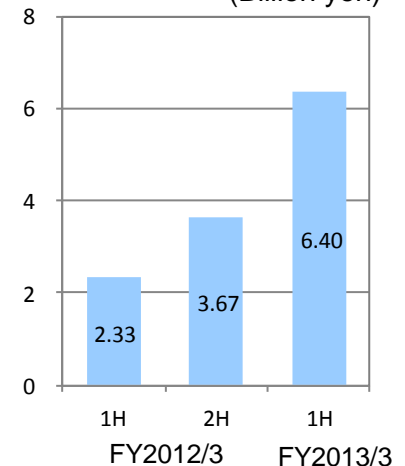
*Sales activities that identify customers' needs and then use collaboration with customers to determine ideas for solutions that use Hibiya Engineering strengths

Orders received: ¥6.4 billion (includes ¥40 million for consulting)
Sales proposals: 224 (20 consultation orders and 151 construction orders)

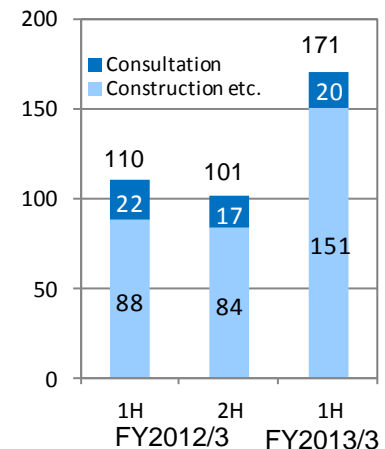
Major solution-based sales initiatives

- Used energy conservation ideas to establish customer relationships and increase orders received**
 - Energy conservation consulting for large production facilities by using the individual unit management method*
 - *Determine and manage energy used in each production process
 - Performed diagnosis for Ministry of Environment Project for Diagnosis of Potential CO₂ Emission Reduction by Municipalities
 - Energy visualization, facility upgrades and ESCO proposals mainly for manufacturing and commercial facilities
 - Enlarged use of ESCO proposals to companies to cover their affiliated and group companies, too. (major automotive parts manufacturer)
- Deepened solution-based sales by constantly offering new ideas to customers and property management companies**
 - Identified customers' needs and used constant consulting and upgrade proposals over many years to capture order for building facility renovation. (large hotel)
 - Used energy conservation consulting and renovation proposals for buildings of a property management companies to capture renovation orders (office buildings, commercial facilities)
- Created proposals that utilize the entire value chain (diagnosis, proposals, construction, maintenance)**
 - Created renovation projects by offering proposals for equipment diagnosis, life cycle cost reduction, etc.
 - Commercial facility (building automation upgrade), private university (athletic facility air conditioning upgrade), and other orders

Solution-based sales
(Billion yen)



Order received



Collaborative sales with the NTT Group



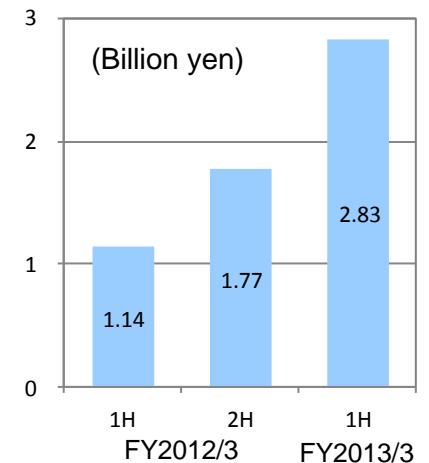
Collaborative sales with the NTT Group

Orders received: ¥2.83 billion
Proposals submitted: 109 Orders received: 123

Major activities using NTT Group collaboration

- Increased construction orders for projects with NTT Group participation
 - Orders for redevelopment office buildings, condominiums, commercial facilities, municipality data center, etc.
- Collaborative sales for energy-conservation systems and equipment
 - Selling high-efficiency HVAC equipment (made by NTT Facilities) to private and public-sector customers
 - Received order to upgrade air conditioning for national university server room
 - Proposals incorporating the Hibiya Engineering Smart Lighting Controller (SLC) and NTT Facilities Rimoni energy monitoring system
 - Strengthening framework for full-scale sales activities, such as joint booths at trade fairs
- Technical and sales cooperation for solar power and “smart” businesses
 - Received orders from municipalities for installation of large solar power generation facilities (Iwate, Nara)
 - Cooperation for project to construct an eco model town
 - Provision of information for site of mega-solar project
- Cooperation for project to construct next-generation modular data center
 - Order for demonstration facility at the Tsukuba Center of the National Institute of Advanced Industrial Science and Technology
 - Big reduction in electricity consumption by using liquid cooling and other technologies

Collaborative sales with the NTT Group

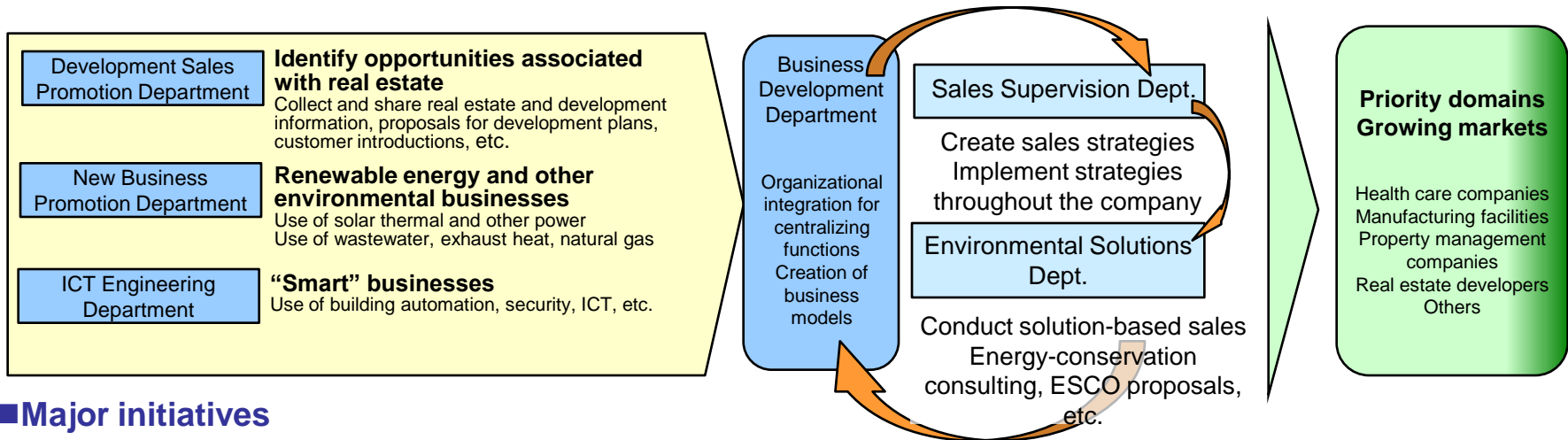


Modular data center

Get new businesses off the ground

■ Established Business Development Department (June 2012) to build a stronger framework

- Improved ability to identify opportunities and create projects and to launch new businesses faster



■ Major initiatives

• Business for efficient use of renewable and other energy

- Received order for large solar thermal heating and cooling system
*Received Tokyo Metropolitan Government subsidy for promotion of solar thermal use

Order for solar thermal system for junior/senior high school of private university; proposals submitted for joint facility (gymnasium) at private university campus and other projects

- Proposals in wastewater/water business and for use of unused energy sources like natural gas from hot springs
Received water treatment system order for factory of fragrance maker; proposals submitted for food factory, building materials factory, public hospital and other facilities

• Use of strategic tools in the “smart” business

- Using Hibiya ACTIVE BEMS* to increase orders involving energy management and other projects
*An energy management service developed by Hibiya Engineering for the visualization of electricity consumption and other functions
- Proposals submitted to major home appliance retailer, home improvement retailer and others

Expand overseas operations

■ Pilot project in Vietnam

FY3/12: Received order for NEDO-backed project

- **Building energy-conservation survey (3 buildings including hotels)**
- Identification of energy-conservation business; provision of energy-conservation and ESCO know-how
- Support for establishment of ESCO company affiliated with Vietnamese government

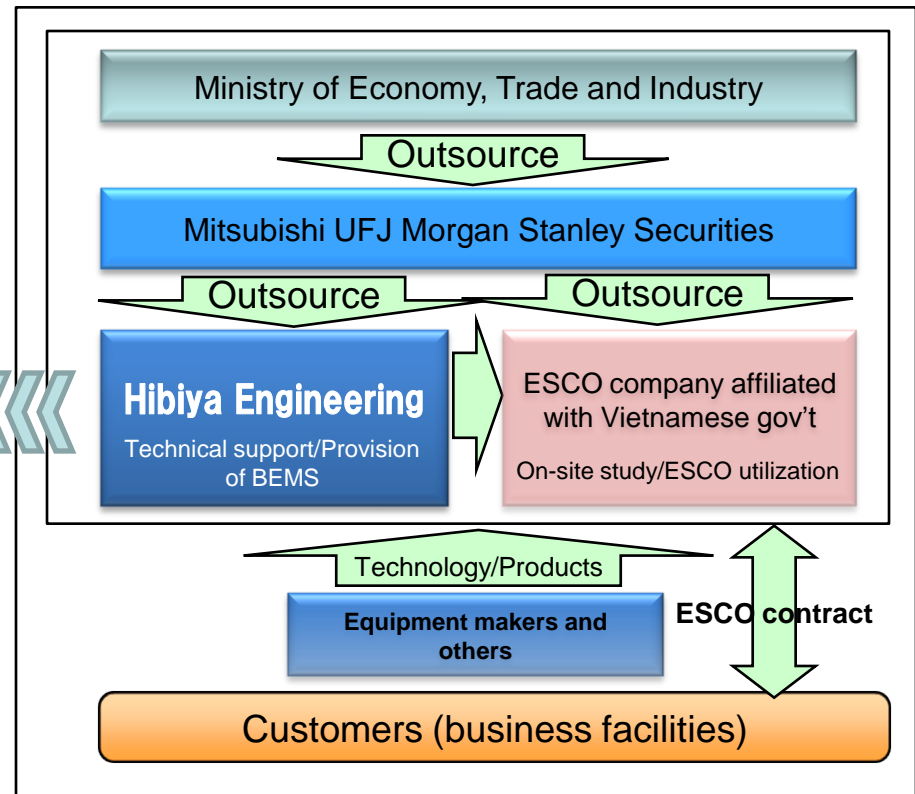
FY3/13: Order for project backed by METI

- **Verification of benefits of building energy-conservation measures (use of BEMS in the hotels)**
- Study for use of CO2 reduction BOCM (bilateral offset credit mechanism)
- Brought Vietnamese gov't officials to Japan to study energy-conservation technologies and buildings

FY3/14 and afterward

- **Expand business operations using the platform**
⇒ Install energy-conservation equipment at many facilities
- Design, consulting, equipment installation, BEMS installation, etc.

Composition of Platform (Example)



■ Collaboration with the NTT Group

- Goal is to use the pilot project in Vietnam as the model to start operations in Singapore
 - Perform market survey and surveys of local laws, etc.
 - Explain energy-conservation solution menu to local real estate developers and other prospective customers

Pursue a more sophisticated strategy regarding technology

■ Use trial and actual projects as approach to create new energy and energy conservation technologies

- Started a solar hybrid system demonstration project with NTT Facilities * Received Tokyo Metropolitan Government subsidy for promotion of solar thermal use
 - This system improves the energy conversion and electricity conversion ratios by simultaneously collecting heat and electricity from solar energy = Plan to commercialize this system by March 2013
- Development of ejector-type freezer* (EJHP)
 - Combining this freezer, which has a simple structure and is easy to maintain, with a solar thermal system produces benefits = Plan to commercialize this system by the end of 2012
 - * Uses the cooling effect from the high-speed release of refrigerant steam
- Solar thermal air conditioning system*
 - Continuing to monitor operations of Kunitachi Library HVAC system installed by Hibiya Engineering to establish technologies for heating and cooling (by March 2013)
 - * A next-generation air conditioning system (separation of sensible heat, chilled beam, etc.) with a low environmental impact recommended by a research group in which Hibiya Engineering participates
- Dry mist cooling system
 - An energy-conserving system that uses a dry mist to cool the surfaces of rooftop air conditioning equipment
 - Verifying the effectiveness of mist spraying and making improvements to lower the cost (by March 2013)
- Sewer heat utilization system (technology for using and sharing sewer thermal energy)
 - Support for an industrial-academic joint trial that uses sewer pipes in urban areas (Osaka)
Development of heat exchanger that uses heat emitted by sewer systems, etc.



A solar hybrid panel (at the Hibiya Engineering Noda Research Center)



Spraying a dry mist over the rooftop air conditioning equipment

Build a stronger base of operations for the group



■ Cut costs, strengthen oversight of ordering materials and take other actions to secure profits

- Established Procurement Strategy Division (April 2012) to strengthen procurement activities
 - Strengthens cost management with centralized purchasing and construction cost reduction measures throughout the company, upgrades budget management and monitoring systems, and other conducts measures
 - Locate new suppliers and partners to become more cost competitive (new relationships with 79 companies in first half)

■ Reform personnel system to encourage development of employees' skills

- Rotation of assignments based on a career plan (acquire a broad range of experience, improve skills)
 - FY3/13 1H: Rotations among departments and regions for 15% of workforce (30% more than before)
- More effectively use engineers and others by expanding the specialist system and the system for rehiring people who have retired (start using new systems)
- Give employees the skills to strengthen solution-based sales activities
 - Energy Conservation Master certification (8 employees certified) for standardization of level energy-conservation proposals and improvement of proposal skills



Energy Conservation Master certification

■ Strengthen management of the entire group

- Cut costs by strengthening the group's purchasing power by increasing products handled by Hibiya Tsusho and taking other actions.
- Strengthen manufacturing and sales collaboration with Nikkei for ICT-related businesses like security and SLC.

■ Perform activities to improve business operations to upgrade jobsite skills (including all employees of Hibiya Engineering and partner companies)

- Share information throughout the company about customer feedback and ways to improve construction efficiency and safety, cut costs, and make other improvements.
 - Horizontal sharing in FY3/13 1H: Sales activities (62 items), construction activities (168 items), all operations (101 items)

Participation in two major revitalization projects in Tokyo's Marunouchi district

■ Combining advanced technology with historic buildings



■ Tokyo Station Marunouchi Preservation and Restoration

- One of the largest building preservation and restoration projects ever undertaken in Japan
- Hibiya Engineering installed all plumbing and sanitation facilities



■ JP Tower

- The first project of the JP Group's real estate business, this structure preserves the historic façade of Tokyo's central post office.
- Hibiya Engineering installed the plumbing and sanitation facilities for the international conference area, museum and other commercial areas.