

Summary of Financial and Operating Results for the First Quarter of the Fiscal Year Ending March 2009

August 5, 2008

Company: Hibiya Engineering, Ltd.

Stock exchange listing: Tokyo Stock Exchange (First Section)

Stock code: 1982

URL: <http://hibiya-eng.co.jp/>

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1 Consolidated results of operations for the first quarter of the fiscal year ending March 2009 (April 1, 2008 – June 30, 2008)

(1) Consolidated results of operations

Rounded down to million yen

	Net sales		Operating income		Ordinary income		Net income (for the period)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q ended June '08	9,440	—	(465)	—	(182)	—	(138)	—
1Q ended June '07	10,009	(29.2)	(670)	—	(400)	—	(224)	—

	Earnings per share (for the period, basic)	Earnings per share (for the period, diluted)
	Yen	Yen
1Q ended June '08	(3.85)	—
1Q ended June '07	(6.17)	—

Note: The percentages for net sales, operating income, ordinary income and net income represent changes from the same period of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q ended June '08	69,560	51,859	72.7	1,407.97
FY ended March '08	75,085	52,289	67.9	1,412.46

Note: Shareholders' equity: 50,562 million yen as of the end of FY09 1Q

51,001 million yen as of the end of FY08

2 Dividends

(Yen)

	Dividend per share				
	First quarter	Second quarter	Third quarter	End fiscal Year	Full year
FY March 2008	—	7.50	—	17.50	25.00
FY March 2009	—	—	—	—	—
FY March 2009	—	7.50	—	7.50	15.00

Note: change in dividend forecast for the first quarter None

**3 Consolidated business forecast for the fiscal year ending March 31, 2009
(April 1, 2008 – March 31, 2009)**

(Percentages represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1Q, 2Q cumulative	21,000	—	(600)	—	(180)	—	(80)	—	(2.22)
Full year	63,500	3.7	1,150	72.5	2,100	(13.8)	1,200	32.7	33.23

Note: change in full year earnings forecast None

Forward-looking statements, important Notes, etc.

1. 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.

2. Effective from the current consolidated accounting year the Company has adopted “Accounting Standards on Quarterly Financial Standards” (Corporate Accounting Standards, No. 12) and “Guidelines on Quarterly Financial Statements” (Guidelines on Corporate Accounting Standards, No. 14) while complying with “Rules on Quarterly Financial Statements”.

This is an English translation of the captioned report. This translation is prepared and provided for the purpose of the reader’s convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.

Results of Operations and Financial Condition

1 Results of operations

First quarter orders received totaled 12,123 million yen, 9.0% higher than one year earlier. The main reason was an increase in construction orders received.

Consolidated sales were 9,440 million yen because of a decline in the order backlog from the previous fiscal year and other factors.

Although sales declined, profitability benefited from improvements in profit margins and net non-operating income. As a result, there was an operating loss of 465 million yen, an ordinary loss of 182 million yen and a net loss of 138 million yen.

2 Financial condition

(Assets)

Current assets decreased 5,174 million yen compared with the end of the previous fiscal year to 34,745 million yen. There were increases of 1,689 million yen in cash and cash equivalents, 1,701 million yen in marketable securities and 2,139 million yen in cost of uncompleted contracts. But notes and accounts receivable decreased 9,954 million yen.

Fixed assets decreased 350 million yen to 34,815 million yen mainly because of a 327 million decrease in investments and other assets.

The result was a 5,525 million yen decrease in total assets to 69,560 million yen at the end of the first quarter.

(Liabilities)

Liabilities decreased 5,081 million yen to 16,994 million yen. This was the primarily the net result of an increase of 844 million yen in advances received on uncompleted contracts and decreases of 5,245 million yen in notes and accounts payable-trade and 522 million yen in income taxes payable.

Long-term liabilities decreased 13 million yen to 706 million yen.

Total liabilities amounted to 17,700 million yen, 5,095 million yen less than at the end of the previous fiscal year.

(Net assets)

Net assets decreased 430 million yen to 51,859 million yen mainly because of a 773 million yen decrease in retained earnings.

(Cash flows)

(1) Operating activities

Net cash provided by operating activities was 2,298 million yen. Cash was used by an increase in inventories and a decrease in notes and accounts payable but cash was provided by a decrease in notes and accounts receivable-trade.

(2) Investing activities

Net cash provided by investing activities was 1,694 million yen. Although there were payments for investments in silent partnerships, cash was provided by proceeds from silent partnership distributions and the redemption of investment securities.

(3) Financing activities

Net cash provided by (used in) financing activities (807) million yen. The main uses of cash were cash dividends paid and payments for the purchase of treasury stock.

At the end of the first quarter, cash and cash equivalents amounted to 15,518 million yen.

3 Outlook for the fiscal year

There is no change to the consolidated forecast that was announced on May 15, 2008.

4 Other items

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that involve a change in the scope of consolidation)

None

(2) Use of simple accounting methods and special accounting methods for preparation of the quarterly consolidated financial statements

1) Method for calculating estimated for uncollectible amounts for ordinary receivables

As there was no significant difference in the rate of occurrence of doubtful accounts in the first quarter compared with the end of the previous fiscal year, the estimate for uncollectible amounts was based on the doubtful account ratio at the end of the previous fiscal year.

2) Method for valuation of inventories

No physical count was performed to determine the value of inventories at the end of the first quarter.

Instead a reasonable method was used to determine this value based on the physical count of inventories as of the end of the previous fiscal year.

3) Method for calculation of income taxes, deferred tax assets and deferred tax liabilities

Income taxes paid were calculated by using only significant additions and deductions and tax deduction items. In addition, to determine the likelihood of recovering deferred tax assets, forecasts for operating results and tax planning as of the end of the previous fiscal year were used. This is because there have been no significant changes in the operating environment or major differences since the end of the previous fiscal year.

(3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements

1) Accounting Standard for Quarterly Financial Reporting

Beginning with the first quarter of the current fiscal year, Hibiya Engineering is using "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 14, 2007) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14, March 14, 2007). In addition, the quarterly consolidated financial statements were prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

2) Accounting Standard for Measurement of Inventories

Beginning with the first quarter of the current fiscal year, Hibiya Engineering is using "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result, for inventories held for sale in the ordinary course of business, the company has replaced the cost method based on the specific identification method with the cost method based on the specific-identification cost method (method in which book values are reduced based on declines in profitability). This change had no effect on earnings.

3) Accounting Standard for Lease Transactions

Beginning with the first quarter of the current fiscal year, Hibiya Engineering is using "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, January 18, 1994, final revision March 30, 2007) prior to the required adoption of this standard. For financial leases that do not involve transfer of ownership to the lessee, Hibiya Engineering has been using the accounting method for rental transactions. Beginning with the first quarter of the current fiscal, the company is using the accounting method for ordinary purchase and sale transactions. Depreciation expenses for lease assets are calculated by using the straight-line method in which the lease contract period is the useful life of each asset and the residual value is nil.

For financial leases that do not involve transfer of ownership to the lessee, in cases where the lease began prior to the first year in which the new standard was used, the company will continue to apply the accounting method used for rental transactions. This change had no effect on earnings.

5 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

Account	1Q ended June 30 2008	FY ended March 31 2008
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	11,521	9,832
Notes and accounts receivable-trade	13,102	23,057
Marketable securities	4,309	2,608
Cost of uncompleted contracts	4,590	2,450
Other	1,242	1,997
Allowance for doubtful accounts	(22)	(27)
Total current assets	34,745	39,919
Fixed assets		
Property, plant and equipment	649	666
Intangible assets	139	145
Investments and other assets		
Investment securities	28,441	28,349
Other	5,731	6,119
Allowance for doubtful accounts	(147)	(115)
Total investments and other assets	34,026	34,353
Total fixed assets	34,815	35,165
Total assets	69,560	75,085
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,278	18,523
Short-term borrowings	780	780
Income taxes payable	50	573
Advance received on uncompleted contracts	1,836	992
Accrued bonuses	370	622
Allowance for warranty for construction damages	37	38
Allowance for losses on construction contracts	3	15
Other	637	530
Total current liabilities	16,994	22,076
Long-term liabilities		
Allowance for retirement benefits for employees	409	460
Allowance for retirement benefits for directors and corporate auditors	102	119
Other	193	140
Total long-term liabilities	706	719
Total liabilities	17,700	22,796
Net Assets		
Owners' equity		
Common stock	5,753	5,753
Additional paid-in capital	5,931	5,931
Retained earnings	37,302	38,075
Treasury stock, at cost	(767)	(602)
Total Owners' equity	48,219	49,158
Valuation and translation adjustments		
Net unrealized holding gains on securities	2,342	1,842
Total net unrealized holding gains on securities	2,342	1,842
Minority interests	1,297	1,288
Total net assets	51,859	52,289
Total liabilities and net assets	69,560	75,085

(2) Consolidated Statements of Income

(Million yen)

Account	1Q ended June 30 2008
	Amount
Net sales	9,440
Cost of sales	8,479
Gross profit	960
Selling, general and administrative expenses	1,425
Operating income	(465)
Other income	
Interest income	75
Dividend income	115
Other	99
Total of other income	290
Other expenses	
Interest expense	4
Other	3
Total of other expenses	8
Ordinary income	(182)
Extraordinary losses	
Loss on devaluation of investment securities	35
Total of extraordinary losses	35
Income before income taxes and minority interests	(217)
Income, residential enterprise tax	24
Income tax deferred	(93)
Total taxes	(69)
Minority interests	(9)
Net income for the period	(138)

(3) Consolidated Statements of Cash Flows

(Million yen)

	1Q ended June 30 2008
Account	Amount
Cash flows from operating activities	
Income before income taxes and minority interests (for the period)	(217)
Depreciation and amortization	31
Increase in allowance for doubtful accounts	27
Decrease in allowance for retirement benefits for employees	(50)
Decrease in allowance for retirement benefits for directors and corporate auditors	(16)
Decrease in accrued bonuses	(251)
Decrease in allowance for warranty for construction damages	(0)
Decrease in allowance for losses on construction contracts	(11)
Interest and dividend income	(191)
Interest expense	4
Loss on sales of marketable securities	35
Equity in earnings of affiliates	(3)
Decrease in notes and accounts receivable-trade	9,954
Increase in inventories	(2,139)
Increase (decrease) in notes and accounts payable	(5,245)
Increase in advance received on uncompleted contracts	844
Decrease in unpaid or unreceived consumption tax	(144)
Other	(3)
Subtotal	<u>2,620</u>
Interest and dividend received	215
Interest paid	(4)
Income taxes paid	(533)
Net cash provided by (used in) operating activities	<u>2,298</u>
Cash flows from investing activities	
Payments for purchase of property, plant and equipment	(7)
Payments for purchase of intangible assets	(1)
Payment for purchase of investment securities	(26)
Proceeds from redemption of investment securities	500
Payment for insurance policy contribution	(41)
Proceeds from reimbursement of insurance premiums	113
Proceeds from reversal of long-term security money	1
Payment for investment in silent partnership	(1,000)
Proceeds from investment in silent partnership	2,154
Other	1
Net cash provided by investing activities	<u>1,694</u>
Cash flows from financing activities	
Payments for purchase of treasury stock	(201)
Proceeds from sales of treasury stock	35
Cash dividends paid	(634)
Cash dividends paid to minority shareholders	(6)
Net cash provided by (used in) financing activities	<u>(807)</u>
Net increase (decrease) in cash and cash equivalents	<u>3,186</u>
Cash and cash equivalents at beginning of quarter	<u>12,331</u>
Cash and cash equivalents at end of quarter	<u>15,518</u>

Effective from the current consolidated accounting year the Company has adopted “Accounting Standards on Quarterly Financial Statements” (Corporate Accounting Standard, No. 12) and “Guidelines on Quarterly Financial Statements” (Guidelines on Corporate Accounting Standards 14) while complying with “Rules on Quarterly Financial Statements”.

(4) Note on going concern assumption
(First quarter, April 1, 2008 – June 30, 2008) None

(5) Note on significant change in owners' equity
(First quarter, April 1, 2008 – June 30, 2008)

(Million yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total net assets
Balance as of end of FY08	5,753	5,931	38,075	(602)	49,158
Changes in first quarter FY09					
Cash dividends paid			(634)		(634)
Net income			(138)		(138)
Treasury stock purchased*				(201)	(201)
Treasury stock sold			(0)	35	35
Total changes in first quarter FY09			(773)	(165)	(939)
Balance as of end of first quarter FY09	5,753	5,931	37,302	(767)	48,219

*N.B. The Company purchased of treasury stock worth 197 million yen from the market, not including odd lot shares worth 3 million yen.