Summary of Financial and Operating Results for the Fiscal Year Ended March 31, 2009

May 15, 2009

Company: Hibiya Engineering, Ltd.
Stock exchange listing: Tokyo Stock Exchange (First Section)
Stock code: 1982
URL: http://hibiya-eng.co.jp/
Representative Director: Shinya Kimura, President
Contact: Tetsuya Kamachi, Executive Director and Manager of Finance Division
Tel: 03-6803-5960
Regular general meeting of shareholders: June 26, 2009 (tentative)
Date of commencement of dividend payment: June 29, 2009 (tentative)

1. Consolidated results of operations for the fiscal year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

(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	%
FY09	60,159	(1.7)	2,036	205.5	3,139	28.9	1,406	55.6
FY08	61,222	(8.5)	666	(27.6)	2,435	12.5	904	(33.3)

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

	Earnings per share (for the period, basic)	Earnings per share (for the period, diluted)	Net profit to net worth	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY09	39.77	39.77	2.8	4.3	3.4
FY08	24.86	24.83	1.7	3.1	1.1

(For reference) Equity in net income of affiliates: 380 million yen for FY09 1,117 million yen for FY08

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
FY09	71,770	49,267	66.8	1,435.82
FY08	75,085	52,289	67.9	1,412.46

(For reference) Shareholders' equity: 47,954 million yen for FY09 51,001 million yen for FY08

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY09	2,250	(565)	(3,057)	10,958
FY08	1,940	320	(807)	12,331

2. Dividends

	Dividend per share					Total dividends (Annual)	Dividend ratio (Consolidated)	Dividend-to-equity ratio (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY08	—	7.50	—	17.50	25.00	908	100.6	1.7
FY09	—	7.50	—	11.00	18.50	636	46.5	1.3
FY10 (Estimate)	—	7.50	—	9.00	16.50		34.4	

3. Consolidated business forecast for the fiscal year ending March 31, 2010 (April 1, 2009 – March 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	25,500	10.1	(350)	—	150	—	150	—	4.49
Full year	66,500	10.5	1,400	(31.3)	2,600	(17.2)	1,600	13.7	47.91

Note: The percentage figures accompanying net sales, operating income, ordinary income, and net income represent year-on-year changes.

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.

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.

1. Results of Operations

(1) Analysis of results of operations

1) Fiscal year ended March 31, 2009

During the fiscal year, the U.S. subprime loan crisis created global turmoil in financial markets. This instability severely impacted the Japanese economy as corporate earnings fell sharply and rising unemployment caused weakness in consumer spending.

In the construction industry, the negative effect of the amended Building Standards Law has largely ended. However, the operating environment became even more difficult as public-works investments continued to decline and companies reduced capital expenditures because of the economic recession.

In response to these challenges, the Hibiya Engineering Group worked on maintaining proper expenses and strengthening its construction operations in order to improve earnings. The Group also reinforced safety and quality management systems and took actions aimed at expanding new businesses. Despite these activities, orders received decreased 8.6% to 52,687 million yen and net sales decreased 1.7% to 60,159 million yen. However, the order backlog at the end of the fiscal year was 32,506 million yen, 2.6% more than one year earlier.

Earnings benefited from the policy of placing priority on profitability when accepting new orders and actions to improve the break-even point by lowering the cost of sales. Operating income increased 205.5% to 2,036 million yen, ordinary income increased 28.9% to 3,139 million yen and net income increased 55.6% to 1,406 million yen.

Operating results by business segment were as follows.

1. Construction

Segment sales decreased 1.8% to 49,848 million yen and operating income increased 546.4% to 1,869 million yen.

2. Equipment sales

Segment sales increased 5.2% to 8,304 million yen and operating income increased 24.1% to 277 million yen.

3. Others

Segment sales decreased 21.4% to 2,005 million yen and there was an operating loss of 35 million yen compared with operating income of 128 million yen one year earlier.

2) Outlook for next fiscal year

The global economic recession is having a major impact on Japan’s economy. There is still no clear path to a recovery and a further downturn in the Japanese economy is possible.

In the construction industry, the operating environment is extremely challenging because companies are expected to continue holding down their capital expenditures. On the positive side, energy conservation investments are likely to increase as part of the Green New Deal and other initiatives to achieve a low-carbon society.

Hibiya Engineering is entering the second half of its Third Medium-term Management Plan, which has the central theme of “building a business foundation for the future.” Based on this plan, the entire group is committed to aggressively targeting opportunities involving the environment and energy and achieving a level of performance so that the benefits can be shared with all stakeholders.

For the fiscal year ending in March 2010, Hibiya Engineering forecasts consolidated orders received of 57,500 million yen, net sales of 66,500 million yen, operating income of 1,400 million yen, ordinary income of 2,600 million yen and net income of 1,600 million yen.

On a non-consolidated basis, the forecasts are orders received of 55,000 million yen, net sales of 56,500 million yen, operating income of 1,200 million yen, ordinary income of 1,750 million yen and net income of 900 million yen.

(2) Analysis of financial condition

1) Assets, Liabilities, and Net assets

[Assets]

Total assets decreased 3,314 million yen to 71,770 million yen. This was the result of a 1,108 million yen decrease in current assets to 38,811 million yen and a 2,206 million yen decrease in fixed assets to 32,959 million yen.
In current assets, cash and cash deposits increased 1,625 million yen and cost on uncompleted construction contracts increased 1,215 million yen but there were decreases of 2,382 million yen in notes receivable, accounts receivable from completed construction contracts and other -trade and 1,006 million yen in short-term investment securities .
The decrease in noncurrent assets was attributable mainly to a 4,993 million yen decrease in unrealized gains on investment securities.

[Liabilities]

Liabilities decreased 292 million yen to 22,503 million yen. This was mainly the result of a 1,374 million yen decrease in notes payable, accounts payable for construction contracts and other.

[Net Assets]

Net assets amounted to 49,267 million yen at the end of the fiscal year because of decreases of 1,873 million yen in retained earnings and 1,406 million yen in the valuation difference on available-for-sale securities.

2) Cash Flows

Net cash provided by operating activities was 2,250 million yen, an increase of 310 million yen compared with the previous fiscal year. The principal uses of cash in operating activities included an increase in inventories and a decrease in notes and accounts payable-trade. The main sources of cash were income before income taxes and minority interests of 2,393 million yen, a decrease in notes and accounts receivable-trade, and other items.

Net cash provided by investing activities decreased 886 million yen to 565 million yen. This was mainly because proceeds withdrawal of investments in silent partnership exceeded payments for investments in silent partnership.

Net cash used in financing activities decreased 2,250 million yen to 3,057 million yen. Cash was used mainly for the purchase of treasury stock and payment of dividends.

The net result of these cash flows was a decrease of 1,373 million yen in cash and cash deposits to 10,958 million yen.

Cash flow index trends (for reference)

Years ended March 31	2005	2006	2007	2008	2009
Equity ratio (%)	67.2	62.8	65.7	67.9	66.8
Equity ratio based on market cap (%)	49.1	58.2	47.9	41.6	41.4
Cash flow/debt ratio (times)	-	1.5	-	0.4	0.3
Interest coverage ratio (times)	-	37.9	-	105.8	147.4

Equity ratio: Shareholders' equity/Total assets
Equity ratio based on market cap: Market capitalization/Total assets
Cash flow/debt ratio: Interest-bearing debt/Operating cash flows
Interest coverage ratio: Operating cash flows/Interest expenses

*All indicators are based on figures in the consolidated financial statements.
*Operating cash flows are the figures shown in the consolidated statements of cash flows. Interest-bearing debt is the sum of all short-term loans on the consolidated balance sheets. Interest expenses are the interest paid figure on the consolidated statements of cash flows.

(3) Basic policy for allocation of earnings and dividends in past and next fiscal years

Hibiya Engineering positions the return of earnings to shareholders as its highest management priority. The basic policy is to make substantial earnings distributions based on operating results while maintaining a sound base of operations from a long-term perspective. In consideration of the need to maintain adequate retained earnings, the Company's short-term target for non-consolidated dividend payout ratio is 60%, with a minimum annual ordinary dividend of 15 yen per share.

In accordance with this basic policy, the Company plans to pay a year-end dividend of 11 yen per share. With the 7.50 yen interim dividend that has already been paid, this will result in a dividend of 18.50 yen applicable to the fiscal year that ended in March 2009. This is a payout ratio of 46.5% based on consolidated earnings and 1.3% of net assets at the end of this fiscal year. On a non-consolidated basis, this is a payout ratio of 64.4% and 1.8% of net assets.

As part of measures to use capital more productively and return earnings to shareholders, the Company has been repurchasing and retiring stock. In the March 2009 fiscal year, a total of 2,729 thousand shares was repurchased at a cost of 2,160 million yen. The Company has now retired 3 million shares of stock.

Retained earnings are used to be prepared for future business activities and to maintain a sound financial position. The Company also uses retained earnings for R&D activities to become more competitive, IT investments for internal operations, employee training, entering new business fields, and other investments that can produce earnings in the future.

For the fiscal year ending in March 2010, the Company plans to pay dividends at the end of the first half and the end of the fiscal year, as in prior fiscal years.

2. Management Policies

(1) Fundamental management policy

As a comprehensive engineering organization, the Hibiya Engineering Group uses the industry's most advanced technical skills to provide construction services for the installation of equipment. Operations encompass climate control, plumbing and sanitation, electrical, data management, communications and other facilities. Our central role is to create comfortable environments by breathing "life" into buildings.

Group companies provide a broad range of services. Operations extend from the planning, design and installation of equipment to the maintenance and upgrades of completed facilities. As managers for the care of buildings, we extend support with sincerity and speed that covers a building's entire life cycle. Priority is also placed on corporate social responsibility by focusing on quality, safety, environmental responsibility and compliance. This stance allows us to fulfill our responsibilities to all stakeholder groups. We are determined to conduct activities that reflect stakeholder interests in a concrete and effective manner, and recognize that the importance of these activities is increasing.

The Hibiya Engineering Group will always set ambitious goals and take on the challenge of using new technologies and entering new fields. By constantly refining skills as a provider of comprehensive engineering services, we will create comfortable environments for people and contribute to protecting the global environment.

(2) Targeted performance indicators

The medium-term management plan establishes orders received, net sales, operating income and the return on equity as the primary performance indicators. We are taking various actions to reach the targets for these indicators.

(3) Medium and long-term management strategies

In April 2007, the Hibiya Engineering Group started the Third Medium-term Management Plan. This plan covers the four-year period ending in March 2011 and has the central theme of "leading the way to the next age and creating the next age." The objective of the plan is to build the base of operations needed to achieve the vision for the Group's operations 10 years from now. Specifically, our goal is to expand operations in order to assemble a business model that includes the installation of equipment as well as a variety of businesses that can generate considerable added value.

The fundamental goal of the Third Medium-term Management Plan is to "build a sound base for generating sustained cash flows" for established operations while "creating and fostering growth drivers" for new businesses.

Fundamental strategies of the Third Medium-term Management Plan

1) Business domain expansion strategy

In established businesses, we are reinforcing our business model based on the life cycles of buildings. With the aim of extending operations into other business domains, we are expanding our business model into peripheral business domains by serving the diverse needs of our customers.

2) Profit growth strategy for established businesses

Our goal is to receive orders consistently for highly profitable projects by altering sales methods used by our sales divisions. In construction divisions, our goal is to improve productivity by raising the efficiency of our construction system, which is based on safety and quality. At the same time, we will reduce expenses and ensure that all expenses are proper.

3) Growth strategy for new businesses

We plan to increase sales to 5 billion yen by fiscal 2010. To reach this goal, we are growing faster in the building system integration, environment and energy, maintenance and other fields by using external resources and taking other actions.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	9,832	11,458
Notes receivable, accounts receivable from completed construction contracts and others	23,057	20,675
Short-term investment securities	2,608	1,601
Costs on uncompleted construction contracts and other	2,450	3,666
Deferred tax assets	474	826
Other	1,522	635
Allowance for doubtful accounts	(27)	(51)
Total current assets	39,919	38,811
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,393	1,403
Land	174	174
Leased assets	—	13
Other	727	837
Accumulated depreciation	(1,629)	(1,716)
Total Property, plant and equipment	666	711
Intangible assets		
Leased assets	—	10
Other	145	594
Total Intangible assets	145	604
Investments and other assets		
Investment securities	28,349	23,355
Long-term loans receivable	36	36
Deferred tax assets	277	1,097
Insurance funds	2,837	2,843
Investments in silent partnership	1,154	3,000
Other	1,814	1,550
Allowance for doubtful accounts	(115)	(241)
Total Investments and other assets	34,353	31,643
Total noncurrent assets	35,165	32,959
Total assets	75,085	71,770

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	18,523	17,149
Short-term loans payable	780	780
Lease obligations	—	5
Income taxes payable	573	1,031
Advances received on uncompleted construction contracts	992	1,271
Provision for bonuses	622	1,132
Provision for warranties for completed construction	38	34
Provision for loss on construction contracts	15	72
Other	530	372
Total current liabilities	22,076	21,851
Noncurrent liabilities		
Lease obligations	—	18
Deferred tax liabilities	125	25
Provision for retirement benefits	460	471
Provision for directors' retirement benefits	119	124
Other	14	12
Total noncurrent liabilities	719	652
Total liabilities	22,796	22,503
Net assets		
Shareholders' equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	38,075	36,201
Treasury stock	(602)	(368)
Total shareholders' equity	49,158	47,518
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,842	436
Total Valuation and translation adjustments	1,842	436
Minority interests	1,288	1,312
Total net assets	52,289	49,267
Total liabilities and net assets	75,085	71,770

(2) Consolidated Statements of Income

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Net Sales	61,222	60,159
Cost of sales	54,853	51,853
Gross profit	6,368	8,305
Selling, general and administrative expenses		
Employees' salaries and allowances	2,062	2,028
Provision for bonuses	245	398
Retirement benefit expense	160	277
Provision for directors retirement benefits	36	32
Provision of allowance for doubtful accounts	54	159
Rents	875	907
Depreciation and amortization	90	101
Other	2,177	2,361
Total Selling, general and administrative expenses	5,702	6,268
Operating income	666	2,036
Non-operating income		
Interest income	259	245
Dividends income	210	192
Gain on sales of marketable securities	—	34
Equity in earnings of affiliates	1,117	380
Insurance income	—	145
Other	222	146
Total non-operating income	1,809	1,145
Non-operating expenses		
Interest expenses	18	15
Loss on sales of securities	6	2
Other	16	25
Total non-operating expenses	40	42
Ordinary income	2,435	3,139
Extraordinary income		
Gain on sales of investment securities	138	5
Reversal of allowance for doubtful accounts	8	—
Total extraordinary income	147	5
Extraordinary losse		
Loss on valuation of investment securities	694	751
Loss on abandonment of inventories	6	—
Loss on sales of land	2	—
Total extraordinary losses	703	751
Income before income taxes and minority interests	1,879	2,393
Income taxes-current	634	1,272
Income taxes-deferred	231	(351)
Total income taxes	865	921
Minority interests in income	110	65
Net income	904	1,406

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Shareholders' equity		
Capital Stock		
Balance at the end of previous period	5,753	5,753
Balance at the end of current period	5,753	5,753
Capital surplus		
Balance at the end of previous period	5,931	5,931
Changes of items during the period		
Disposal of treasury stock	—	0
Retirement of treasury stock	—	(0)
Total changes of items during the period	—	—
Balance at the end of current period	5,931	5,931
Retained earnings		
Balance at the end of previous period	38,523	38,075
Changes of items during the period		
Dividends from surplus	(548)	(902)
Net income	904	1,406
Disposal of treasury stock	(3)	—
Retirement of treasury stock	(800)	(2,378)
Total changes of items during the period	(447)	(1,873)
Balance at the end of current period	38,075	36,201
Treasury stock		
Balance at the end of previous period	(1,153)	(602)
Changes of items during the period		
Purchase of treasury stock	(279)	(2,184)
Disposal of treasury stock	30	39
Retirement of treasury stock	800	2,379
Total changes of items during the period	551	233
Balance at the end of current period	(602)	(368)
Total shareholders' equity		
Balance at the end of previous period	49,055	49,158
Changes of items during the period		
Dividends from surplus	(548)	(902)
Net income	904	1,406
Purchase of treasury stock	(279)	(2,184)
Disposal of treasury stock	27	39
Retirement of treasury stock	—	—
Total changes of items during the period	103	(1,640)
Balance at the end of current period	49,158	47,518

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	4,217	1,842
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,375)	(1,406)
Total of changes of items during the period	(2,375)	(1,406)
Balance at the end of current period	1,842	436
Total of Valuation and translation adjustments		
Balance at the end of previous period	4,217	1,842
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,375)	(1,406)
Total of changes of items during the period	(2,375)	(1,406)
Balance at the end of current period	1,842	436
Minority interests		
Balance at the end of previous period	1,191	1,288
Changes of items during the period		
Net changes of items other than shareholders' equity	97	23
Total of changes of items during the period	97	23
Balance at the end of current period	1,288	1,312
Total net assets		
Balance at the end of previous period	54,464	52,289
Changes of items during the period		
Dividends from surplus	(548)	(902)
Net income	904	1,406
Purchase of treasury stock	(279)	(2,184)
Disposal of treasury stock	27	39
Retirement of treasury stock	—	—
Net changes of items other than shareholders' equity	(2,278)	(1,382)
Total changes of items during the period	(2,174)	(3,022)
Balance at the end of current period	52,289	49,267

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests (for the period)	1,879	2,393
Depreciation and amortization	140	150
Increase (decrease) in allowance for doubtful accounts	45	150
Increase (decrease) in provision for retirement benefits	(159)	11
Increase (decrease) in provision for directors' retirement bonuses	(43)	5
Increase (decrease) in provision for bonuses	(29)	510
Increase (decrease) in provision for warranties for completed construction	(12)	(3)
Increase (decrease) in provision for loss on construction contracts	(51)	57
Interest and dividend income	(470)	(438)
Interest expenses	18	15
Loss (gain) on sales of securities	6	(32)
Loss (gain) on sales of investment securities	(138)	(5)
Loss (gain) on valuation of investment securities	694	751
Equity in earnings (losses) of affiliates	(1,117)	(380)
Loss (gain) on investments in silent partnership	—	(35)
Decrease (increase) in notes and accounts receivable-trade	3,471	2,382
Decrease (increase) in inventories	22	(1,215)
Increase (decrease) in notes and accounts payable-trade	(1,825)	(1,374)
Decrease (increase) in advances received on uncompleted construction contracts	(204)	279
Decrease（increase） in consumption taxes receivable/payable	216	(247)
Other	(88)	(323)
Subtotal	2,355	2,650
Interest and dividends income received	496	468
Interest expenses paid	(18)	(15)
Income taxes paid	(893)	(854)
Net cash provided by (used in) operating activities	1,940	2,250
Net cash provided by (used in) investing activities		
Proceeds from sales of short-term investment securities	—	321
Purchase of property, plant and equipment	(47)	(135)
Proceeds from sales of property, plant and equipment	4	—
Purchase of intangible assets	(64)	(492)
Purchase of investment securities	(2,001)	(53)
Proceeds from sales of investment securities	285	8
Proceeds from redemption of investment securities	2,000	500
Payments into time deposits	(300)	—
Purchase of insurance funds	(274)	(201)
Proceeds from maturity of insurance funds	343	339
Payments for investments in silent partnership	—	(3,000)
Proceeds from withdrawal of Iinvestments in silent partnership	500	2,189
Proceeds from collection of guarantee deposits	67	—
Other	(192)	(40)
Net cash provided by (used in) investing activities	320	(565)

(Million yen)

	FY2008 (As of March 31, 2008)	FY2009 (As of March 31, 2009)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(279)	(2,184)
Proceeds from sales of treasury stock	27	39
Cash dividends paid	(548)	(902)
Cash dividends paid to minority shareholders	(6)	(6)
Repayments of lease obligations	—	(3)
Net cash provided by (used in) financing activities	(807)	(3,057)
Net increase (decrease) in cash and cash equivalents	1,453	(1,373)
Cash and cash equivalents at beginning of period	10,878	12,331
Cash and cash equivalents at end of period	12,331	10,958