

## Summary of Consolidated Financial Results

### For the Second Quarter of Fiscal Year Ending March 31, 2016 [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: Haruki Nomura, President

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Date of filing of quarterly securities report: November 6, 2015 (tentative)

Date of commencement of dividend payment: December 9, 2015 (tentative)

Supplementary explanatory documents: No

Earnings presentation: Yes (For institutional investors and analysts)

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

**1. Financial results for the first half of the fiscal year ending March 2016 (April 1, 2015 – September 30, 2015)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2015	27,252	(3.0)	(539)	-	(331)	-	(270)	-
First half ended September 2014	28,104	7.1	(975)	-	(755)	-	(494)	-

Note: Comprehensive income: First half of FY3/2016: -784 million yen [-%], First half of FY3/2015: 276 million yen [-73.9%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2015	(9.10)		-	
First half ended September 2014	(16.41)		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2015	72,023	57,377	76.9	1,871.33
As of March 31, 2015	84,725	58,939	67.2	1,912.49

Notes: Shareholders' equity

As of September 30, 2015: 55,366 million yen As of March 31, 2015: 56,935 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 2015	-	16.00	-	16.00	32.00
Fiscal year ending March 2016	-	20.00	-	-	-
Fiscal year ending March 2016 (estimate)	-	-	-	20.00	40.00

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

**3. Forecast for the fiscal year ending March 2016 (Consolidated, April 1, 2015 to March 31, 2016)**

(Percentage figures 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	74,000	3.7	2,500	26.0	3,300	7.9	2,000	(24.0)	67.18

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 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: Yes

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

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

Note: For more information, please see 2. Other Information (Note), Changes in accounting principles and estimates, and retrospective restatement.

(4) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares)

As of September 30, 2015:	31,000,309	As of March 31, 2015:	31,000,309
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(b) Treasury shares

As of September 30, 2015:	1,413,590	As of March 31, 2015:	1,229,704
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2015:	29,695,517	Period ended September 30, 2014:	30,136,343
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\*Description of quarterly review procedure implementation status

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The quarterly review procedure process based upon the Financial Instruments and Exchange Act has been completed at the time of disclosure of this report.

**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 these 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 on consolidated business performance

In the first half of the current fiscal year, the Japanese economy recovered slowly as government economic stimulus measures supported improvements in corporate earnings, jobs and personal income. However, the outlook is uncertain mainly because of worries about an economic downturn in China and other countries.

In the construction industry, public-works investments and private-sector capital expenditures are strong. But the operating environment was challenging because of the higher cost of construction caused mainly by the rising cost of materials and labor as construction demand in Japan increases.

The Hibiya Engineering Group continued to take actions aimed at becoming a total engineering services company that is a one-stop source of equipment and services for meeting customers' needs.

Orders received were 35,863 million yen, down 5.3% from the first half of the previous fiscal year. Sales decreased 3.0% to 27,252 million yen. Although group companies continued to work on cutting costs, there was an operating loss of 539 million yen compared with a loss of 975 million yen one year earlier and an ordinary loss of 331 million yen compared with a loss of 755 million yen one year earlier. The first half loss attributable to owners of the parent was 270 million yen compared with 494 million yen loss one year earlier.

### (2) Overview of financial condition

#### Assets

Total assets were 72,023 million yen at the end of the first half, down 12,702 million yen from the end of the previous fiscal year. Current assets decreased 11,928 million yen to 32,592 million yen and noncurrent assets decreased 773 million yen to 39,431 million yen.

Assets decreased mainly because of an 16,131 million yen decrease in accounts receivable from completed construction contracts and other.

#### Liabilities

Total liabilities decreased 11,139 million yen to 14,646 million yen.

Notes payable, accounts payable for construction contracts and other decreased 9,136 million yen and income taxes payable decreased 1,141 million yen.

#### Net assets

Net assets totaled 57,377 million yen at the end of the first half mainly because of a 761 million yen decrease in retained earnings from the end of the previous fiscal year.

### (3) Forecast

There is no change in the forecast for consolidated results of operations that was announced on May 12, 2015.

## 2. Other information (Note)

### Changes in accounting principles and estimates, and retrospective restatement

#### Changes in accounting policy

(Application of accounting standard concerning business combinations and other accounting standards)

Beginning with the first quarter of the fiscal year ending on March 31, 2016, Hibiya Engineering is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As a result, when ownership changes at a subsidiary where Hibiya Engineering retains control, this difference is included in the capital surplus. In addition, the recognition of expenses associated with corporate acquisitions has been changed to the consolidated fiscal year in which the corresponding expense occurred. Furthermore, there is a revision involving the allocation of acquisition expenses for business combinations occurring on or after the first day of the first quarter of the fiscal year ending on March 31, 2016. The outlook for the allocation of acquisition expenses, based on a provisional confirmation of the accounting treatment, is now reflected in the consolidated financial statements of the quarter that includes the business combination date. There are also revisions for the presentation of quarterly net income and other items and the minority interests item is now called non-controlling shareholder interests. To reflect these changes in the presentation of the financial statements, first quarter and fiscal year consolidated financial statements for the previous fiscal year have been revised.

For the application of these three accounting standards, the transitional measures specified in Accounting Standard for Business Combinations No. 58-2 (4), Accounting Standard for Consolidated Financial Statements No. 44-5 (4) and Accounting Standard for Business Divestitures No. 57-4 (4) were used. These three accounting standards will continue to be applied starting with the beginning of the first quarter of the fiscal year ending on March 31, 2016.

The application of these accounting standards had no effect on earnings.

### 3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Second quarter ended September 2015 (As of September 30, 2015)
<b>ASSETS</b>		
Current assets		
Cash and deposits	3,363	4,152
Notes receivable, accounts receivable from completed construction contracts and other	36,092	19,961
Securities	2,701	5,501
Costs on uncompleted construction contracts and other	951	1,233
Other	1,459	1,768
Allowance for doubtful receivables	(47)	(24)
Total current assets	44,520	32,592
Noncurrent assets		
Property, plant and equipment	532	526
Intangible assets	115	117
Investments and other assets		
Investment securities	33,735	33,021
Other	5,888	5,786
Allowance for doubtful accounts	(67)	(20)
Total investments and other assets	39,556	38,787
Total noncurrent assets	40,204	39,431
Total assets	84,725	72,023

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Second quarter ended September 2015 (As of September 30, 2015)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	19,170	10,033
Income taxes payable	1,172	30
Advances received on uncompleted construction contracts	671	460
Provision for bonuses	976	599
Provision for warranties for completed construction	56	57
Provision for loss on construction contracts	348	447
Other	1,648	1,573
Total current liabilities	24,043	13,201
Noncurrent liabilities		
Net defined benefit liability	254	190
Other	1,487	1,253
Total noncurrent liabilities	1,742	1,444
Total liabilities	25,785	14,646
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	41,872	41,110
Treasury shares	(1,241)	(1,545)
Total shareholder's equity	52,316	51,250
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	4,692	4,168
Remeasurements of defined benefit plans	(72)	(52)
Total accumulated other comprehensive income	4,619	4,116
Subscription rights to shares	138	162
Non-controlling interests	1,864	1,848
Total net assets	58,939	57,377
Total liabilities and net assets	84,725	72,023

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
Quarterly consolidated statements of income  
For the first half (April 1, 2015 – September 30, 2015)

(Million yen)

	First half ended September 2014 (April 1, 2014-September 30, 2014)	First half ended September 2015 (April 1, 2015-September 30, 2015)
Net sales	28,104	27,252
Cost of sales	25,820	24,575
Gross profit	2,283	2,676
Selling, general and administrative expenses	3,258	3,215
Operating income (loss)	(975)	(539)
Non-operating income		
Interest income	51	43
Dividend income	92	99
Other	114	97
Total non-operating income	258	239
Non-operating expenses		
Interest expense	1	0
Equity in losses of affiliates	34	29
Other	2	3
Total non-operating expenses	38	32
Ordinary income (loss)	(755)	(331)
Extraordinary losses		
Loss on sales of investment securities	5	-
Total extraordinary losses	5	-
Income (loss) before income taxes	(760)	(331)
Income taxes-current	36	21
Income taxes-deferred	(301)	(96)
Total income taxes	(264)	(75)
Profit (loss)	(495)	(256)
Profit (loss) attributable to non-controlling interests	(1)	13
Profit (loss) attributable to owners of parent	(494)	(270)

Quarterly consolidated statements of comprehensive income  
For the first half (April 1, 2015 – September 30, 2015)

(Million yen)

	First half ended September 2014 (April 1, 2014-September 30, 2014)	First half ended September 2015 (April 1, 2015-September 30, 2015)
Income (loss) before minority interests	(495)	(256)
Other comprehensive income		
Valuation difference on available-for-sale securities	707	(494)
Remeasurements of defined benefit plans, net of tax	14	8
Share of other comprehensive income of entities accounted for using equity method	50	(41)
Total other comprehensive income	772	(527)
Comprehensive income	276	(784)
Comprehensive income attributable to owners of parent	256	(774)
Comprehensive income attributable to non-controlling interests	20	(10)

(3) Notes to consolidated financial statements  
(Going concern assumptions)  
No

(Significant change in shareholders' equity)  
No