

時代にまっすぐ、技術にまじめです。

In line with the times and serious about technology



First Half of Fiscal year ending March 31, 2012

Earnings Announcement

Hibiya Engineering, Ltd.

November 17, 2011

Financial Summary

First Half of Fiscal Year 2012/3

Financial Highlights (Consolidated)

Orders were higher than one year earlier but first half sales and earnings were lower. However, a recovery is expected in the second half.

(Billion yen)

	2009/9 (actual)	2010/9 (actual)	2011/9 (actual)	YoY (%)	2012/3 (Plan)
Orders Received	25.27	22.08	25.24	14.3	67.00
Net sales	24.46	23.12	22.88	(1.0)	64.00
Operating Income	(0.24)	0.56	(0.48)	-	2.50
Ordinary Income	0.26	1.11	(0.00)	-	3.80
Net Income	0.29	0.63	(0.19)	-	2.40

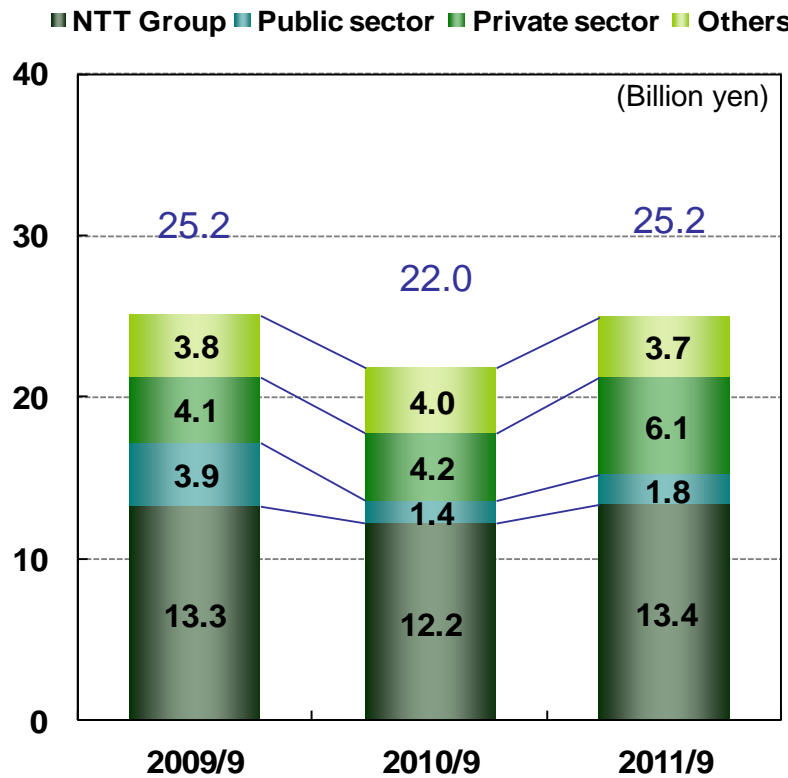
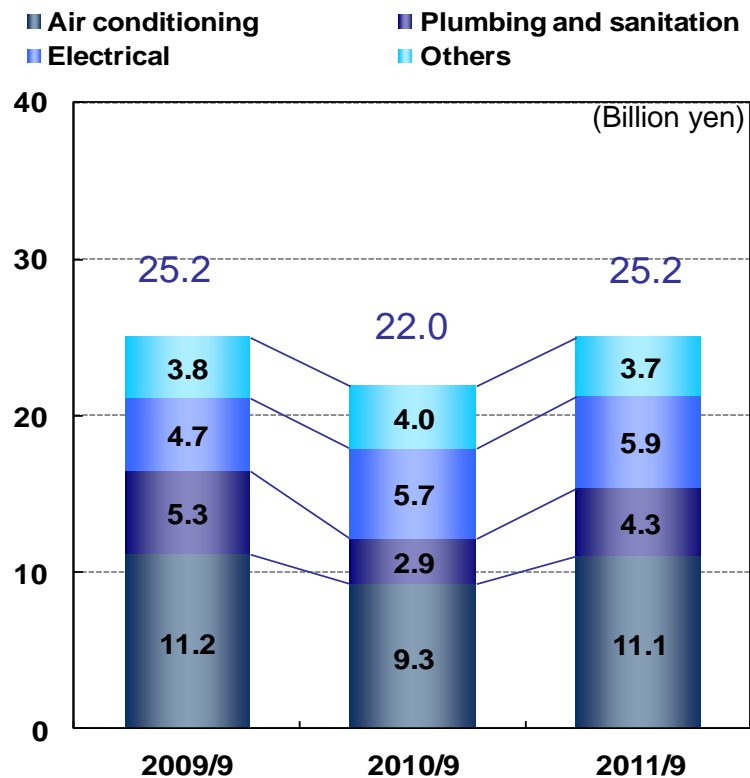
*Orders received include merchandise sales at Hibiya Tsushou, Ltd.

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 were higher from the NTT Group and the private-sector but public-sector orders decreased.

By category

By customer

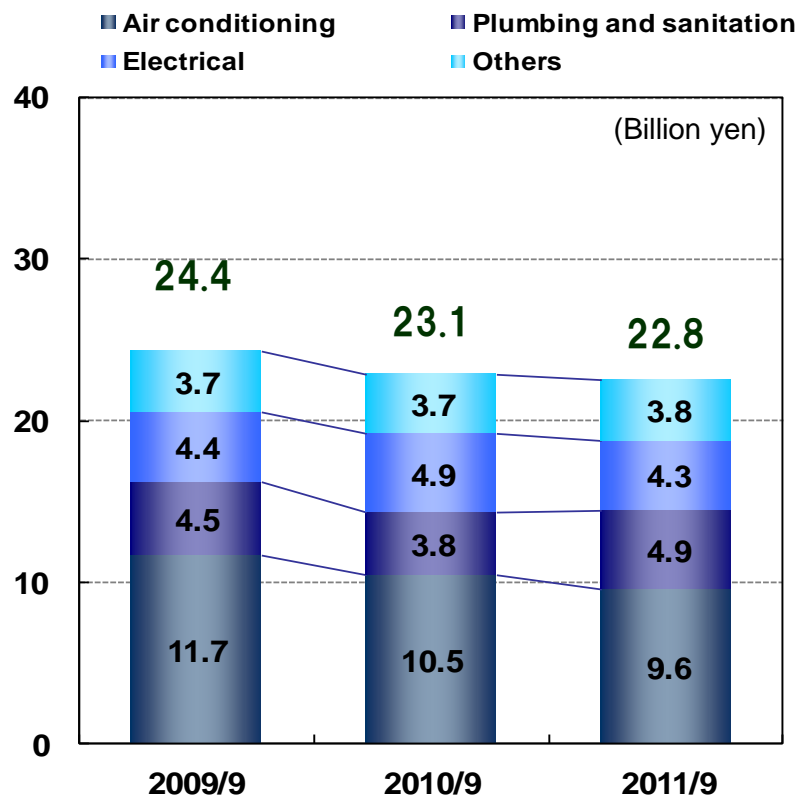


*Other orders are orders received at group companies other than Hibiya Engineering.

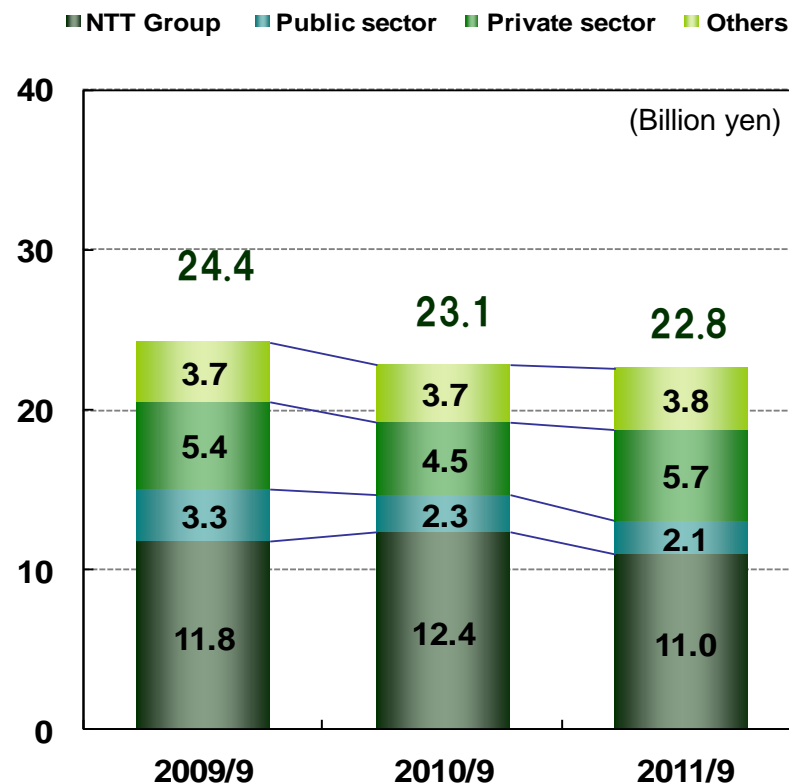
Sales by Category & by Customer (Consolidated)

The order backlog decreased because of the downturn in orders received in the previous fiscal year. By category, the backlog was down for plumbing and sanitation and for customers there was a decline for NTT Group orders. A recovery in the order backlog is expected in the second half mainly because of higher orders in the first half.

By category



By customer



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

Summary Income Statements (Consolidated)



Sales and earnings were down from one year earlier in the first half, but sales are expected to be higher for the entire fiscal year due to a second half recovery. Overall, sales and earnings are expected to match the initial fiscal year plan.

(Billion yen)

	2009/9 (actual)	2010/9 (actual)	2011/9 (actual)
Net sales	24.46	23.12	22.88
Cost of sales	21.48	19.26	20.04
Gross profit	2.98	3.86	2.83
Gross profit margin	12.2%	16.7%	12.4%
SG&A expenses	3.23	3.29	3.31
Operating income	(0.24)	0.56	(0.48)
Non-operating income	0.51	0.54	0.47
Ordinary income	0.26	1.11	(0.00)
Extraordinary income (loss)	0.04	(0.06)	(0.21)
Income taxes	0.01	0.40	(0.02)
Net income	0.29	0.63	(0.19)

(Billion yen)

	2012/3 (plan)
Net sales	64.00
Operating income	2.50
Ordinary income	3.80
Net income	2.40
Operating margin	3.9%

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 2012 (Forecast)

- Interim dividend: ¥15 per share
- Annual dividend: ¥30 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 not be retired on the premise that the shares will be used effectively in the future.

Stock repurchased and plan

- Repurchased in 1H: 408,000 shs / 336 million yen
- Plan for 2H: 250,000 shs / 250 million yen

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 110 million yen (including ongoing process)

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

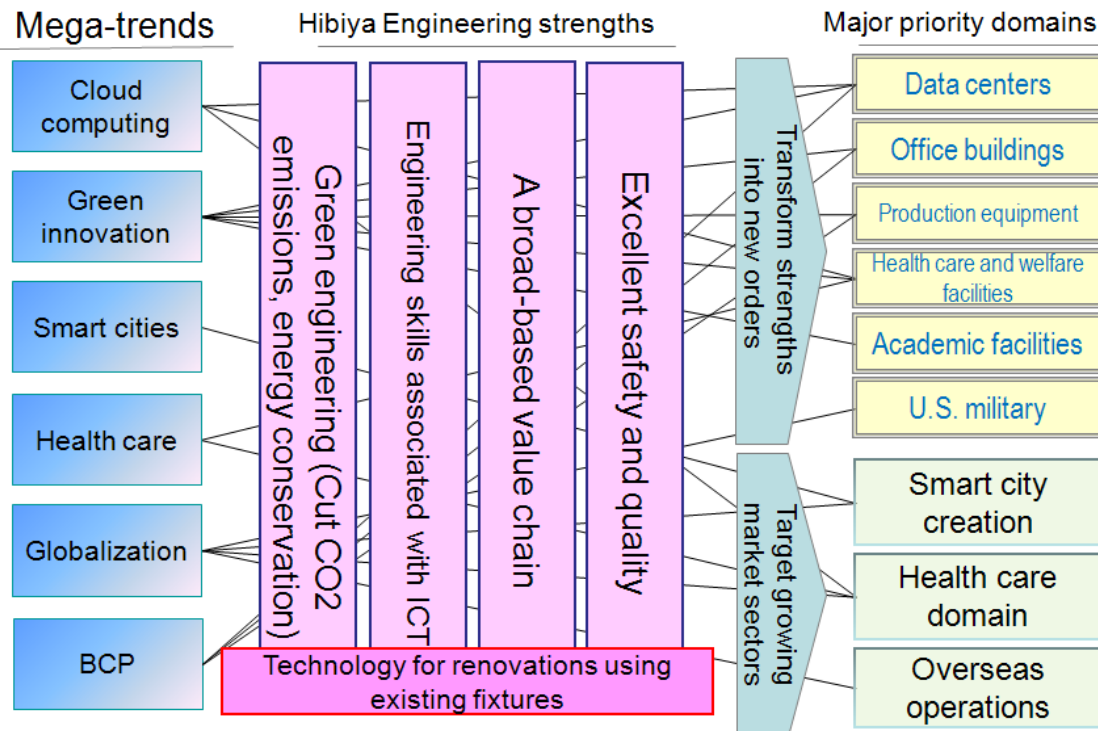
1. The Fourth Medium-term Management Plan

(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



2. Major Initiatives of FY3/12

- I. Increase orders received
- II. Get new businesses off the ground and capitalize on opportunities
- III. Reinforce safety and quality management systems
- IV. Pursue a more sophisticated strategy regarding technology

I. Increase orders received (1)

■ Increasing orders in targeted domains

Targeted domain	Initiatives	1H performance
Data centers	Use years of experience and ability to create comprehensive proposals including energy conservation evaluations and expansion and renovation work.	NTT Group data centers (Tokyo, Osaka, Fukuoka), municipal offices of large cities, shinkin banks, server rooms of electrical machinery manufacturers, and others Approx. ¥2.6 bn
Office buildings	Use skill in creating “green engineering” energy conservation proposals and technological expertise for renovations that use existing facilities	NTT Group data/communications office building, use of Tokyo energy conservation subsidies (for small/midsize companies), buildings managed by property management companies, and others Approx. ¥3.9 bn
Manufacturing equipment	Integrated proposals for small/midsize factories extending from renovations to maintenance; capture orders from new customers by providing energy diagnoses and meeting customers’ needs in other ways	Use of Tokyo energy conservation subsidy (printing plant), Environment Ministry energy conservation diagnoses (paper mill, food factory), new logistics facility , pharmaceuticals companies Approx. ¥0.8 bn
Health care and welfare facilities	Strengthen sales activities by using construction experience using engineering with information /communications technology, expertise in energy conservation and business continuity planning	NTT Hospital, hospitals for laborers, special elderly care homes (Tokyo, Kyushu, Hokkaido), solar thermal facilities for private-sector hospitals Approx. ¥0.8 bn
Academic facilities	Use energy conservation proposals and experience with security systems and data centers to capture orders from small/midsize universities that are converting to electronic systems.	NTT Group Training Center, renovation of facilities for national university buildings, private university security system, projects at professional schools, and others Approx. ¥3.3 bn
U.S. military	Use construction experience at U.S. bases and the Hibiya Engineering Group’s comprehensive strengths to capture more orders from the U.S. military.	Facilities at the U.S. military base at Yokosuka Selected as designated company at U.S. military base at Iwakuni Approx. ¥0.5 bn

I. Increase orders received (2)

■ Conduct solution-based sales activities centered on the environment

Energy-conservation consulting business

First half orders received: ¥51 million, 41 orders (plan was 33)

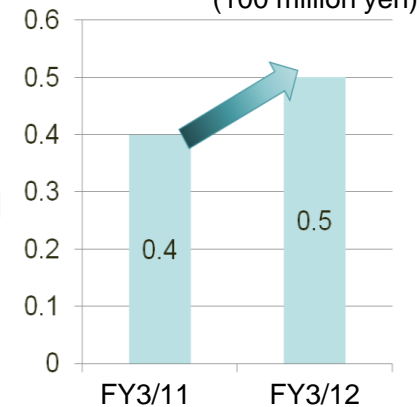
- Energy-conservation consulting for schools, warehouses, hospitals and other facilities
- Entered public private partnership (PPP) sector and other new business domains
Foreign Affairs Ministry market testing, designated manager for Tatsumi International Swimming Center
- Environment Ministry greenhouse reduction potential diagnosis
Factories (4), hotels (2) and an office

Energy-conservation improvement business

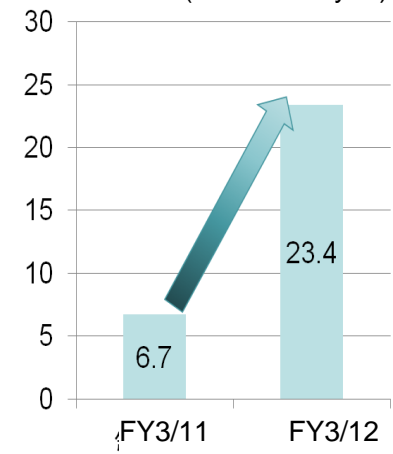
First half orders received: ¥2.34 billion (plan was ¥2 billion)

- Orders for energy-conservation improvements using subsidies
Factories (5), hotels (2) and offices (4)
- Studies to determine solutions using collaboration with companies in other industries
ESCO service in conjunction with financial institutions
Value-added services in conjunction with a property management company (hotels and other buildings)

Consulting business
(100 million yen)



Improvement business
(100 million yen)



I. Increase orders received (3)

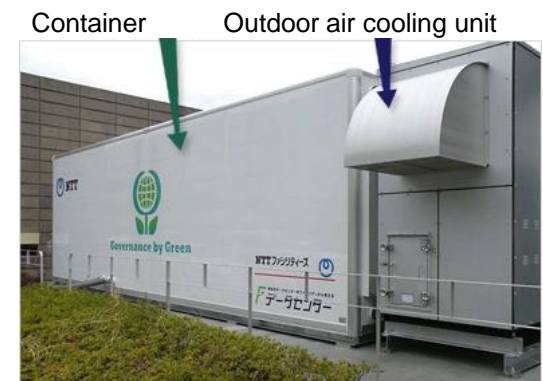
■ Business activities using collaboration with the NTT Group

Recent achievements

- Placed order with NTT Facilities for solar power system as part of order received from NEXCO Central for expressway parking area electrical work. [Subsequently submitted a joint environmental proposal to NEXCO](#)
- NTT Facilities outsourced to Hibiya Engineering energy management operations as part of an order the company received to manage building facilities of the Ministry of Foreign Affairs (4 buildings, 88,666m²)
- Cooperation with NTT Facilities to operate a low-cost container-type data center = [Aiming for more sales growth](#)
- Proposal with NTT Urban Development for using BEMS (Building Energy Management System) to improve air conditioning equipment = [Aiming to use this know-how in many market sectors](#)
- BCP proposal for a private university through collaboration with NTT Facilities
 - Solar power system for power interruptions + Solar thermal system and other facilities
- Collaboration with NTT Facilities for proposals for leasing equipment (security systems, etc.)



Expressway parking area solar power system for NEXCO Central



Example of container-type data center

II. Get new businesses off the ground and capitalize on opportunities

■ Develop new business model – Utilize the Hibiya Engineering value chain (diagnosis, construction, maintenance)

- Received outsourcing contract for energy conservation management of the Tokyo Metropolitan Gymnasium and Tatsumi International Swimming Center
Collaboration with O-ENCE (equity and business alliance)
- Energy conservation advice, preparation of environmental reports
Received order for heat source improvements and maintenance (15 years) for hotel ESCO project (Four Seasons Hotel Chinzanso)

■ HVAC system using solar heat

- Solar thermal demonstration test at Noda Technology Research Center
[Proved thermal efficiency and other properties required for creating a safe and inexpensive system](#)
- Practical next-generation environmentally responsible HVAC system (Kunitachi Central Library, Kunitachi City) ([see page 12](#))

■ Smart lighting controller (see page 13)

- Greatly reduces power consumption by using a wireless LAN to control lighting one lamp at a time

■ Wastewater treatment system

- Making extensive use of this system, mainly for proposals for use at factories; uses know-how of HIT Engineering

■ Overseas operations (see page 14)

- Studying the feasibility of starting continuous overseas business activities; also considering individual projects



High-efficiency gas absorbing cold-hot water generator (Four Seasons Hotel Chinzanso)



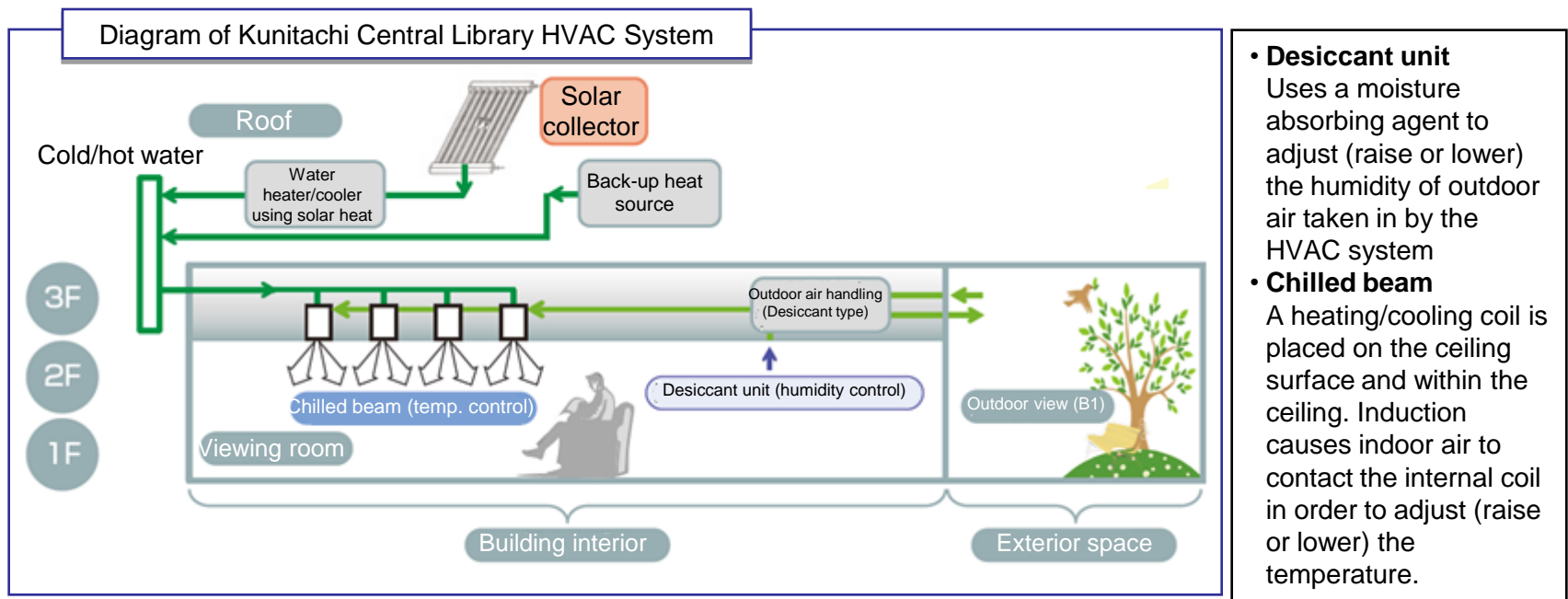
Solar thermal system demonstration test at the Noda Technology Research Center

■ Practical next-generation environmentally responsible HVAC system

Kunitachi Central Library (Kunitachi City, Tokyo)

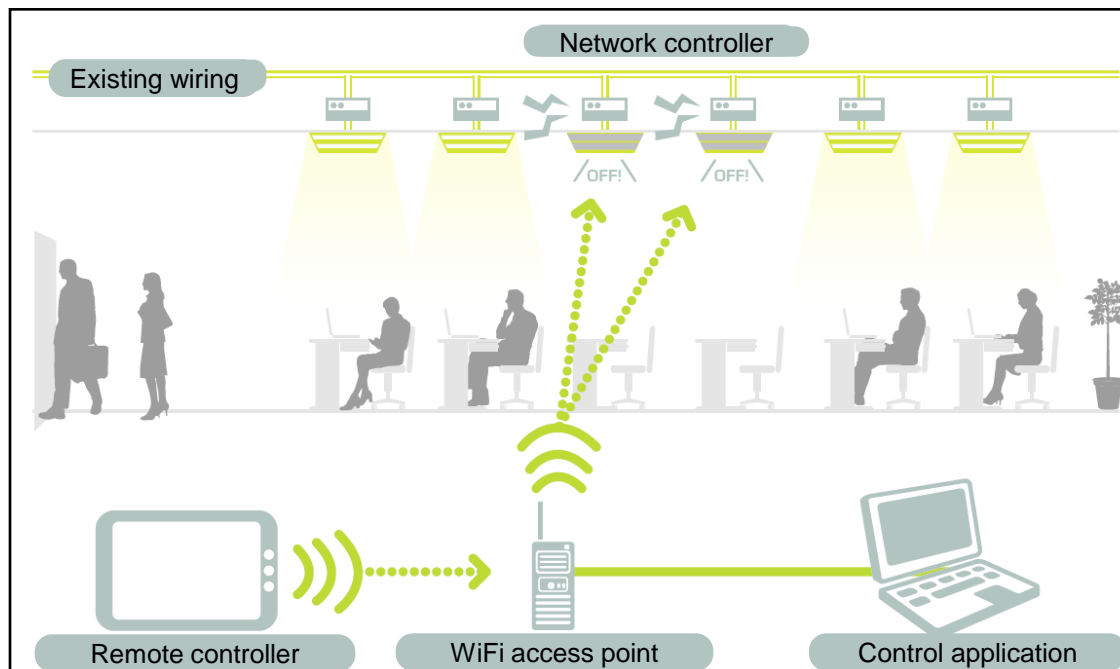


- A next-generation environmentally responsible HVAC system (subsidized by Tokyo Metropolitan Government) devised by the HVAC System Research Group (consisting of universities, manufacturers, design offices and others, including Hibiya Engineering)
- System uses the sun as the heat source, a Desiccant unit to control humidity and a chilled beam to control temperature. This is the first full-scale use of a chilled beam in Japan.
 - Can reduce CO2 emissions by about 35% compared with conventional HVAC systems
 - Minimal discomfort from air currents makes this system ideal for libraries, schools, senior care facilities and hospitals



■ Smart lighting controller *Registered trademark

- This newly developed system can greatly reduce electricity consumption by turning off lamps one by one with a control signal sent via a wireless LAN from a PC or smartphone.
- Easy to install because no new power supply or signal wiring are needed
=> Existing buildings are the primary target
- Testing has been completed (Japan Post, NTT East, NTT Urban Development)
- Sales started in November



■ Overseas operations

■ Established the International Business Promotion Office in the Corporate Planning Department (May 2011)

Mission

Study the feasibility of starting continuous overseas business activities and consider individual projects

■ Pilot activities for starting global operations (individual projects)

- Performed an energy conservation diagnosis for the world's largest LCD panel factory (South Korea)
Now preparing an energy conservation plan for the factory
- Received order for energy conservation demonstration project in Vietnam

(NEDO-funded project; joint project with Bank of Mitsubishi-UFJ and Morgan Stanley)

Energy conservation diagnosis and high-efficiency proposal for business facilities; study of suitability for ESCO project; other activities

(Held workshops at ENCON EXPO 2011 and Hanoi Institute of Technology)

The workshop at the Hanoi Institute of Technology

■ Upcoming activities

- Consider collaboration with the NTT Group for overseas operations
- Determine a viable energy conservation business model after examining results of the pilot project



At the Hanoi Institute of Technology

- III. Reinforce safety and quality management systems
- IV. Pursue a more sophisticated strategy regarding technology

- **Further upgrade activities by utilizing the Miyazakidai Hands-on Training Center**

Training facility for NTT workers and others – 750 trainees in the first half (total of 1,957 trainees since operations began)

- **Strengthened technical guidance skills by sending employees to partner companies**

30 training sessions for construction workers concerning guidance for eliminating accidents and other themes

- **The Technology Strategy Committee, formed in 2010, is making a technology roadmap that extends 10 years into the future.**

The roadmap incorporate many mega-trends: cloud computing, green engineering, smart cities, health care, globalization and business continuity planning.



Miyazakidai Hands-on Training Center

- **Examples of first half initiatives to upgrade Hibiya Engineering's strategy for technologies**

- Collected information about Japan Data Center's latest standards for creating data centers and made the information available throughout the company.
- Studied the labor-efficient renovation method; acquired specialized technologies for disaster prevention, instrumentation and other themes
- Acquired technologies by performing demonstration tests for a system that uses solar heat

3. Responses to the Great East Japan Earthquake

■ Support for reconstruction activities

- The Earthquake Reconstruction Office played a central role in various activities to help restore the business operations of the NTT Group and other client companies in the Tohoku and other regions.
NTT GROUP: 57 locations, Private/public-sector: 15 locations



Repair work at a communication facility of the NTT Group

■ First half orders received in the Tohoku area

- Construction orders increased to repair damage at NTT Group communications facilities and at other locations
- Orders for new projects decreased as companies prioritized earthquake repair work
- Received an order associated with construction of the new NTT Shin-Aobadori Building, a building that is a symbol of reconstruction work
The building will include an exhibit about the safe and reliable transmission of information, a disaster evacuation space, and other facilities
The mayor of Sendai attended the groundbreaking ceremony.

■ Plans for upcoming reconstruction activities (NTT Group)

- Upgrade capacity of communication facilities and move facilities to higher ground (in the Tohoku area) **Work is under way**
- Upgrade electric power supply equipment; expand emergency back-up power supply systems (in the Tohoku area)

■ Other initiatives

- Used power conservation and other measures to cut electricity use by 34% from one year earlier
- Revised the business continuity manual; conducted a disaster response drill covering the entire company



Rendering of the NTT New Aobadori Building

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