

Summary of Financial and Operating Results for the First three months of the Fiscal Year Ending March 2011 [Japan GAAP]

August 5, 2010

Company: Hibiya Engineering, Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1982
 URL: <http://www.hibiya-eng.co.jp>
 Representative Director: Haruki Nomura, President
 Contact: Hiroshi Abe, Manager of Finance Division
 Tel: 03-6803-5960

(Rounded down to million yen)

1. Consolidated results of operations for the first three months of the fiscal year ending March 2011 (April 1, 2010 – June 30, 2010)

(1) Consolidated results of operations

(Percentages represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income (for the period)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q ended June '10	10,727	(16.4)	318	-	607	-	352	176.1
1Q ended June '09	12,830	35.9	(229)	-	20	-	127	-

	Earnings per share (for the period, basic)		Earnings per share (for the period, diluted)	
	Yen		Yen	
1Q ended June '10	10.77		10.75	
1Q ended June '09	3.83		-	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2010	67,970	51,098	73.2	1,520.39
As of March 31, 2010	74,631	51,998	67.8	1,544.43

(For reference) Shareholders' equity: 49,724 million yen as of June 30, 2010 50,593 million yen as of March 31, 2010

2. Dividends

(Yen)

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
FY 10	-	7.50	-	17.00	24.50
FY 11	-				
FY 11 (Estimate)		7.50	-	14.50	22.00

Note: Changes in the estimation of dividend in this period None

3. Consolidated business forecast for the fiscal year ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(Percentages represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	26,000	6.3	(150)	-	300	12.7	250	(15.8)	7.63
Full year	62,000	(0.6)	2,000	(9.4)	3,200	(14.5)	2,000	(18.1)	61.05

Note: Changes in the forecast made in this period

None

Information concerning quarterly review procedure

This quarterly financial report is not subject to the quarterly review procedure prescribed by the Financial Instruments and Exchange Law. The review procedure prescribed by the Financial Instruments and Exchange Law for the quarterly consolidated financial statements had not been completed when this quarterly financial report was released.

Forward-looking statements, important Notes, etc.

These materials contain forward-looking statements that are based on information available to management as of the date of this report. Actual results may be materially different from the above forecasts for a number of reasons.

In addition, the forecast for the fiscal year dividend is calculated in accordance with the fundamental policy for earnings distributions that is explained on page 2 in "Forecast for the fiscal year ending March 2011".

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1. Business Results

(1) Overview on consolidated business performance

In the first quarter of the fiscal year, there was an improvement in the Japanese economy due mainly to a recovery in corporate earnings, mainly at companies with substantial exports, and to the benefits of government economic stimulus measures. However, the outlook remains uncertain because of soft capital expenditures and high unemployment in Japan. A possible credit crunch caused by the sovereign debt problem in Europe and other sources of concern also contribute to the uncertain outlook.

In the construction industry as well, the operating environment is difficult because there is no full-scale recovery in public-works expenditures or private-sector capital expenditures.

Although the Hibiya Engineering Group took actions to capture more orders, orders received in the first quarter decreased 0.3% from one year earlier to 9,152 million yen. Net sales decreased 16.4% to 10,727 million yen. As a result, the order backlog at the end of the first quarter was 26,651 million yen, 12.7% less than one year earlier.

Earnings benefited from an improvement in profitability resulting from a reduction in the cost of construction for orders carried over from the previous fiscal year. First quarter operating income was 318 million yen and ordinary income was 607 million yen. Net income was 352 million yen, 224 million yen higher than one year earlier.

(2) Overview of financial condition

[Assets]

Total assets were 67,970 million yen, 6,661 million yen less than at the end of the previous fiscal year. Current assets decreased 5,868 million yen to 32,949 million yen and noncurrent assets decreased 793 million yen to 35,021 million yen. The decrease in current assets was primarily the net result of increases of 2,165 million yen in cash and deposits and 1,948 million yen in short-term investment securities and a decrease of 10,442 million yen in notes receivable, accounts receivable from completed construction contracts and other.

[Liabilities]

Total liabilities decreased 5,761 million yen to 16,871 million yen. There was a 311 million increase in advances received on uncompleted construction contracts but decreases of 4,671 million yen in notes payable, accounts payable for construction contracts and other and 1,022 million yen in income taxes payable.

[Net Assets]

Net assets at the end of the first quarter totaled 51,098 million yen mainly because of decreases of 621 million yen in the valuation difference on available-for-sale securities and 206 million yen in retained earnings.

(3) Forecast for the fiscal year ending March 2011

There is no change in the forecast for consolidated performance that was announced on May 14, 2010.

The Hibiya Engineering Group positions the distribution of earnings to shareholders as one of its highest priorities. The fundamental policy is to make substantial earnings distributions in line with results of operations while making a due consideration for securing internal reserves for the foreseeable future and other factors. In accordance with this policy, the forecast for the dividend per share is based on the target of maintaining a non-consolidated payout ratio of 60% with a minimum ordinary dividend of 15 yen per share.

2. Other Information

(1) Changes in significant subsidiaries: None

(2) Simplified accounting methods and special accounting methods :

a. Calculation of estimated losses for ordinary receivables

Since there was no significant difference between the loss ratio at the end of the first quarter and the loss ratio calculated at the end of the previous fiscal year, the loss ratio at the end of the previous fiscal year was used to estimate losses.

b. Valuation of inventories

No physical inventory count was performed for the valuation of inventories at the end of the first quarter. The valuation was determined using a reasonable method based on the physical-count inventories at the end of

the previous fiscal year.

- c. Depreciation of noncurrent assets
For noncurrent assets depreciated using the declining balance method, depreciation expenses are the percentage of fiscal year depreciation expenses corresponding to the length of the applicable fiscal period.
- d. Income taxes and deferred tax assets and liabilities
Income tax payments are calculated by using only significant additions, deductions and tax deductions. To determine the likelihood of recovering deferred tax assets, since there have been no significant changes in the operating environment or the occurrence of one-time items since the end of the previous fiscal year, the sales and earnings forecast and tax planning used in the previous fiscal year have been used.

(3) Changes in accounting principles, procedures, presentation methods and other items:

- a. Changes in accounting principles
(Application of "Accounting Standard for Asset Retirement Obligations")
Starting with the first quarter of the fiscal year ending March 31, 2011, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) have been applied. This change reduced income before income taxes by 12 million yen.

(Application of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method")

Starting with the first quarter of the fiscal year ending on March 31, 2011, "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, March 10, 2008) have been applied and the consolidated financial statements have been revised as necessary. This change increased ordinary income and income before income taxes by 1 million yen.

(Application of "Accounting Standard for Business Combinations" and other standards)

Starting with the first quarter of the fiscal year ending March 31, 2011, "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) have been applied.

In prior fiscal years, only part of the assets and liabilities of consolidated subsidiaries were valued at market prices. Due to the adoption of "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), as mentioned in the previous paragraph, starting with the first quarter of the fiscal year ending March 31, 2011, all assets and liabilities of consolidated subsidiaries are marked to market. This change had no effect on the first quarter consolidated financial statements.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	As of June 30, 2010	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	13,816	11,650
Notes receivable, accounts receivable from completed construction contracts and other	13,498	23,941
Short-term investment securities	2,999	1,050
Costs on uncompleted construction contracts and other	1,779	1,213
Other	881	997
Allowance for doubtful accounts	(26)	(36)
Total current assets	32,949	38,817
Noncurrent assets		
Property, plant and equipment	648	658
Intangible assets	743	608
Investments and other assets		
Investment securities	25,707	26,625
Other	8,074	8,075
Allowance for doubtful accounts	(151)	(152)
Total investments and other assets	33,630	34,547
Total noncurrent assets	35,021	35,814
Total assets	67,970	74,631
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	12,324	16,995
Short-term loans payable	780	780
Income taxes payable	37	1,060
Advances received on uncompleted construction contracts	1,015	703
Provision for bonuses	425	1,042
Provision for warranties for completed construction	43	37
Provision for loss on construction contracts	329	350
Other	1,316	953
Total current liabilities	16,271	21,924
Noncurrent liabilities		
Provision for retirement benefits	448	438
Provision for directors' retirement benefits	35	39
Other	117	231
Total noncurrent liabilities	600	709
Total liabilities	16,871	22,633

	As of June 30, 2010	As of March 31, 2010
Net assets		
Shareholders' equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	37,816	38,022
Treasury stock	(895)	(854)
Total shareholders' equity	48,606	48,854
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,117	1,739
Total valuation and translation adjustments	1,117	1,739
Subscription rights to shares	35	40
Minority interests	1,338	1,364
Total net assets	51,098	51,998
Total liabilities and net assets	67,970	74,631

(2) Quarterly consolidated statements of income

(Million yen)

	Three months ended June 30, 2009 (Apr. 1, 2009 – June 30, 2009)	Three months ended June 30, 2010 (Apr. 1, 2010 – June 30, 2010)
Net sales	12,830	10,727
Cost of sales	11,377	8,761
Gross profit	1,453	1,966
Selling, general and administrative expenses	1,683	1,647
Operating income (loss)	(229)	318
Non-operating income		
Interest income	37	34
Dividends income	69	76
Equity in earnings of affiliates	103	125
Other	48	58
Total non-operating income	259	295
Non-operating expenses		
Interest expenses	3	3
Other	5	3
Total non-operating expenses	8	6
Ordinary income	20	607
Extraordinary income		
Reversal of allowance for doubtful accounts	32	10
Total extraordinary income	32	10
Extraordinary loss		
Loss on valuation of investment securities	-	38
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	12
Total extraordinary loss	-	51
Income before income taxes	53	567
Income taxes-current	15	21
Income taxes-deferred	(30)	190
Total income taxes	(15)	211
Income before minority interests	-	356
Minority interests in income (loss)	(59)	3
Net income	127	352

(3) Note on going concern assumption: None

(4) Note on significant change in shareholders' equity: None