

Summary of Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2019 [Japan GAAP]

Company: Hibiya Engineering, Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1982
 URL: <http://www.hibiya-eng.co.jp/English>
 Representative Director: Yoshiharu Nishimura, President
 Contact: Hiroshi Ikeji, Senior Executive Officer, Manager of IR and PR Office, Administration Division
 Tel: 03-3454-2720
 Date of filing of quarterly securities report: February 5, 2019 (tentative)
 Date of commencement of dividend payment: –
 Supplementary explanatory documents: No
 Earnings presentation: No

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Financial results for the first three quarters of the fiscal year ending March 2019

(April 1, 2018 – December 31, 2018)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters ended Dec. 2018	44,128	2.2	(1,134)	–	(565)	–	(56)	–
First three quarters ended Dec. 2017	43,177	(9.4)	758	(71.7)	1,091	(62.7)	5,077	147.1

Note: Comprehensive income: First three quarters of FY3/2019: (619) million yen (-%)
 First three quarters of FY3/2018: 7,278 million yen (173.8%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Dec. 2018	(2.31)		–	
First three quarters ended Dec. 2017	175.94		175.07	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	72,176	56,061	76.0	2,256.36
As of March 31, 2018	82,931	58,580	69.2	2,350.48

Notes: Shareholders' equity

As of December 31, 2018: 54,831 million yen As of March 31, 2018: 57,382 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2018	–	30.00	–	30.00	60.00
Fiscal year ending March 2019	–	40.00	–		
Fiscal year ending March 2019 (estimate)				40.00	80.00

Note: Change in the estimation of dividend from the latest announcement: No

3. Forecast for the fiscal year ending March 2019 (Consolidated, April 1, 2018 to March 31, 2019)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	73,000	9.2	3,200	0.9	4,200	2.6	3,000	(58.8)	122.88

Note: Change in the forecast from the latest announcement: No

* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: No

(b) Changes other than in (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2018:	26,506,321	As of March 31, 2018:	26,506,321
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(b) Treasury shares

As of December 31, 2018:	2,205,246	As of March 31, 2018:	2,093,217
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2018:	24,414,158	Period ended December 31, 2017:	28,857,806
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Forward-looking statements, important Notes, etc.

This report is exempt from the audit review by certified public accountant or audit firm.

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.

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.

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1. Results of Operations

(1) Overview of consolidated business performance

In the first three quarters of the current fiscal year, the Japanese economy recovered slowly with the support of actions by the government and Bank of Japan as the labor market and personal income continued to improve. However, caution is still needed regarding the uncertainty about overseas economies and volatility in financial markets.

In Japan's construction industry, public-works expenditures and corporate capital expenditures remained firm. But the business climate is challenging due to intense competition amid concerns about the higher cost of building materials caused by foreign exchange rate movements and labor cost due to Japan's tight labor market.

The Hibiya Engineering Group is continuing to implement its Sixth Medium-term Management Plan, which started in the previous fiscal year. Group companies are investing in human resources and ICT in order to change how people work and taking actions aimed at providing even more advanced life cycle total solutions. Measures for reinforcing compliance and quality management are other goals of this plan. All these activities are aimed at building a base for the long-term stability and growth of business operations by becoming a comprehensive engineering services organization offering a one-stop source of services for all customer needs.

In the first three quarters of the current fiscal year, orders received were 52,383 million yen, down 2.6% from one year earlier. Sales increased 2.2% to 44,128 million yen. There was an operating loss of 1,134 million yen compared with operating profit of 758 million yen one year earlier and an ordinary loss of 565 million yen compared with a 1,091 million yen profit one year earlier. The loss attributable to owners of parent was 56 million yen compared with a profit of 5,077 million yen one year earlier.

(2) Overview of financial condition

Assets

Total assets decreased 10,755 million yen from the end of the previous fiscal year to 72,176 million yen. Current assets decreased 9,517 million yen to 41,498 million yen and noncurrent assets decreased 1,237 million yen to 30,677 million yen. Major changes in assets were an increase of 4,063 million yen in cash and deposits and a decrease of 9,496 million yen in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities decreased 8,236 million yen to 16,114 million yen. The main reasons were decreases of 7,681 million yen in notes payable, accounts payable for construction contracts and other and 283 million yen in income taxes payable.

Net assets

Net assets were 56,061 million yen at the end of the third quarter because of the 56 million yen loss attributable to owners of parent.

(3) Forecast for fiscal year ending in March 2019

There are no revisions to the forecast that was announced on November 6, 2018.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	Third quarter ended Dec. 2018 (As of December 31, 2018)
ASSETS		
Current assets		
Cash and deposits	12,669	16,733
Notes receivable, accounts receivable from completed construction contracts and other	32,065	22,568
Securities	1,500	–
Costs on uncompleted construction contracts and other	802	859
Other	3,990	1,350
Allowance for doubtful accounts	(12)	(13)
Total current assets	51,015	41,498
Noncurrent assets		
Property, plant and equipment	740	703
Intangible assets	158	255
Investments and other assets		
Investment securities	26,631	25,349
Other	4,417	4,404
Allowance for doubtful accounts	(32)	(34)
Total investments and other assets	31,016	29,719
Total noncurrent assets	31,915	30,677
Total assets	82,931	72,176

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	Third quarter ended Dec. 2018 (As of December 31, 2018)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	18,375	10,693
Income taxes payable	356	72
Advances received on uncompleted construction contracts	630	657
Provision for bonuses	1,242	550
Provision for warranties for completed construction	128	104
Provision for loss on construction contracts	421	425
Other	1,694	2,342
Total current liabilities	22,848	14,846
Noncurrent liabilities		
Net defined benefit liability	878	864
Other	623	403
Total noncurrent liabilities	1,501	1,268
Total liabilities	24,350	16,114
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	45,648	43,858
Treasury shares	(4,535)	(4,734)
Total shareholder's equity	52,894	50,906
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	5,201	4,573
Remeasurements of defined benefit plans	(712)	(647)
Total accumulated other comprehensive income	4,488	3,925
Subscription rights to shares	170	204
Non-controlling interests	1,027	1,025
Total net assets	58,580	56,061
Total liabilities and net assets	82,931	72,176

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (For the first three quarters)

(million yen)

	First three quarters ended December 2017 (April 1, 2017 – December 31, 2017)	First three quarters ended December 2018 (April 1, 2018 – December 31, 2018)
Net sales	43,177	44,128
Cost of sales	36,685	39,453
Gross profit	6,491	4,675
Selling, general and administrative expenses	5,732	5,809
Operating profit (loss)	758	(1,134)
Non-operating income		
Interest income	38	25
Dividend income	200	245
Share of profit of entities accounted for using equity method	2	168
Other	130	140
Total non-operating income	372	578
Non-operating expenses		
Interest expense	0	2
Commission for purchase of treasury shares	35	0
Other	3	7
Total non-operating expenses	39	9
Ordinary profit (loss)	1,091	(565)
Extraordinary income		
Gain on sales of investment securities	4,523	553
Total extraordinary income	4,523	553
Profit (loss) before income taxes	5,614	(11)
Income taxes-current	139	108
Income taxes-deferred	336	(65)
Total income taxes	476	43
Profit (loss)	5,138	(55)
Profit attributable to non-controlling interests	61	0
Profit (loss) attributable to owners of parent	5,077	(56)

(Quarterly consolidated statements of comprehensive income)
(For the first three quarters)

(million yen)

	First three quarters ended December 2017 (April 1, 2017 – December 31, 2017)	First three quarters ended December 2018 (April 1, 2018 – December 31, 2018)
Profit (loss)	5,138	(55)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,980	(507)
Deferred gains or losses on hedges	(0)	–
Remeasurements of defined benefit plans, net of tax	53	67
Share of other comprehensive income of entities accounted for using equity method	105	(123)
Total other comprehensive income	2,139	(563)
Comprehensive income	7,278	(619)
Comprehensive income attributable to owners of parent	7,165	(619)
Comprehensive income attributable to non-controlling interests	112	(0)

(3) Notes to consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Additional Information)

(Application of Partial revision of Accounting Standards for Tax Effect Accounting, etc.)

Partial revision of Accounting Standards for Tax Effect Accounting (Corporate Accounting Standard No. 28, February 16, 2018), etc., has been applied from the beginning of the first quarter of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of noncurrent liabilities.