

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, 2011

Earnings Announcement

Hibiya Engineering, Ltd.

May 19, 2011

Financial Summary

Fiscal year ended March 31, 2011

Financial Highlights (Consolidated)



(Billion yen)

	2009/3 (actual)	2010/3 (actual)	2011/3 (actual)	2011/3 (plan)	YoY (%)	vs. plan (%)
Orders Received	61.13	56.72	59.27	64.50	4.5	-8.1
Net sales	60.15	62.37	58.30	62.00	-6.5	-6.0
Operating Income	2.03	2.20	2.55	2.00	15.6	27.6
Ordinary Income	3.13	3.74	4.26	3.20	14.0	33.3
Net Income	1.40	2.44	3.01	2.00	23.5	50.7
ROE	2.8%	5.0%	5.9%	4.0%	0.9pt	1.9pt

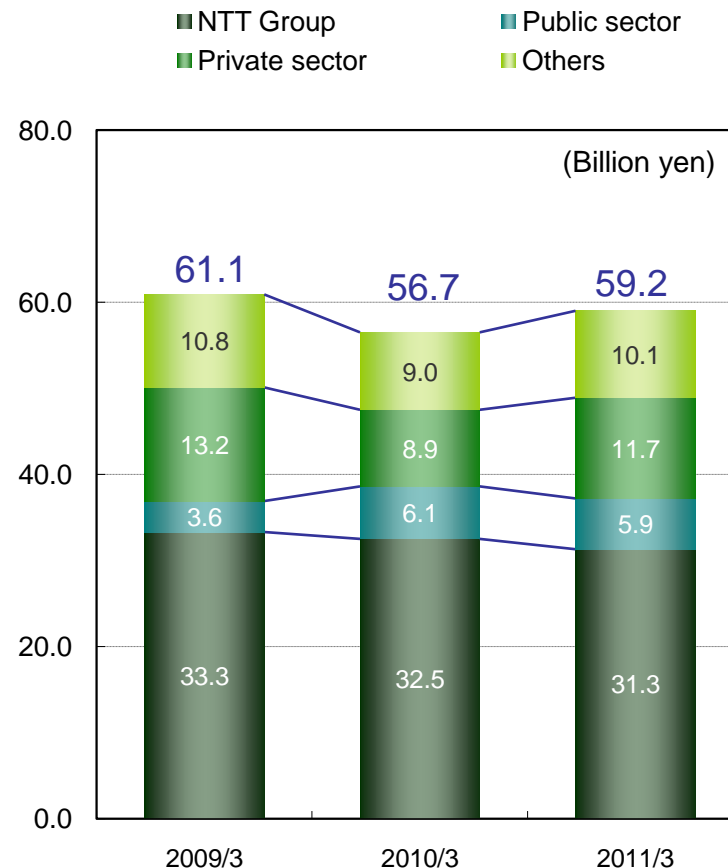
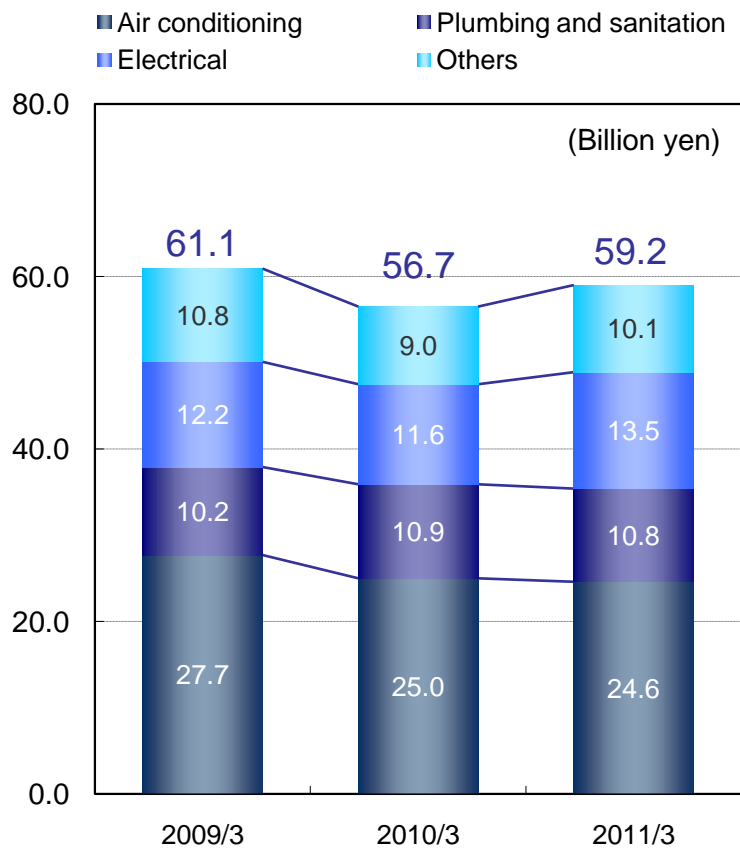
*Orders received include merchandise sales at Hibiya Tsushou, Ltd.

Orders Received by Category & by Customer (Consolidated)



By category

By customer

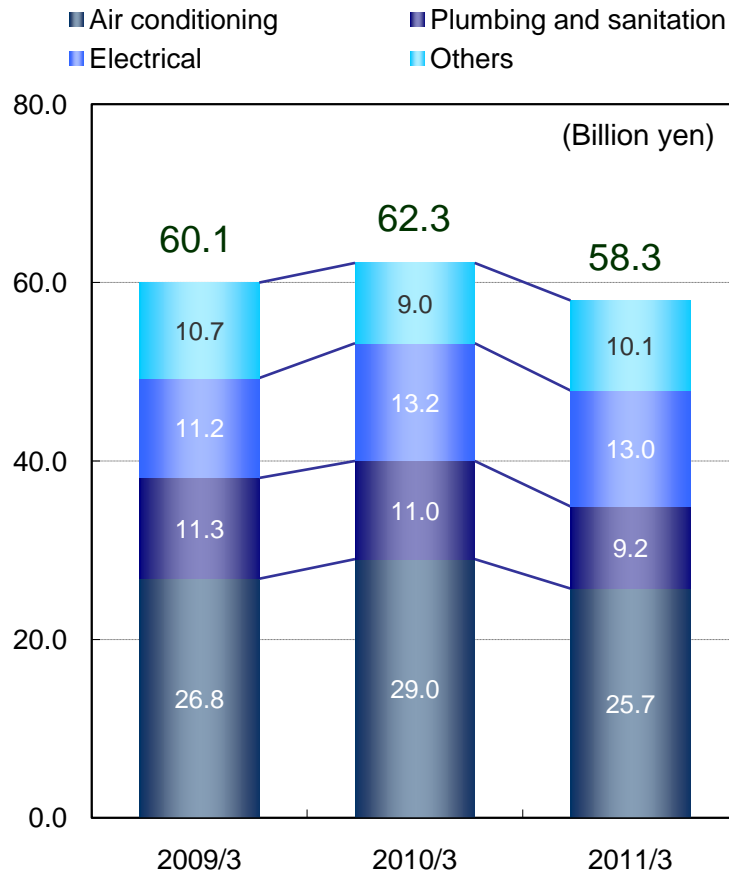


*Other orders are orders received at group companies other than Hibiya Engineering.

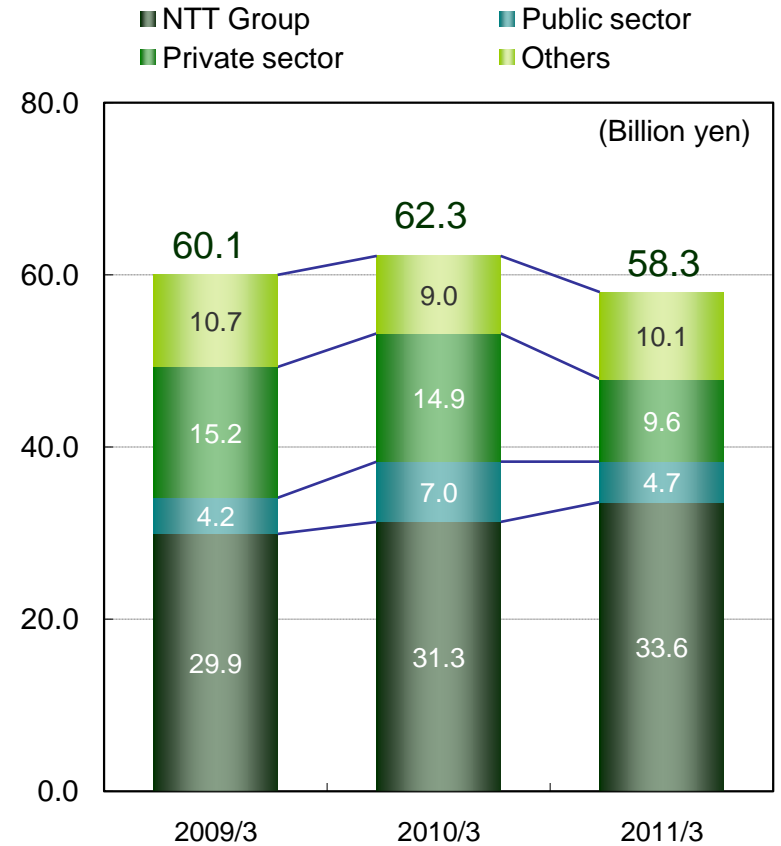
Sales by Category & by Customer (Consolidated)



By category



By customer



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

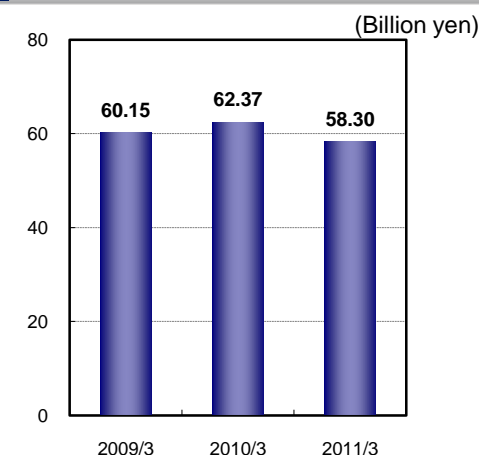
Summary Income Statements (Consolidated)



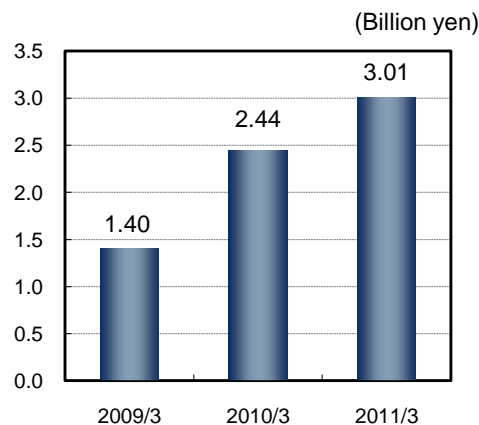
(Billion yen)

Fiscal year	2009/3	2010/3	2011/3
Net sales	60.15	62.37	58.30
Cost of sales	51.85	53.38	48.75
Gross profit	8.30	8.99	9.54
Gross profit margin	13.8%	14.4%	16.4%
SG&A expenses	6.26	6.78	6.99
Operating income	2.03	2.20	2.55
Non-operating income	1.10	1.53	1.71
Ordinary income	3.13	3.74	4.26
Extraordinary income (loss)	(0.74)	(0.13)	0.10
Income taxes	0.98	1.16	1.36
Net income	1.40	2.44	3.01

Net sales



Net income



Fiscal Year 2011/3 Topics

1. Activities in the Solutions Business

Environment and energy

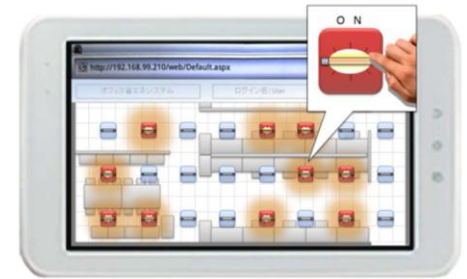
- Solar thermal systems, wastewater treatment, natural gas cogeneration systems, geothermal power, smart grid and other items
- Started demonstration tests for use of solar heat at Noda Technology Research Center
- Received order for natural gas cogeneration system construction (hot water for bathing)
- Development of Smart Lighting Controller

Activities using the Hibiya Engineering value chain

- Taking on the challenge of ESCO and PPP (public-private partnerships for gov't services, designated managers, privatization trials, etc.) projects
- Activities using new group member HIT Engineering
 - Aggressively pursue orders involving pharmaceutical plants and wastewater treatment facilities
 - Use collaboration with Hibiya Tsushou and Nikkey

Activities using collaboration with NTT

- Participation in demonstration tests using information and communication technologies (ICT)
- Establishment of data center environment
- Participation in smart energy research seminar (Tokyo Institute of Technology) and other activities
- (participation of Tokyo Gas, NTT Facilities and other companies)



Smart phone control screen for the Smart Lighting Controller

2. Major Orders in the Solutions Business



■ Projects using the Hibiya Engineering value chain

- Tochigi factory of SUS Corp. (formerly Nippon Unisys Supply) (an ESCO project)
- Tatsumi International Swimming Center of Tokyo Metropolitan Gymnasium (designated manager)
- Four Seasons Hotel Chinzanso (upgrading and maintenance of heat sources)

■ Projects using collaboration with NTT

- Data center with data center company that has global operations
- Project to reduce environmental impact using ICT (See page 9)
- Atsugi R&D Center (containerized data center)
- Central Nippon Expressway parking area (solar electricity generation system)
- Energy management operations for oversight of Ministry of Finance building facilities (privatization trial)

■ Projects using Hibiya Engineering technologies

- Demonstration Smart House (See page 10)
- Shibaura Institute of Technology (Security S)
- Aeon Group (improvements to solar thermal system)
- World's largest LCD plant (Korea) (energy conservation diagnosis)
- Diagnosis for Ministry of the Environment to determine potential for cutting greenhouse gas emissions (See page 8)

3. Solutions Business Sales Activities in the Environmental Sector



Major initiatives

Orders for consulting services

Annual orders received

- ¥59 million, 32 orders (plan was 30 orders)

Major second half orders

- Assistance for Energy Conservation Law compliance at four university hospital facilities
- Diagnosis for Ministry of the Environment to determine potential for cutting greenhouse gas emissions (See page 8)
Factories (2), hotels (5), theme park
- Energy-conservation assistance for the world's largest LCD factory

Outlook

- Orders are increasing due to orders from new customers and to repeat orders
- Energy conservation and business continuity plan inquiries have increased rapidly following the Great East Japan Earthquake

Orders for energy-conservation projects

Annual orders received

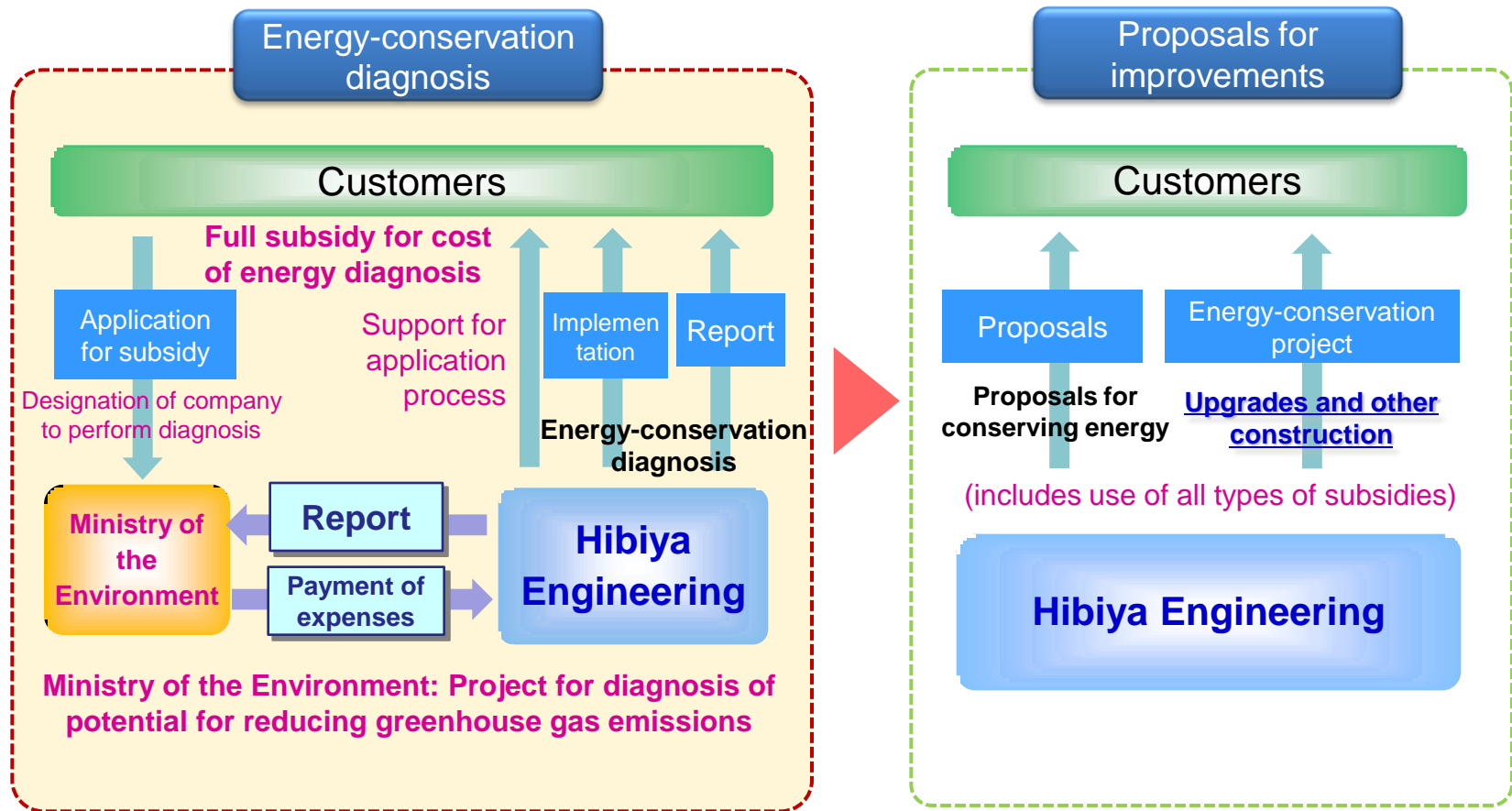
- ¥1,700 million (plan was ¥1,500 million)

Major second half orders

- Construction orders from companies using small/midsize company credit creation program of Tokyo Metropolitan Government
Printing plant, food processing factory, office buildings, etc.
- Construction orders from companies using subsidies from the Ministry of Land, Infrastructure, Transport and Tourism or NEDO
Office buildings, movie studio, etc.
- More efficient heating systems and hot water systems for hotels
Installed a highly efficient heat pump system
Received construction order for HVAC ESCO project

4. Solutions Business Sales Activities in the Environmental Sector

Create opportunities to capture orders by using businesses that provide support for energy-conservation diagnoses



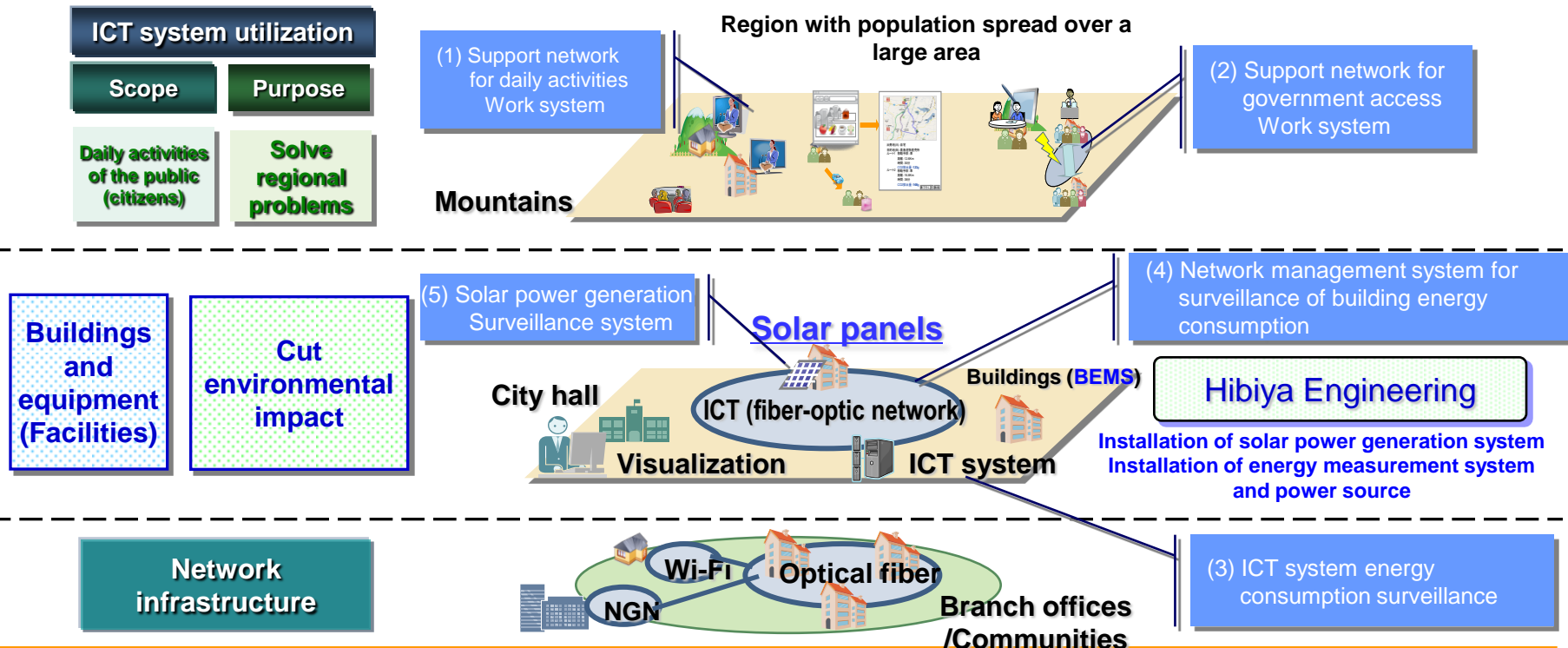
5. Collaboration with NTT for environmental impact reduction using ICT

Construction order for Kurihara Green Project of Ministry of Internal Affairs and Communications at city of Kurihara in Miyagi prefecture

The Kurihara Project is a demonstration test for “creating communities that use ICT to reduce the environmental burden.” Hibiya Engineering received an order from NTT Facilities, a member of the project consortium, for the installation of solar power generation equipment and other items.

Project consortium

Representative: Tohoku University Members: NTT East, NTT Facilities, Hitachi East Japan Solutions

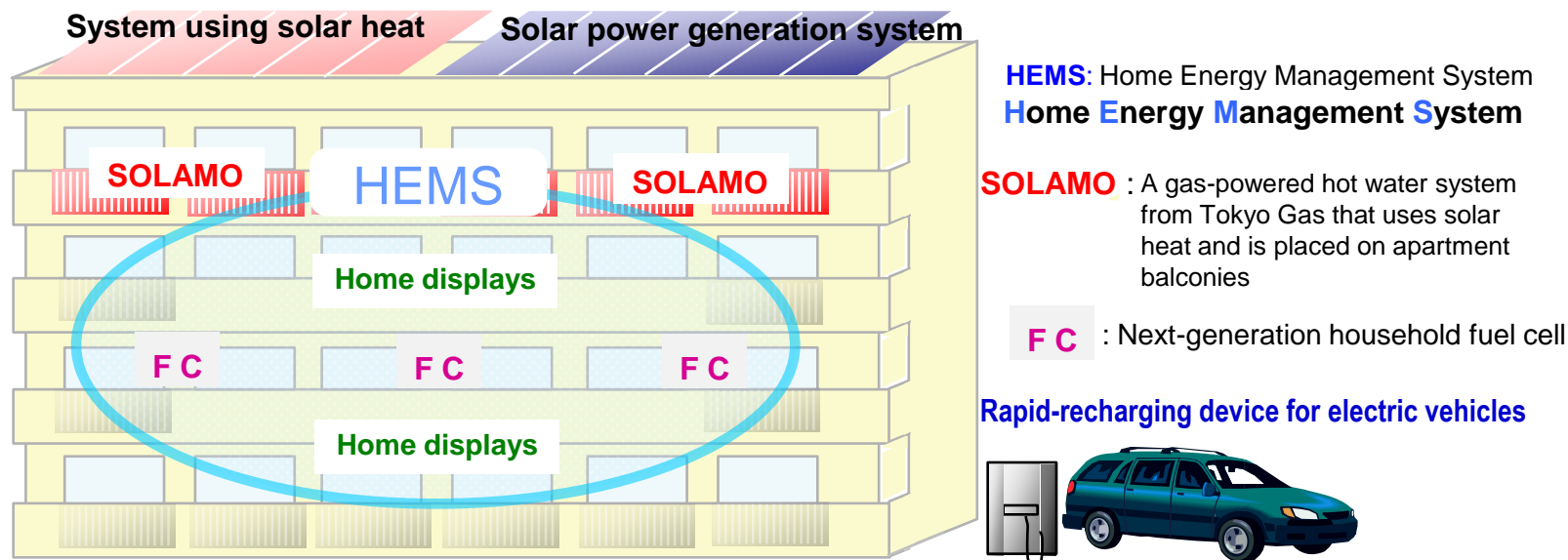


6. Smart Energy Projects

Order for installation of equipment at “Smart House Demonstration Residence” for Tokyo Gas



- Received order for installation of equipment (electrical and HVAC) at “Smart House Demonstration Apartment (Employee Housing)” for Tokyo Gas in Isogo-ku, Yokohama.
- This demonstration was selected by the Ministry of Economy, Trade and Industry and constructed as part of the Yokohama Smart City Project of Tokyo Gas and other companies. The project is also associated with advanced energy C of Tokyo Institute of Technology.
- Residence includes a solar power generation system, a system using solar heat and a next-generation household fuel cell. Also, HEMS provides energy control and visualization. The goal is to cut CO₂ by about 30%.



7. Measures to Cut Costs and Enhance Safety and Quality

Cut the cost of construction

- Centralized procurement for all branches and increased use of contracts using fixed unit prices
- Reinforce budget management by starting operations of a new core IT system
 - Continuous monitoring of major projects (applicable to 25 projects)
- Increase activities of cost-cutting team = Collect and analyze information about market prices

Maintain and enhance safety and quality

- Established hands-on training center = Provides training to workers of Hibiya Engineering Group and partner companies
 - NTT remodeling training: 724 workers, special training for MACS HVAC upgrades: 339 workers, special training for employees of companies engaged in installation of NTT facilities: 144 workers
- Increase visualization of case studies of accidents and procedural documents



Responses to the Great East Japan Earthquake and Effect on the Hibiya Engineering Group

Earthquake Responses and Effect on Business Operations

■ Disaster Response Headquarters

- Established a Disaster Response Headquarters soon after the earthquake



■ Support for reconstruction

- On the day after the earthquake, started providing assistance for recovery work for NTT communications facilities and other projects
- Received a large volume of requests for recovery work from customers, including Tohoku University, and started responding to these requests as much as possible

■ Earthquake Recovery and Reconstruction Office

- Established the Earthquake Recovery and Reconstruction Office within the Construction Management Division on May 1 to follow up on emergency recovery assistance with quick support for expected repair and reconstruction work

■ Effect on results of operations

- There was no significant damage to Hibiya Engineering Group facilities, but delays in the receipt of large orders that were expected lowered orders and sales somewhat. There was no significant impact on earnings.

■ Measures to cut use of electricity

- The goal is to cut power consumption 30% from the previous year by using the smart lighting controller, which was developed by the Hibiya Engineering Group, and other technology.

The Fourth Medium-term Management Plan (April 2011 – March 2014)

1. Business Environment and Management Issues

The Japanese construction market

- Market contraction and end of the downturn
- Renovation market is growing
- New competitors from peripheral industries and more intense competition
- Market sectors associated with the environment and energy are growing
- Globalization of customers is advancing
- Shift in market conditions due to the earthquake

Management issues

- Clarify targets of sales activities and use more sophisticated methods
- Transform group strengths into actual competitive advantages
- Expand the environmental solutions business
- Work constantly on cost cutting
- Conduct business operations overseas and in other growing business domains

**Fundamental policy of the Fourth
Medium-term Management Plan**

2. Accomplishments of the Third Medium-term Management Plan



Current business activities

- **More heated competition caused by rapid downturn in market conditions and other challenges** → More work needed to reach volume-based targets like orders received
- **Emphasized upstream sales and sales using collaboration with NTT** → Captured orders for projects with much added value
- **Cut costs wherever possible** → Reached earnings targets

New businesses

- **Expanded the environmental solutions business**
 - Consulting orders totaled ¥59 million for 32 projects (plan was 30 projects)
 - Energy-conservation construction orders totaled ¥1.7 billion (goal was ¥1.5 billion)
- **Set the stage for the next phase of growth**
 - Acquired energy-conservation diagnosis technology (alliance with VEGLIA Laboratories)
 - Upgraded maintenance capabilities (Nihon Meccs, O-ENCE)
 - HIT Engineering, which has much pharmaceutical industry expertise, became a subsidiary
 - Started the solar heat project, wastewater treatment business and other initiatives

3. Fundamental Policy of the Fourth Medium-term Management Plan

- The Fourth Medium-term Management Plan has the goal of transforming seeds of growth from the Third Medium-term Management Plan into actual growth while adhering to the basic concept for the Hibiya Vision.

The type of organization that Hibiya Engineering aims to become and should become

- Earn recognition as the “best partner” at even more customers
- Be a company that constantly takes on challenges involving new technologies and business fields

Fundamental policy

Current
businesses

- **Increase orders received while preserving profitability**
 - Significant expansion of client base
 - Build a business framework that produces the greatest possible amount of earnings

New
businesses

- **Achieve steady growth of newly launched businesses and seek more business opportunities**
 - Capture synergies between new and current businesses
 - Target more opportunities in new business domains and consider starting operations outside Japan

4. Fundamental Strategies of the Fourth Medium-term Management Plan

Fundamental strategies

- **Make more progress with solution-based sales that link customers' needs with Hibiya Engineering technologies and offer more packaged services that combine many technologies (services).**
- **Target major trends by leveraging Hibiya Engineering's strengths to focus on "six domains where these strengths can be translated into sales and earnings" and "three growing fields."**
- **Upgrade consulting sales skills, earn profits by making production activities more efficient and advanced, enhance safety and quality, refine the skills of employees and take other actions to build a stronger foundation for growth.**
- **Execute a financial strategy centered on even more stable profit distributions to shareholders and further improvements in the productive use of assets.**

5. Fundamental Strategies of the Fourth Medium-term Management Plan

Mega-trends

- Cloud computing
- Green innovation
- Smart cities
- Health care
- Globalization
- BCP

Hibiya Engineering strengths

- Green engineering (Cut CO₂ emissions, energy conservation)
- Technology for renovations using existing fixtures
- Engineering skills associated with ICT
- A broad-based value chain
- Excellent safety and quality

Major priority domains

- Transform strengths into new orders
 - Data centers
 - Office buildings
 - Production equipment
 - Health care and welfare facilities
 - Academic facilities
 - U.S. military
- Target growing market sectors
 - Smart city creation
 - Health care domain
 - Overseas operations

6. Financial Strategy

Dividends

Fundamental policy

- Before ■ Pay dividends in line with earnings
(Target: Non-consolidated payout ratio of 60% for the time being)



- New plan ■ 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.

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.

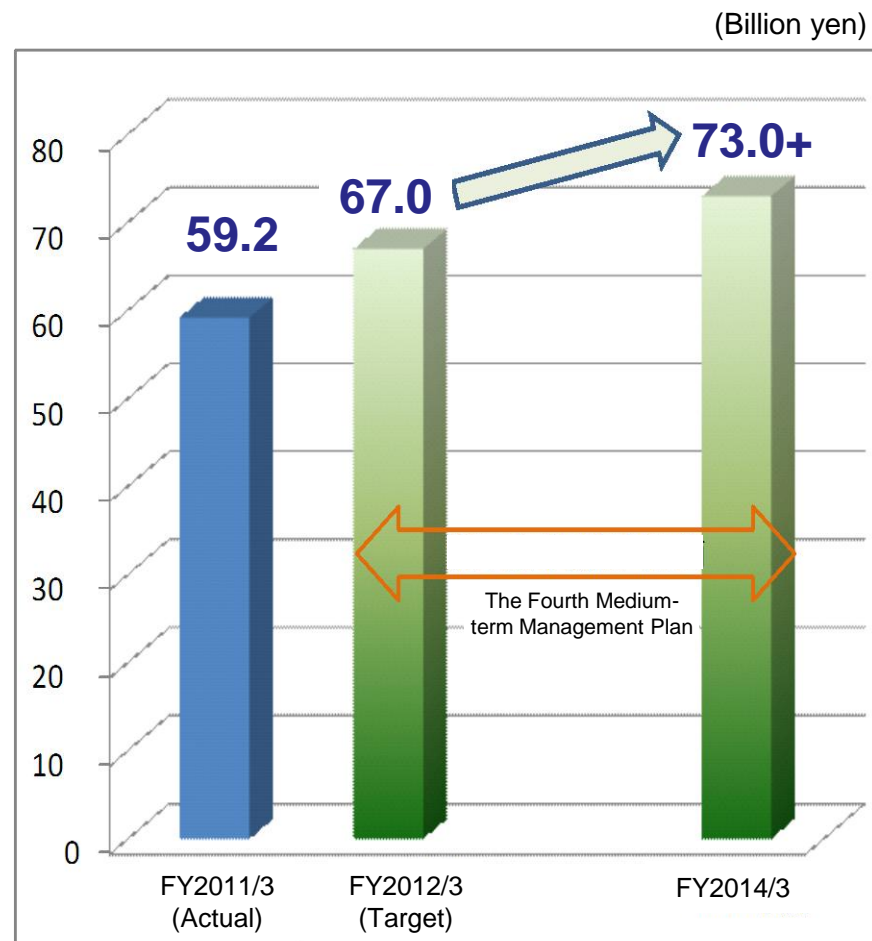
7. Financial Targets

Net sales and income (consolidated)

(Billion yen)

	FY2011/3 (Actual)	FY2012/3 (Target)	FY2014/3
Orders received	59.2	67.0	73.0+
Net sales	58.3	64.0	70.0+
Operating Income	2.5	2.5	2.5+
Ordinary Income	4.2	3.8	3.5+
Net Income	3.0	2.4	2.0+
ROE	5.9	4.6	4.5+

Orders received (consolidated)



*FY13 figures are the minimum targets for each item.

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Earnings Announcement

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