

時代にまっすぐ、技術にまじめです。

In line with the times and serious about technology



Fiscal year ended March 31, 2012

Earnings Announcement

Hibiya Engineering, Ltd.

May 17, 2012

Financial Summary Fiscal Year 2012/3

Financial Highlights (Consolidated)



**Big increase in orders mainly due to success of measures to capture more orders
Sales were higher and earnings decreased**

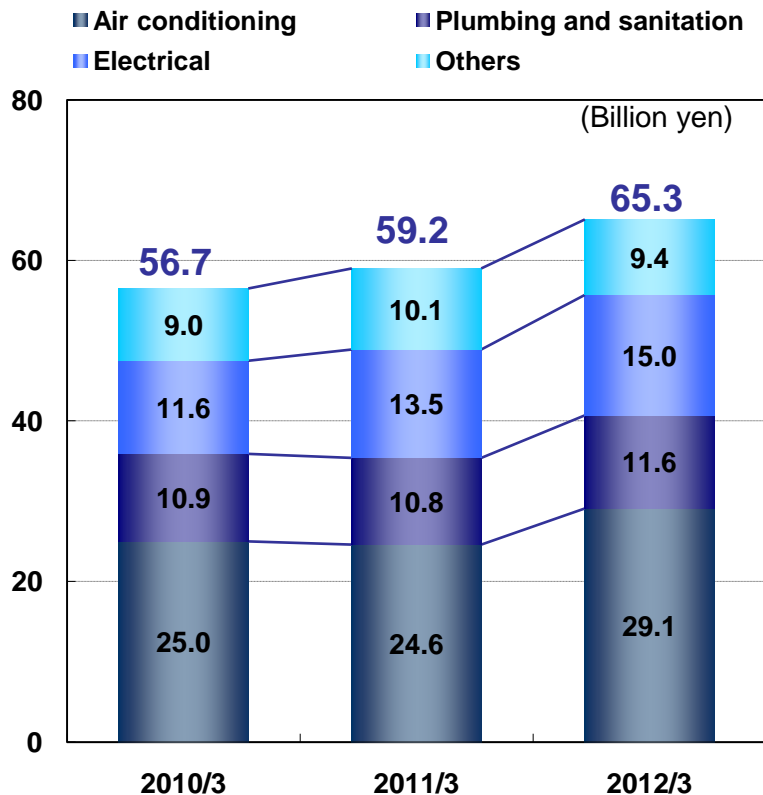
(Billion yen)

	2010/3 (actual)	2011/3 (actual)	2012/3 (actual)	YoY (%)	2012/3 (plan)
Orders Received	56.72	59.27	65.32	10.2	67.00
Net sales	62.37	58.30	60.91	4.5	64.00
Operating Income	2.20	2.55	1.71	(32.9)	2.50
Ordinary Income	3.74	4.26	2.87	(32.7)	3.80
Net Income	2.44	3.01	1.65	(45.0)	2.40

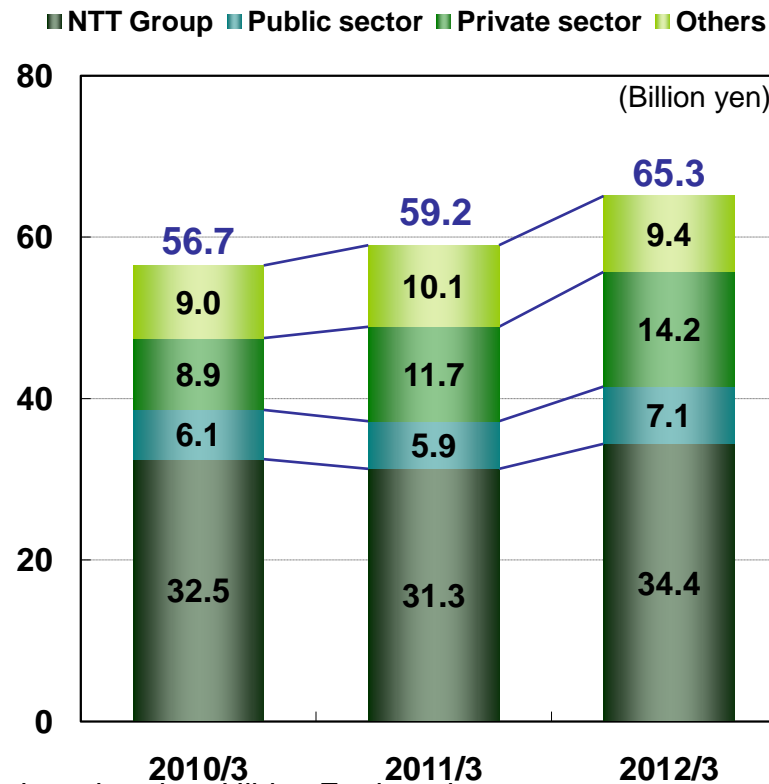
Orders Received by Category & by Customer (Consolidated)

By category, air conditioning and plumbing and sanitation were the primary sources of growth in orders.
Regarding customers, orders increased in both the private and public sectors.

By category



By customer

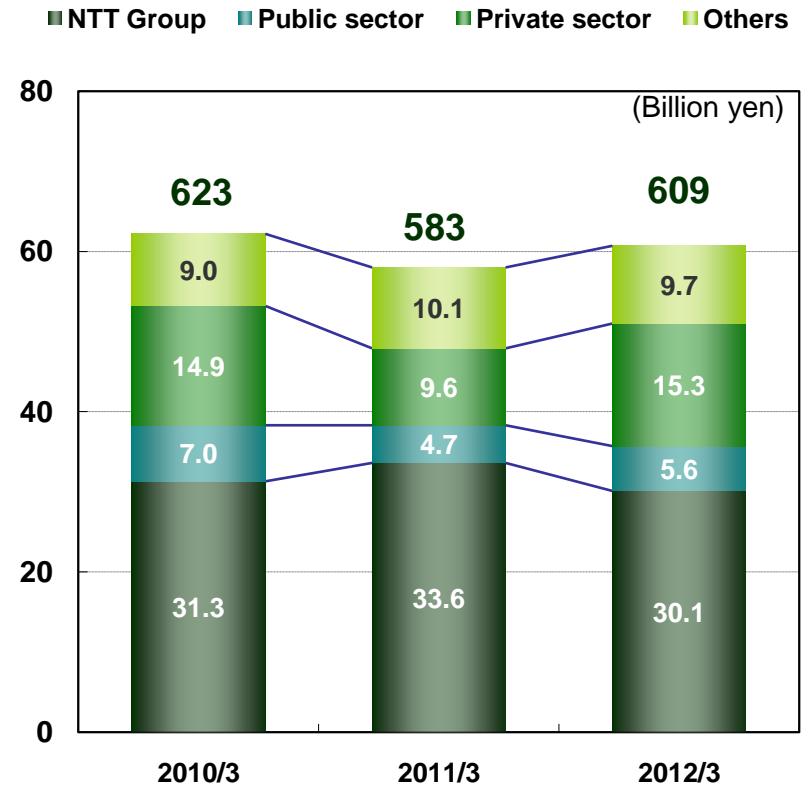
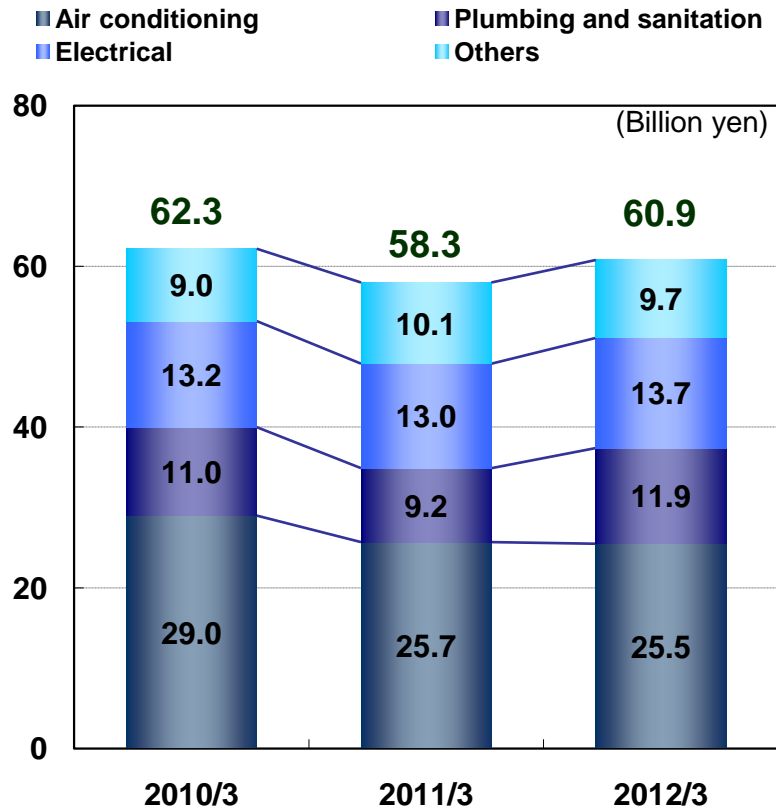


*Others are orders received at group companies other than Hibiya Engineering.

Sales by Category & by Customer (Consolidated)



Sales increased but not as much as growth in orders due to the large volume of orders in the fiscal year's second half.



*Others are sales at group companies other than Hibiya Engineering.

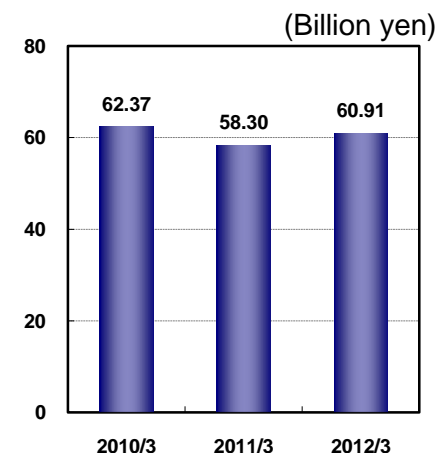
Summary Income Statements (Consolidated)



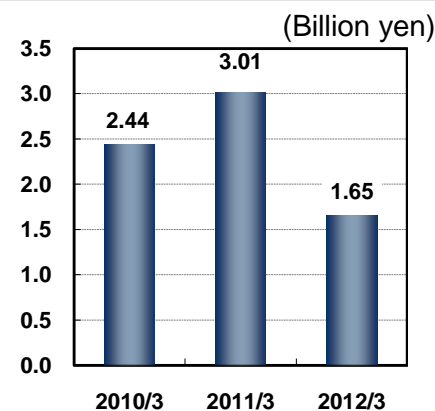
(Billion yen)

	2010/3 (actual)	2011/3 (actual)	2012/3 (actual)
Net sales	62.37	58.30	60.91
Cost of sales	53.38	48.75	52.41
Gross profit	8.99	9.54	8.50
Gross profit margin	14.4%	16.4%	14.0%
SG&A expenses	6.78	6.99	6.79
Operating income	2.20	2.55	1.71
Non-operating income	1.53	1.71	1.15
Ordinary income	3.74	4.26	2.87
Extraordinary income (loss)	(0.13)	0.10	0.19
Income taxes	1.16	1.36	1.40
Net income	2.44	3.01	1.65

Net sales



Net income



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 ended March 2012

- Annual dividend: ¥30 per share (¥15 each for interim and 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.
Repurchase authorizations of 500,000 shares in first half and 250,000 shares in second half
- Treasury stock will not be retired on the premise that the shares will be used effectively in the future.

Stock repurchased (Percentages are repurchases in relation to the authorization)

- Repurchased in 1H: 408,000 shs (81.8%)
- Repurchased in 2H: 231,000 shs (92.4%)

Reduce investment securities

- Investment securities will be sold in a prudent manner that reflects changes in the operating environment, the need to use assets productively and other factors.
- Since March 2011, sold five names at 1.1 billion yen (including ongoing process)

Forecast for 2013/3

	2012/3 (A)	2013/3 (F)
Orders Received	65.32	69.00
Net sales	60.91	66.00
Operating Income	1.71	2.50
Ordinary Income	2.87	3.50
Net Income	1.65	2.00

Medium-term Management Plan

2014/3 Targets	(Billion yen)
73.0+	
70.0+	
2.5+	
3.5+	
2.0+	

* Figures are the minimum targets for each item.

Dividends

- Dividends (forecast)

Annual dividend: ¥30 per share (¥15 each for interim and year end)

- Stock repurchase

Repurchase authorizations of 1 million shares, 1 billion yen

The Fourth Medium-term Management Plan Progress and Major Initiatives

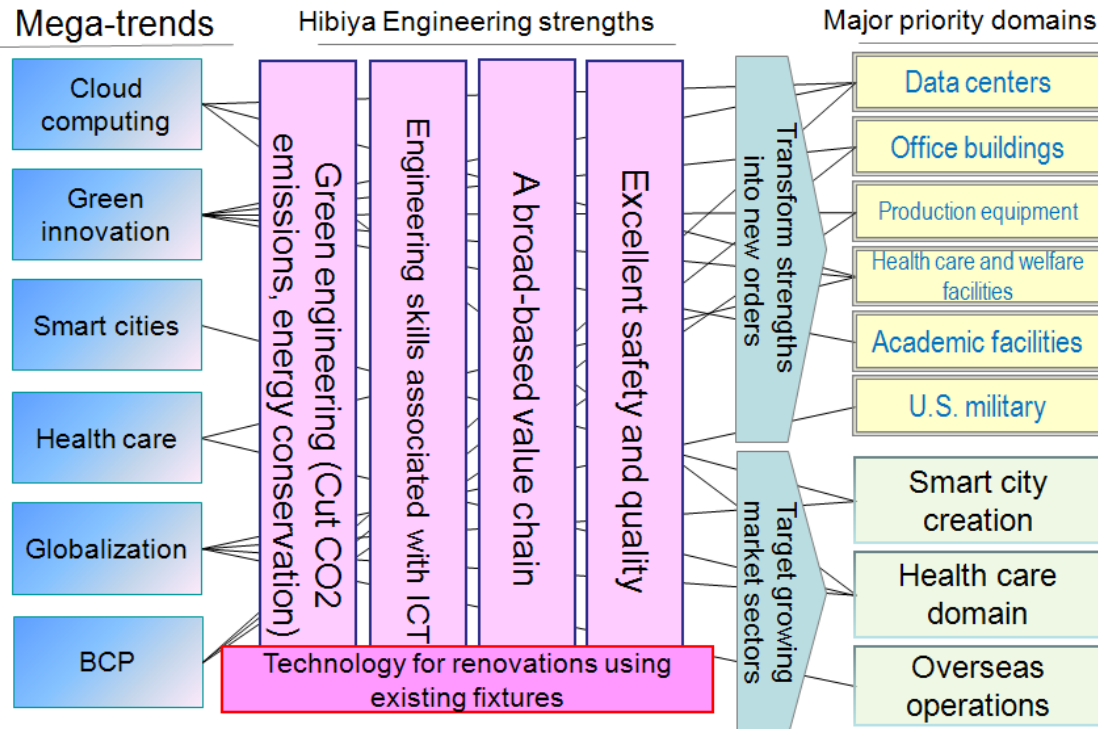
The Fourth Medium-term Management Plan

(April 2011 – March 2014)

Fundamental policy

1. **Increase orders received while preserving profitability** by significantly increasing the number of customers, building a consistently profitable operating framework, and taking other actions.
2. **Achieve steady growth of newly launched businesses and seek more business opportunities** by capturing synergies between new and established businesses, targeting more new business domains, considering the start of operations outside Japan, and taking other actions.

Fundamental Strategies



Major Initiatives

- **Increase orders received**
 - Increase orders in strategic market sectors
 - Conduct solution-based sales activities
 - Use collaborative sales activities with the NTT Group
- **Get new businesses off the ground and capitalize on opportunities**
- **Expand overseas operations**
- **Pursue a more sophisticated strategy regarding technology**
- **Build a stronger base of operations for the group**

Increase orders in strategic market sectors (1)

Domain

Initiatives

FY12/3 performance

Data centers

¥5.7 bn

Add new customers by using skill in creating comprehensive proposals backed by experience in renovations that use existing facilities, energy-conservation evaluations and other expertise
Use maintenance proposals to enlarge relationships

NTT Group data centers (Tokyo, Osaka, Nagoya, Fukuoka)
Municipal offices of large cities, shinkin banks
Large printing companies, electrical machinery manufacturers (server rooms), others

Office buildings

¥10 bn

Use skill in creating “green engineering” energy-conservation proposals
Use cooperation with property management companies

NTT Group data/communications office buildings
Head office building for pharmaceutical company, building for life insurance company
Small and midsize office buildings, others

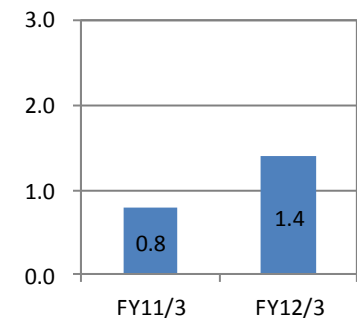
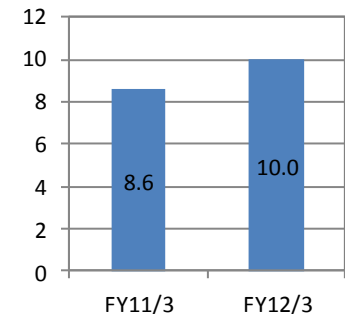
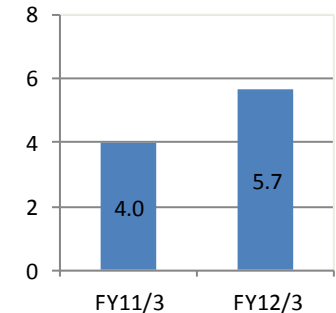
Manufacturing equipment

¥1.4 bn

Use subsidies from Environment Ministry, Tokyo government and other sources to use energy-conservation evaluations as starting point for integrated proposals for small/midsize factories extending from renovations to maintenance

Factories of all types (printing, paper, food, etc.)
Manufacturers of communications equipment, large logistics facilities, pharmaceutical companies

(Billion yen)



Increase orders in strategic market sectors (2)

Domain

Initiatives

FY12/3 performance

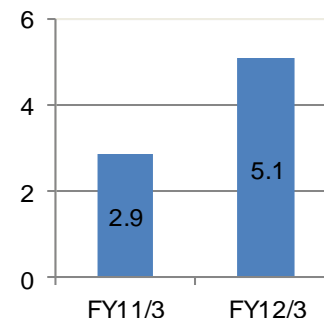
Health care and welfare facilities

¥5.1 bn

Strengthen sales activities by using subsidies to capture orders for business continuity planning (emergency electricity supplies, water lifelines) facilities and gas cogeneration facilities to cut CO2 emissions

NTT Hospital, hospitals for workers
Special elderly care homes (Tokyo, Kyushu, Hokkaido)
Solar thermal facilities for private-sector hospitals

(Billion yen)

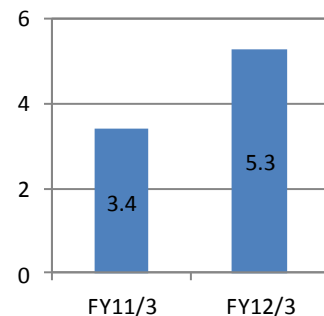


Academic facilities

¥5.3 bn

Target increasing use of ICT at academic facilities
Use sales activities that start with energy-conservation proposals and experience in the security and other fields

NTT Group Training Center
Renovated facilities for national university buildings, private university security system
Testing building at public-sector university, air conditioning equipment at public elementary schools

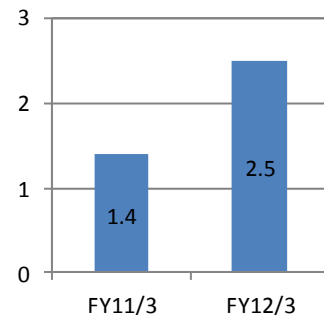


U.S. military

¥2.5 bn

Use construction experience at U.S. bases and Hibiya Engineering Group's comprehensive strengths for sales activities involving solar thermal systems, waste water treatment and many other areas

Facility at U.S. military base in Yokosuka
Electric substation at U.S. Air Force base in Misawa
Selected as designated company at U.S. military base in Iwakuni



Conduct solution-based sales activities

■ Solution-based sales activities centered on the environment

Energy-conservation consulting business

Orders received: ¥82 million, 39 orders

- Aggressive sales activities emphasizing lower utility bills, BCP, etc.
- Expand the customer base, including for production equipment (automotive parts factories, etc.)

Energy-conservation solutions business

Orders received: ¥6.0 billion

- Expand operations to offer solutions nationwide (energy-conservation evaluations, more subsidy utilization tools, etc.)
- More orders for office energy-conservation systems in collaboration with PM
- More orders by upgrading building equipment maintenance consulting, evaluations, etc.

■ Initiatives

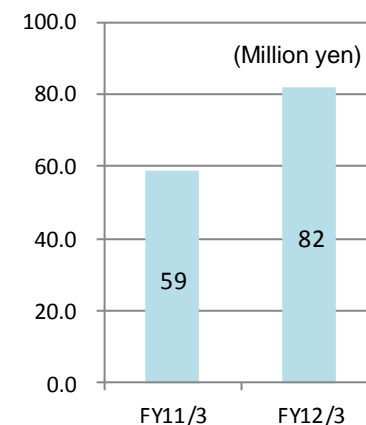
- Use public-sector subsidies of all types to offer more leasing schemes and ESCO proposals
- Strengthen sales activities for large production facilities by offering proposals using the unit management method*

*Determine and manage energy used in each production process

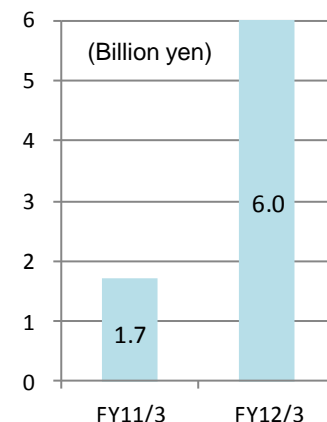
- Create projects by offering proposals to reduce the life cycle cost of equipment

(Cycle consisting of visualization of annual building maintenance cost = Energy-conservation evaluation = Proposals for improvements = Renovations)

Consulting business orders



Solution business orders



Use collaborative sales activities with the NTT Group



■ Business activities using collaboration with the NTT Group

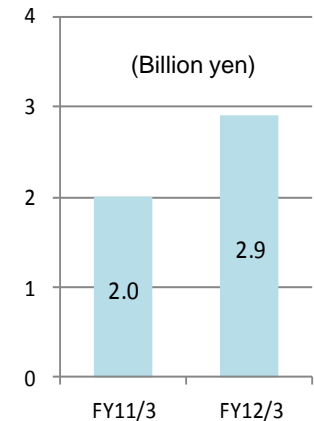
- Proposal-based sales activities with NTT Group companies

Orders received ¥2.9 billion, 203 projects (proposal estimates/information supplied)

- Collaboration with NTT Facilities

- Received order for construction of data center and its air conditioning system for the data center of a large publishing company
- Cooperative sales activities using mainly NTT Building for Smart Lighting Controllers (SLC) (registered trademark of Hibiya Engineering)
- Develop proposals in a set with NTT Facilities' Energy Monitoring System (Remoni)
- Continuous proposals for energy conservation, new energy, etc. at PA leisure facilities of the NEXCO Group

Orders received



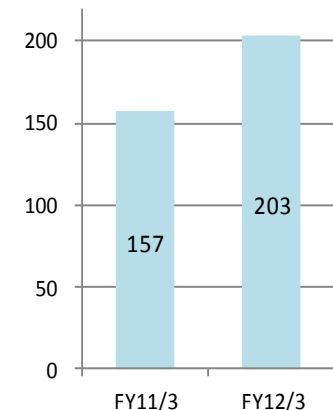
■ Initiatives

- Business support for NTT Facilities as the best partner

- Technical cooperation for the BEMS aggregator business*
*Energy management service that monitors electricity use and helps conserve electricity
- Technical and sales cooperation for the solar business and “smart” business

- Increase collaboration with NTT Finance to capture orders for energy-conservation and BCP projects that use leases

Number of case



Get new businesses off the ground and capitalize on opportunities

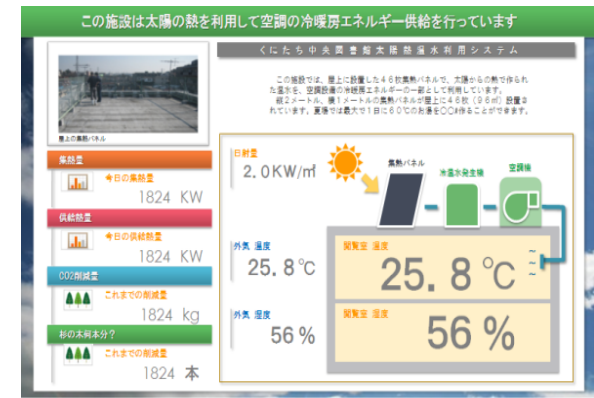


■ Utilize the Hibiya Engineering value chain (diagnosis, construction, maintenance)

- Use collaboration with O-ENCE (equity and business alliance) to capture trial commercialization projects
O-ENCE outsourced to Hibiya maintenance of the air conditioning and sanitary equipment at the Ministry of Agriculture, Forestry and Fisheries Tsukuba research center

■ Increase sales of solar thermal systems

- Order for large solar thermal system (hot water) (U.S. military)
Thermal collector 628m² (thermal energy collection of about 300kWh)
- Technology development and sales for solar thermal air conditioning
Use experience at Kunitachi Library HVAC system (listed in completed projects)
- Start using the Smart & Clean Channel as a visualization tool for status of system operations (Exhibited at ENEX 2012, see page 16)



The Smart & Clean Channel shows the operating status of thermal energy utilization on a real-time basis.

■ Enlarge the water business domain

- Use experience in factory and other equipment to select and offer effective ideas from a variety of wastewater technologies
- Capture new customers by offering packages combining wastewater treatment and water lifeline (well water) systems

■ The Hibiya New BEMS*

*Energy management service that monitors electricity use and helps conserve electricity

- Develop and offer as a strategic tool for the “smart” business
- Use for sales activities targeting small/midsize buildings (cooperate with BEMS aggregators and other partners)

Expand overseas operations

■ Pilot business in Vietnam

- NEDO-backed project, completed survey report in energy-conservation demonstration business
 - Building diagnosis (2 hotels, 1 office building), proposal for improving efficiency, proposal for ESCO business model
 - Survey report led to Vietnam's first ESCO business (Viet Esco: 60% owned (approx..) by Vietnamese government)
- Selected to conduct the Project to Promote Greater Use of Technologies to Combat Global Warming of the Ministry of Economy, Trade and Industry

The next building energy-conservation demonstration project in Vietnam following the NEDO project

 - Implement contents of NEDO-backed project report and confirm benefits (Execution by Viet Esco, confirmation of benefits by Hibiya Engineering)

■ Initiatives

- Use the success of the pilot business in Vietnam to capture orders for the commercial building BEMS exclusively for sources of heat, which was developed by Hibiya Engineering.
- Consider collaboration with the NTT Group to start an energy-conservation solutions business and other activities in Singapore and other locations.



Hibiya Engineering performed an energy-conservation evaluation for this building in Vietnam.

Pursue a more sophisticated strategy regarding technology

■ Conduct strategic R&D activities based on a technology road map

- Jointly develop with NTT Group companies a new air conditioning method for data centers
- Accumulate technologies by performing a solar thermal verification test (compare thermal collection panel performance, determine efficient operating method, etc.)
- Develop an ejector-type freezer (EJHP) for solar thermal air conditioning systems

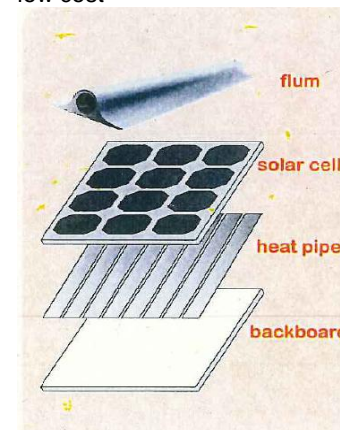


Ejector freezer

- Uses the cooling effect from the high-speed release of refrigerant steam
- Simple construction means easy maintenance, compact size and a low cost

■ Initiatives

- Build an HVAC test room for data centers, make R&D more efficient
- Commercialize an ejector-type freezer (EJHP)
- Develop hybrid system using solar panels and solar thermal energy
- Develop BEMS for the “smart” business (for small/midsize buildings, exclusively for sources of heat)



Structure of hybrid solar panel + solar thermal system

Exhibition at ENEX 2012

Harmony between the environment and energy



■ Energy-conservation technologies and services

- Held at Tokyo International Exhibition Center (February 1-3, 2012)
- About 900 people visited the Hibiya Engineering booth, which featured displays, demonstration terminals and other items

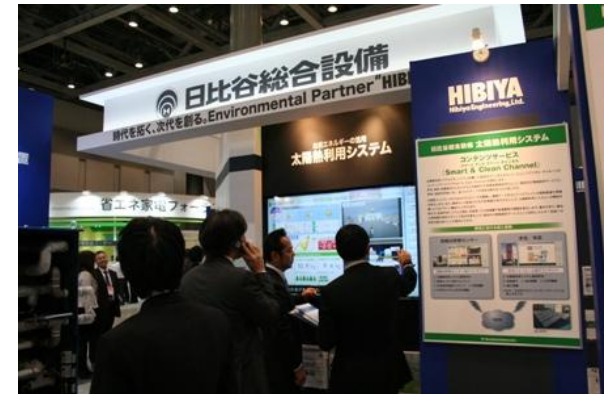
People from manufacturers (automobiles, pharmaceuticals, etc.), trading companies, government agencies, universities, NTT Group, etc.



Following up on people interested in Hibiya Engineering technologies and working on proposal-based sales that target specific needs

The Hibiya Engineering booth

- (1) Solar thermal system
 - Prototype of ejector-type freezer (EJHP)
 - Exhibit of Smart & Clean Channel and other items
- (2) Smart Lighting Controller
- (3) EIA (energy visualization system)
- (4) Wastewater treatment technologies
- (5) Methane gas electricity generation technology



An exhibit showing a solar thermal system



The EIA service exhibit

* The Energy Information Analysis (EIA) service tracks energy use on a real-time basis and performs the centralized management of this information.

Build a stronger base of operations for the group

■ Established Procurement Strategy Division (April 2012)

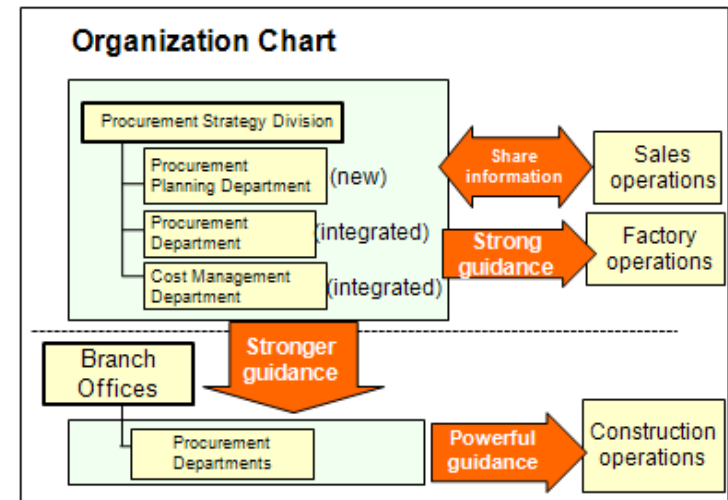
- Consolidates purchasing and cost management functions and includes strategic planning; strengthens the framework for cutting costs
- Established a procurement department at each branch office to facilitate cost-cutting measures across the entire company

■ Started the Energy Conservation Master system

- Uses exclusive Hibiya Engineering parameters to evaluate and certify practical specialized technologies for energy conservation
- Better supports solution-based sales by upgrading technological skills and standardizing the level of energy-conservation evaluations

■ Personnel system reforms and other measures

- Established a career plan and revised the rotation of assignments to create a more energetic workforce
- Using human resources more effectively by establishing a specialist system and a system for hiring people (specialists) who have retired



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