

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

November 10, 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 second quarter of the fiscal year ending March 2009 (April 1, 2008 – Sept 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	%
2Q ended Sept '08	23,169	—	(569)	—	(48)	—	(323)	—
2Q ended Sept '07	24,143	(8.8)	(1,023)	—	(568)	—	(423)	—

	Earnings per share (for the period, basic)		Earnings per share (for the period, diluted)	
	Yen		Yen	
2Q ended Sept '08	(9.04)		—	
2Q ended Sept '07	(11.62)		—	

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
2Q ended Sept '08	65,415	50,665	75.5	1,390.78
FY ended March '08	75,085	52,289	67.9	1,412.46

Note: Shareholders' equity: 49,400 million yen as of the end of FY09 2Q

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	—	7.50	—	—	—
FY March 2009 (Estimate)	—	—	—	7.50	15.00

Note: change in dividend forecast for the second 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
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. Analysis of results of operations

In the first half of the fiscal year, orders received totaled 26,298 million yen, 4.0% less than one year earlier. This decline was caused by a policy of using even stricter standards when accepting new orders and by the even more pronounced downturn in private-sector capital expenditures in Japan.

Net sales totaled 23,169 million yen.

There was an operating loss of 569 million yen and an ordinary loss of 48 million yen. After a valuation loss on investment securities based on accordance with asset impairment accounting and other items, the first half net loss was 323 million yen.

2. Analysis of financial condition

Current assets totaled 32,745 million yen at the end of the first half, 7,174 million yen less than at the end of the previous fiscal year. There were increases of 1,999 million yen in cash and cash equivalents, 1,512 million yen in marketable securities and 1,654 million yen in cost of uncompleted contracts. Notes and accounts receivable-trade decreased 11,928 million yen.

Fixed assets decreased 2,495 million yen to 32,670 million yen mainly because of a 2,596 million yen decrease in investments and other assets.

As a result, total assets totaled 65,415 million yen, which was 9,670 million yen less than at the end of the previous fiscal year.

Current liabilities decreased 7,912 million yen to 14,163 million yen. There was a 559 million yen increase in advances received on uncompleted contracts but decreases of 7,765 million yen in notes and accounts payable-trade and 457 million yen in income taxes payable.

Long-term liabilities decreased 133 million yen to 586 million yen.

Total liabilities decreased 8,046 million yen to 14,749 million yen.

Net assets decreased 1,623 million yen to 50,665 million yen. This was primarily the result of a 959 million yen decrease in retained earnings and a 513 million yen increase in treasury stock.

(Cash flows)

(1) Operating activities

Net cash provided by operating activities was 1,632 million yen. This was mainly because the decrease in notes and accounts receivable-trade and other sources of cash exceeded cash used by an increase in inventories, decrease in accounts payable-trade and other items.

(2) Investing activities

Net cash provided by investing activities was 1,523 million yen. The main source of cash was proceeds from withdrawal of investment in silent partnership.

(3) Financing activities

Net cash used in financing activities was 1,156 million yen. The main uses of cash were cash dividends paid and the purchase of treasury stock.

Due to these cash flows, there was a net increase of 14,330 million yen in cash and cash equivalents at the end of the first half.

3. Forecast for fiscal year ending in March 2009

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

4. Other items

(1) Change 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 calculation of depreciation expenses for fixed assets
For fixed assets that are depreciated using the declining-balance method, depreciation expenses were calculated by using the proportional amount of fiscal year depreciation expenses for each fiscal period.
 - 2) 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, temporary differences 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 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 method (method in which book values are reduced based on declines in profitability).

This change did not have a significant effect on first half results of operations.

- 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, June 17, 1993, final revision issued on 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 did not have a significant effect on first half results of operations.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

Account	2Q ended Sept 30 2008	FY ended March 31 2008
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	11,832	9,832
Notes and accounts receivable-trade	11,128	23,057
Marketable securities	4,121	2,608
Cost of uncompleted contracts	4,104	2,450
Other	1,587	1,997
Allowance for doubtful accounts	(29)	(27)
Total current assets	32,745	39,919
Fixed assets		
Property, plant and equipment	631	666
Intangible assets	280	145
Investments and other assets		
Investment securities	26,348	28,349
Other	5,595	6,119
Allowance for doubtful accounts	(186)	(115)
Total investments and other assets	31,757	34,353
Total fixed assets	32,670	35,165
Total assets	65,415	75,085
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,758	18,523
Short-term borrowings	780	780
Income taxes payable	115	573
Advance received on uncompleted contracts	1,552	992
Accrued bonuses	668	622
Allowance for warranty for construction damages	37	38
Allowance for losses on construction contracts	2	15
Other	248	530
Total current liabilities	14,163	22,076
Long-term liabilities		
Allowance for retirement benefits for employees	365	460
Allowance for retirement benefits for directors and corporate auditors	108	119
Other	112	140
Total long-term liabilities	586	719
Total liabilities	14,749	22,796
Net Assets		
Owners' equity		
Common stock	5,753	5,753
Additional paid-in capital	5,931	5,931
Retained earnings	37,115	38,075
Treasury stock, at cost	(1,115)	(602)
Total Owners' equity	47,685	49,158
Valuation and translation adjustments		
Net unrealized holding gains on securities	1,714	1,842
Total net unrealized holding gains on securities	1,714	1,842
Minority interests	1,265	1,288
Total net assets	50,665	52,289
Total liabilities and net assets	65,415	75,085

(2) Consolidated Statements of Income

(Million yen)	
Account	2Q ended Sept 30 2008 Amount
Net sales	23,169
Cost of sales	20,850
Gross profit	2,319
Selling, general and administrative expenses	2,889
Operating income	(569)
Other income	
Interest income	141
Dividend income	133
Other	269
Total of other income	544
Other expenses	
Interest expense	8
Other	14
Total of other expenses	23
Ordinary income	(48)
Extraordinary income	
Gain on sales of investment securities	5
Total of extraordinary income	5
Extraordinary losses	
Loss on devaluation of investment securities	350
Total of extraordinary losses	350
Income before income taxes and minority interests	(393)
Income, residential enterprise tax	77
Income tax deferred	(143)
Total taxes	(66)
Minority interests	(3)
Net income for the period	(323)

(3) Consolidated Statements of Cash Flows

(Million yen)

Account	2Q ended Sept 30 2008 Amount
Cash flows from operating activities	
Income before income taxes and minority interests (for the period)	(393)
Depreciation and amortization	60
Increase in allowance for doubtful accounts	72
Decrease in allowance for retirement benefits for employees	(94)
Decrease in allowance for retirement benefits for directors and corporate auditors	(10)
Decrease in accrued bonuses	46
Decrease in allowance for warranty for construction damages	(1)
Decrease in allowance for losses on construction contracts	(13)
Interest and dividend income	(275)
Interest expense	8
Loss (gain) on sales of marketable securities	(5)
Loss on sales of marketable securities	350
Equity in earnings of affiliates	(79)
Decrease in notes and accounts receivable-trade	11,928
Increase in inventories	(1,654)
Increase (decrease) in notes and accounts payable	(7,765)
Increase in advance received on uncompleted contracts	559
Decrease in unpaid or unreceived consumption tax	(385)
Other	(448)
Subtotal	1,902
Interest and dividend received	272
Interest paid	(8)
Income taxes paid	(533)
Net cash provided by (used in) operating activities	1,632
Cash flows from investing activities	
Payments for purchase of property, plant and equipment	(12)
Payments for purchase of intangible assets	(150)
Payment for purchase of investment securities	(28)
Proceeds from sales of investment securities	8
Proceeds from redemption of investment securities	500
Payment for insurance policy contribution	(83)
Proceeds from reimbursement of insurance premiums	176
Proceeds from reversal of long-term security money	4
Payment for investment in silent partnership	(1,000)
Proceeds from investment in silent partnership	2,154
Other	(43)
Net cash provided by investing activities	1,523
Cash flows from financing activities	
Payments for purchase of treasury stock	(552)
Proceeds from sales of treasury stock	37
Cash dividends paid	(634)
Cash dividends paid to minority shareholders	(6)
Other	(0)
Net cash provided by (used in) financing activities	(1,156)
Net increase (decrease) in cash and cash equivalents	1,999
Cash and cash equivalents at beginning of quarter	12,331
Cash and cash equivalents at end of quarter	14,330

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
(Second quarter, July 1, 2008 – Sept 30, 2008) None

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

	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 second quarter FY09					
Cash dividends paid			(634)		(634)
Net income			(323)		(323)
Treasury stock purchased*				(552)	(552)
Treasury stock sold			(1)	38	37
Total changes in second quarter FY09			(959)	(513)	(1,473)
Balance as of end of second quarter FY09	5,753	5,931	37,115	(1,115)	47,685

*N.B. The Company purchased of treasury stock worth 539 million yen from the market, not including odd lot shares worth 12 million yen.