Earnings Announcement FY3/19

May 23, 2019

Hibiya Engineering,Ltd.

These materials include forward-looking statements that incorporate risks and uncertainties and are not guarantees concerning future performance. Future performance may differ from forecasts in these materials due to changes in the operating environment and other reasons.

Financial Summary



(Billion yen)

Financial highlights (consolidated)

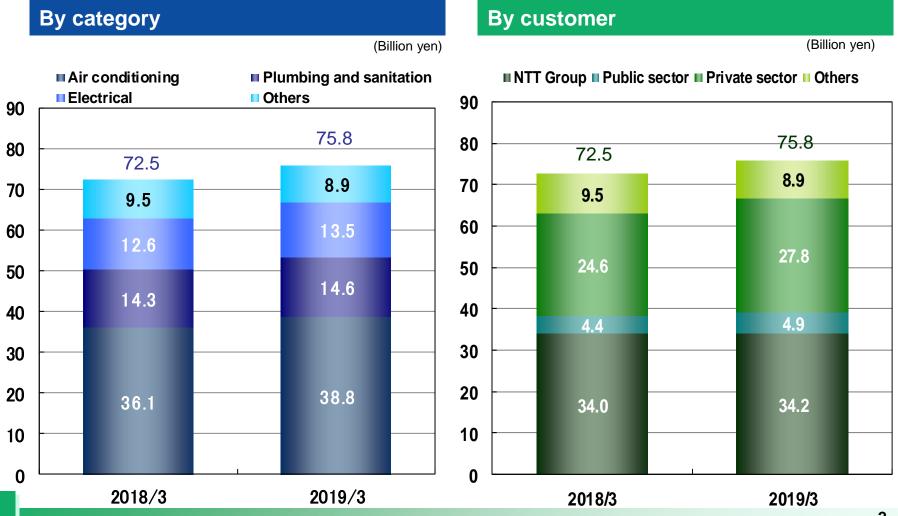
- Orders received were as planned due to more advanced activities combining sales with proposals
- Sales were below the plan because of slower than planned progress at ongoing projects
- Sales were below the plan mainly because of high outsourcing expenses at some large projects at newly constructed buildings

	2018/3 Actual	2019/3 Actual	YoY (%)	2019/3 Plan (revised)	Targets of 6th Medium-term Management Plan
Orders Received	72.5	75.8	4.5%	75.0	75.0 ~
Net sales	66.8	70.0	4.8%	73.0	75.0 ~
Operating Profit	3.1	2.0	-35.4%	3.2	4.0 ~
Ordinary Profit	4.0	3.2	-21.5%	4.2	5.0 ~
Profit attributable to owners of parent	7.2	2.7	-62.7%	3.0	3.0 ~



Orders received by category & by customer (consolidated)

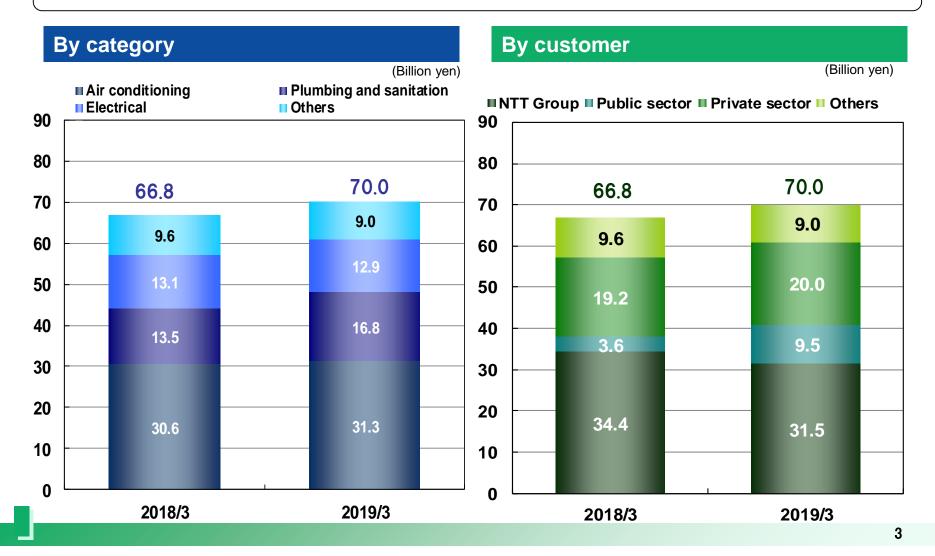
Increased mainly because of large private-sector orders involving the construction of buildings





Sales by category & by customer (consolidated)

Private and public-sector sales were higher than one year earlier.





Major completed projects and projects carried over

Completed projects

Projects carried over

(Billion yen)

	Public sector	Shinchi Energy Center	20	-	8.1	3.6
	Public sector	National Cerebral and Cardiovascular Center	20			
_	sector Private sector	First Tower Sumitomo Realty & Development Onarimon Tower	30		24.9	32.6
	Private sector Private	Kyoto Century Hotel Main Building THE THOUSAND KYOTO Sumitomo Realty & Development Shibuya	40		0.5	
	Private sector	SR Building Nagahori	50		43.5	 49.3
	Private sector	Otemon Gakuin University Ibaraki Sojiji Campus, Osaka	60			
	Private sector	HAMACHO HOTEL&APARTMENTS			T Group vate sect	ublic sector thers



(Billion yen)

Summary income statements (consolidated)

The gross profit margin was down mainly for two reasons. First is the relatively high pct. of work at large new building projects. Second is lower earnings at some projects caused by the higher cost of materials and labor.

The plan for FY3/20 is the same as the targets in the medium-term plan.

	2018/3 Actual	2019/3 Actual		2020/3 Plan	Targets of 6th Medium-term Management Plan
Net sales	66.8	70.0			1 Idii
Cost of sales	55.9	60.4	Net sales	75.0	75.0 ~
Gross profit (GP margin)	10.9 (16.3%)	9.5 (13.5%)			
SG&A expenses	7.7	7.5	Operating profit	4.0	4.0~
Operating profit	3.1	2.0	opo	1.0	1.0
Non-operating income	0.9	1.1			
Ordinary profit	4.0	3.2	Ordinary profit	5.0	5.0~
Extraordinary income	4.5	0.5			
Income taxes	1.2	0.9	Profit attributable to	3.0	3.0~
Profit attributable to owners of parent (ROE)	7.2 (12.3%)	2.7 (4.7%)	owners of parent (ROE)	(5.0%)	(5.0% ~)

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Distributions to shareholders

FY3/2019	
[Dividends]	Based on the Sixth Medium-term Management Plan earnings target, the plan is to pay a dividend per share of ¥80
[Repurchases]	 The initial FY3/19 plan was 300,000 shares/¥660 million Due to a review of cross-shareholdings, repurchases were increased to 400,000 shares/¥840 million During FY3/19, 380,000 shares were repurchased (94.7% of the plan) at a cost of ¥700 million (83.6% of the plan) 1.5 million shares of treasury shares were retired
Plan for FY3	3/2020
[Basic policy]	Based on the earnings targets of the current medium-term plan, stock will be repurchased in a flexible manner as part of shareholder distributions while continuing to place emphasis on dividends. (Another stock repurchase authorization was approved at the beginning of FY3/20, the ninth consecutive year of stock repurchases.)
[Dividends]	The dividend will be ¥80 per share.
(Repurchases)	To purchase 300,000 shares at a cost of ¥570 million.
	6

Sixth Medium-term Management Plan and Achievement

The Sixth Medium-term Management Plan: April 2017 - March 2020

Fundamental goal and core strategies

Fundamental Goal

"Establish and reinforce corporate reforms" for the stable and long-term continuation and advancement of business operations

Core Strategies

Invest in human resources and ICT to change how people work

- Recruiting, training and skill enhancement activities
- Workforce diversity activities
- Maintain the proper work-life balance
- Establish a competitive edge and operate efficiently

- More advanced life cycle total solutions
- Expand and upgrade consistentrevenue businesses
- Cooperation among Hibiya Engineering Group companies
- Collaborative sales activities with the NTT Group
- Use alliances



Achievement in FY3/2019

Invest in human resources and ICT to change how people work

Working style reforms (support for women)

(Initiative 1)

■ Use of ICT to improve efficiency

(Initiative 2-(1)) (Initiative 2-(1))

More efficient cooperation with partner companies, etc.

(Initiative 3)

Working style reforms (support for women) (Initiative 1)

Activities centered on the Job Reforms for Women Working Group



Maternity leave discussion group

Purpose of training

• Provision of information about current market conditions and business operations so that women can return to work with confidence

Benefits

- Sharing information with other employees in the same environment helps eliminate worries
- Going to the workplace for training itself increases motivation to return to
 work
- · Creates a framework for uniform follow-up activities at all departments

Orientation program for training leaders



Job site tours for female employees

Purposes

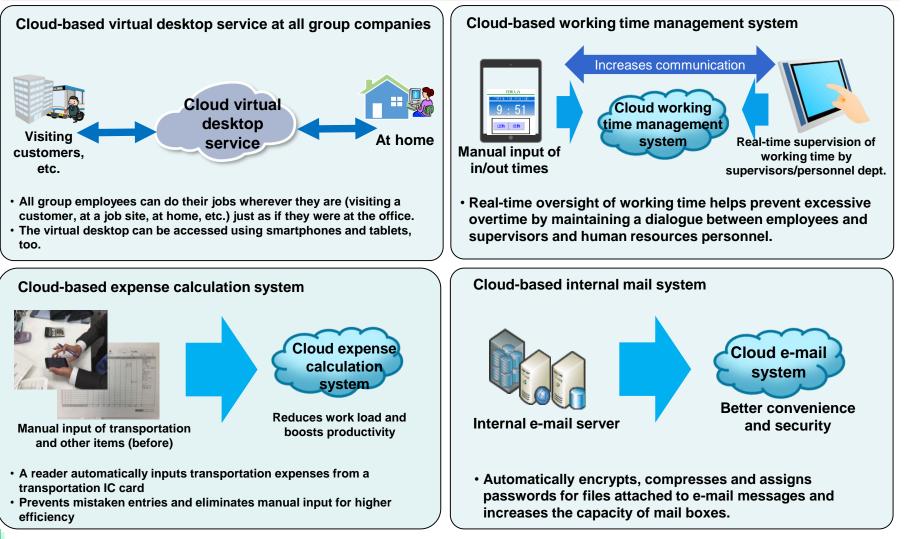
- Gives women a better understanding of engineering services tasks and allows them to perform their jobs at a higher level
- Mutual understanding of jobs allows contacting each other as needed for assistance and creates a positive workplace environment that increases motivation
- · Visiting job sites makes women think about their career goals
- Received L-Star (two stars) certification in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace.
- The Hibiya Engineering Group has the goal of making women at least 20% of all newly hired people.

	2017	2018	2019	Total	Det of women 25 00/
New graduate	28	23	30	81	Pct. of women: 25.9%
Of which women	8	6	7	21	



Use of ICT to improve efficiency (Initiative 2-(1))

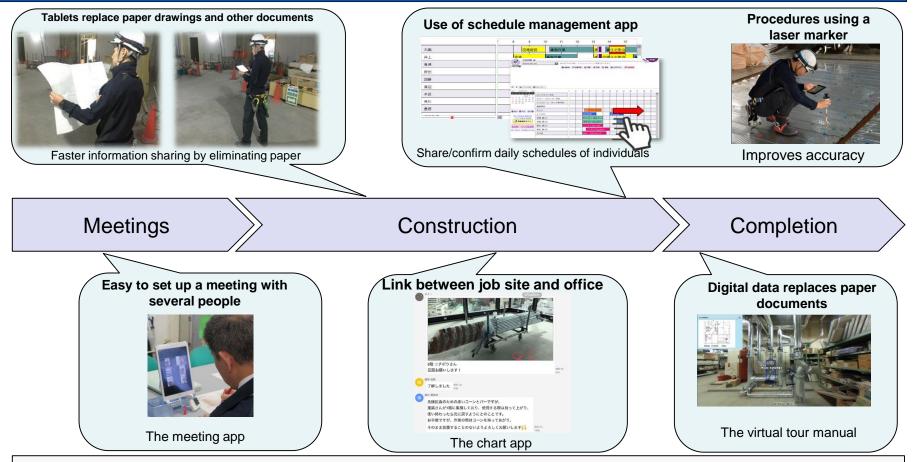
Improve efficiency by using the cloud





Use of ICT to improve efficiency (Initiative 2-(2))

Use of cloud apps to make all construction steps more efficient



- Use of a tablet speeds up information sharing
- Apps created for specific needs improve efficiency
- Shortens working time by making information available to other job sites

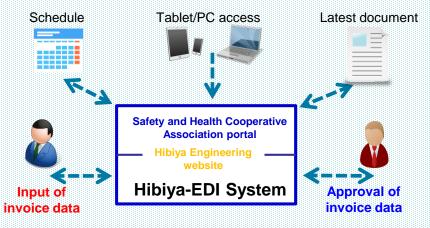
More efficient cooperation with partner companies, etc. (Initiative 3)

More efficient cooperation and more communication strengthens ties with partner companies

Use of the Hibiya Engineering website

A unified health and safety portal site where partner companies can obtain all the information they need

Provision of up-to-date information improves efficiency and prevents returns of outdated information



The Hibiya-EDI System allows internet processing of invoices

* Higher efficiency – Eliminates the need for postal mail or hand delivery for invoices. Less time needed for processing and confirmations.

Addition of an order issuing function in 2019 will further raise efficiency.

Stronger ties with partner companies The Hibiya Meister Program





The Hibiya Meister seal

- A Hibiya Meister ceremony
- Recognizes outstanding skills and provides people needed at job sites
- Increases salaries and motivation

Hibiya Eng. & Partner company discussion groups and joint training sessions



Meetings are held regularly to maintain strong lines of communication.

A discussion group



Sixth Medium-term Management Plan Achievement

Activities for providing more advanced life cycle total solutions

Increase orders by expanding proposals for major customers (Gold Customers)

(Initiative 1) Established the life cycle service center Measures to increase the number of renovation projects

Use of alliances for receiving orders involving CO₂ reduction projects of local governments

(Initiative 2)

Example $1 - CO_2$ reduction work at all gov't buildings of Manazuru Example 2 - Upgrade carbon management for Sango, Nara

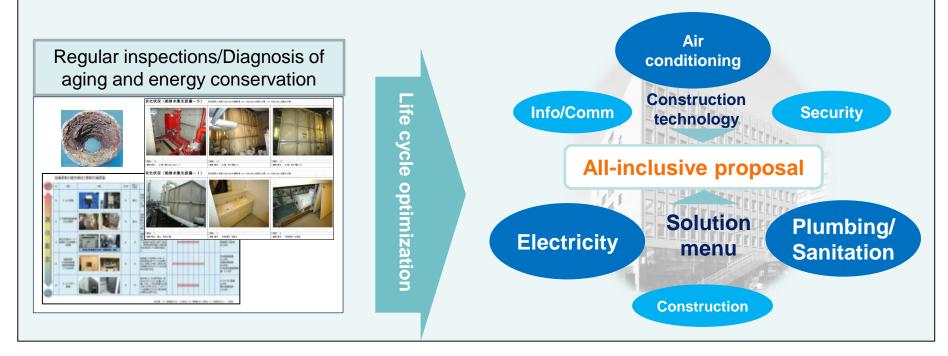


Increase orders by expanding proposals for Gold Customers (Initiative 1)

Create all-inclusive building renovation proposals for the NTT Group and other major customers

Unified activities by engineering services and sales personnel to create all-inclusive building proposals based on medium/long-term maintenance plans using regular inspections and diagnoses for energy conservation and aging

- > Select suitable buildings based on size, age and other characteristics
- Create comprehensive steady-revenue plans for individual large buildings

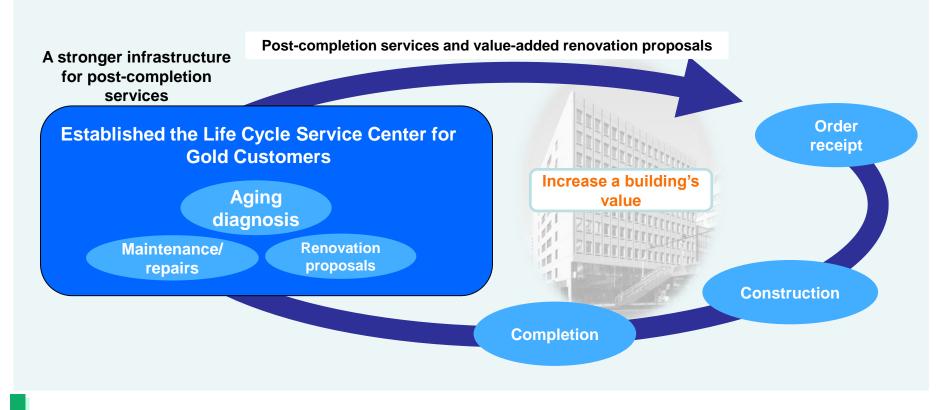




Increase orders by expanding proposals for Gold Customers (LC Service Center)

All-inclusive solutions for a building's entire life cycle

- Upgrade post-completion services to create a stronger customer base
- Equipment aging diagnosis/Upgrade proposals for renovations
- · Quick action when maintenance and repairs are needed



Measures to increase the number of renovation projects

Renovation proposals using higher expertise and know-how

SR Building NAGAHORI

Used conversion renovation expertise to expand a renovation proposal into a medium/long-term proposal and then received an order for the installation of all associated equipment and systems



Kyoto Century Hotel THE THOUSAND KYOTO

Used many years of hotel experience to receive simultaneously orders for renovation work of an existing hotel and installation of facilities at a new luxury hotel of the Keihan Group, both at Kyoto Station



HIBIYA



CO₂ reduction projects (Initiative 2)

Low-CO₂ projects for the public sector nationwide backed by experience and strengths

Solutions for government issues

- Aging infrastructure/equipment
- Need to cut CO₂ emissions by 40%
- Improve building interiors/energize regional economies

Hibiya Engineering strengths

- Accomplishments using renovation technologies and subsidies
- Ideas for highly reliable and practical low-CO₂ systems
- Ability to use **alliances and subsidies** to meet specific requirements

> Low-CO₂ projects using alliances and subsidies (Partnering with leasing companies and local companies)

Chichibu, Saitama (senior care facility, gymnasium, one other), Nagano prefecture (104 facilities) **Manazuru, Kanagawa** (11 buildings (city hall, museum, etc.)) *Example 1 Honbetsu, Hokkaido (10 facilities (hospital, schools, etc.)), Numazu, Shizuoka (nursery school and 8 <u>other facilities</u>)

Carbon Management Reinforcement Program (*a subsidy for energy conservation renovations at government buildings)

Sango, Nara (6 facilities, including schools and a library) *Example 2

School air conditioning equipment project

Taiwa, Miyagi (6 elementary schools)

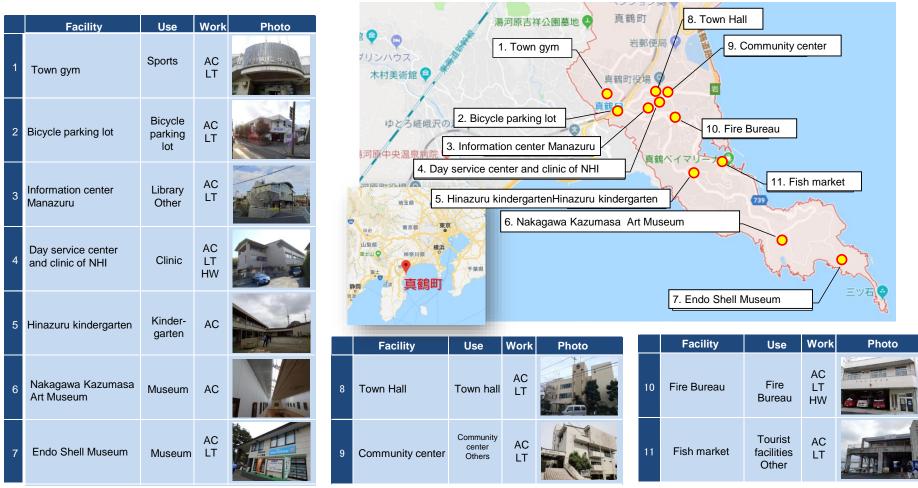
Gas utilization project with spa

Ashoro, Hokkaido (agricultural facility) Hokuryu, Hokkaido (research study for hot spring spa)



Example $1 - CO_2$ reduction work at all gov't buildings of Manazuru

•Based on results of 15 gov't building assessments, subsidies were used for equipment with outstanding benefits relative to cost at 11 Manazuri-machi buildings

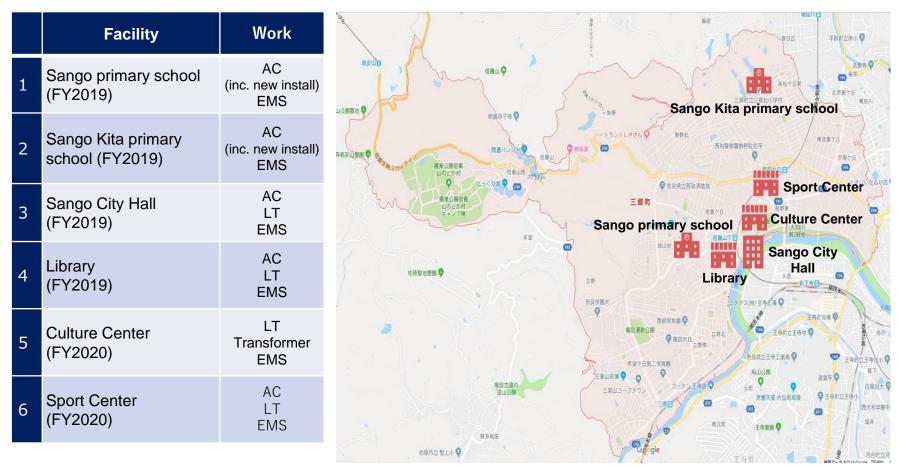


* AC= Air conditioning, LT= Lighting, HW= hot-water supply



Example 2 – Upgrade carbon management for Sango, Nara

- Installed advanced systems for reducing CO₂ emissions by using subsidies of the Carbon Management Reinforcement Program
- Involved from the design stage at every location; using subsidies at 6 buildings (three-year plan)



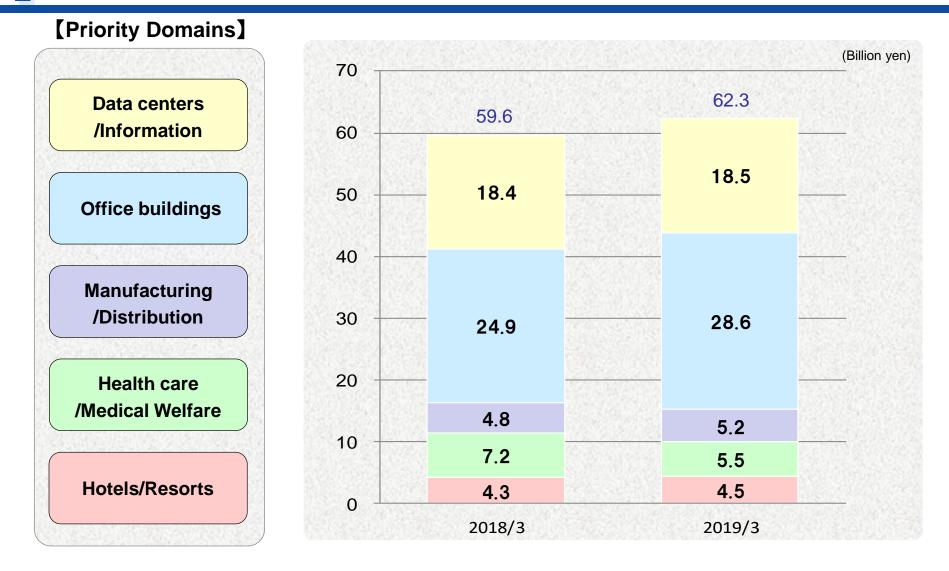
*Design work for all buildings has been completed.



Major completed projects



Orders received of the priority domains





Office buildings

A building combining office space for a prominent IT company with luxury apartments



,	& Development Shibuya First Towe
Location	Shibuya-ku, Tokyo
Floor area	37,942 sq. meters
Structure	21 stories above ground/2 stories below ground/1 levels of roof
Hibiya's work	Air conditioning/sanitation

A call center serving all areas of the Shikoku



NTT Wes	st New Sanban-cho Building
Location	Matsuyama, Ehime
Floor area	5,447 sq. meters
Structure	4 stories above ground/1 stories below ground
Hibiya's work	Air conditioning/sanitation



Educational facilities/training facilities

A college building designed for a new style of education and research as well as to serve as place for people to gather and a disaster response facility



temon Gakuin Univ	ersity Ibaraki Sojiji Campus, Osaka
Location	Ibaraki, Osaka
Floor area	20,130 sq. meters
Structure	5 stories above ground /1 levels of roof
Hibiya's work	Air conditioning

A technical training center where the building itself is part of the training process



nity Technical Training Center
Meguro-ku, Tokyo
2,440 sq. meters
5 stories above ground/ 1 stories below ground
Air conditioning/sanitation



Hotels

A building housing a hotel, high-end residences and retail space that is designed as a place to bring people together in central Tokyo



HAMACI	HO HOTEL&APARTMENTS
Location	Chuo-ku, Tokyo
Floor area	12,982 sq. meters
Structure	15 stories above ground/1 stories below ground/1 levels of roof
Hibiya's work	Air conditioning/sanitation

A luxurious hotel at Kyoto Station designed to meet the highest standards of hospitality along with Japanese design themes



THE	THOUSAND KYOTO
Location	City of Kyoto
Floor area	22,063 sq. meters
Structure	9 stories above ground/ 1 stories below ground
Hibiya's work	Sanitation

Completed Projects



City hall and others

This new city hall serves an area that was formerly four municipalities and includes facilities to function as a disaster response base.



	New Inabe City Hall
Location	Inabe, Mie
Floor area	15,461 sq. meters
Structure	2 stories above ground/1 stories below ground/1 levels of roof
Hibiya's work	Air conditioning/sanitation

This energy center will help revitalize the local economy with locally produced and consumed power for harmony between industrial activity and the environment



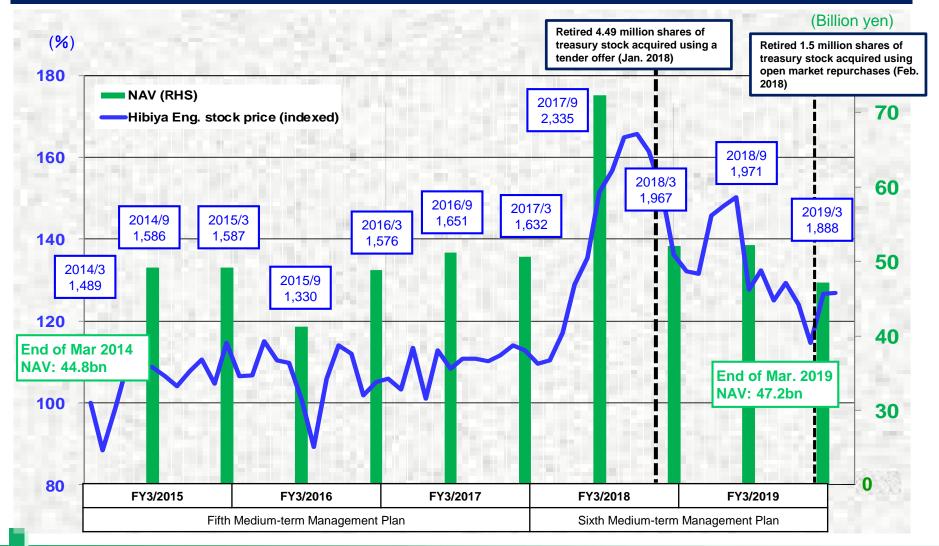
Shinchi Energy Center	
Location	Shinchi, Fukushima
Floor area	687 sq. meters
Structure	1 stories above ground
Hibiya's work	Construction/air conditioning/sanitation/electric





Stock price and net asset value (~ end of March 2019)

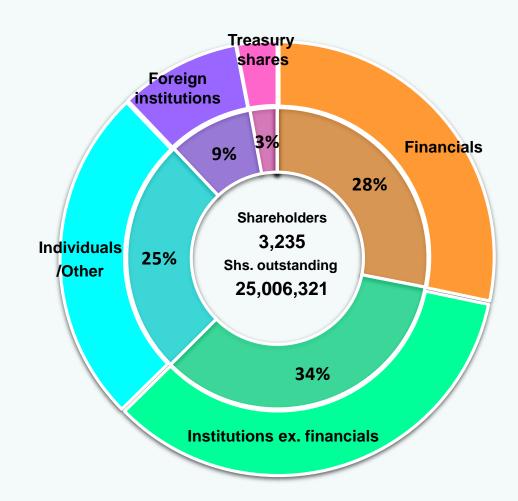
Performance of Hibiya Engineering stock since the end of March 2014





Shareholders

No. of shareholders: 3,235 Shares outstanding: 25,006,321 (As of end of March 2019)





New customers, alliances and other sources of opportunities

Renovation EXPO (Tokyo Big Sight)



Summary

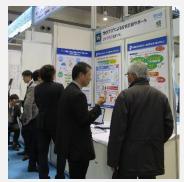
- Attendance was 23,000
- Exhibitions of technologies for development of next-generation buildings and the efficient operation of buildings
- Visitors to the Hibiya Engineering booth completed questionnaires and were contacted afterward by salespeople

The Hibiya Engineering booth

- · Renovation projects and associated technologies
- · Energy conservation technologies incorporated in renovations (Hibiya Tsusho)
- · Security, fire prevention and safety products and technologies (Nikkei)

Energy Conservation Fair 2019 (Tokyo Big Sight)





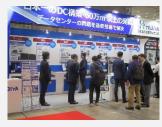
Summary

- · An event for advanced technologies concerning energy conservation and reducing electricity consumption
- The Hibiya Engineering booth

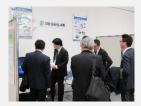
Energy conservation diagnosis and analysis support

- Energy management system
- Low-CO₂ systems for local governments

Data Center Expo (Fall) Makuhari Messe



JFMA Facility Management Forum 2019 (Tower Hall Funabori)



Hibiya Information Plaza

H HIBIYA

Data Center Seminar (3rd)



Summary

• This seminar featured a keynote address on the data center market by Fuji Chimera Research Institute and presentations about data center climate control and other themes.

Presentations

- · Keynote address: The changing data center market
- Data center climate control technology trends and activities of NTT Facilities
- Server room structure guidelines
- The latest data center structuring and operating methods made possible by CFD technology and digital twin technology
- New technology session: Examples of improvements to data center operations

Renovation Seminar (4th)



Summary

• Renovations at office buildings, retail buildings and other buildings from the standpoint of using existing equipment

Presentations

- · Workplace management for speeding up working style reforms
- Using sensors and wireless links to add new value to renovations
- Importance of improving window performance at existing buildings and new upgrading methods
- Renovation projects and the technologies behind them



Participation in Building CLT* Model Project, recipient of a FY18 Good Design Award



Seminar Room of Sc	hool of Engineering, Tohoku University
Location	Sendai, Miyagi
Floor area	90.36 sq. meters
Structure	1 stories above ground
Hibiya's work	HVAC system and electrical system

Good Design Award 2018 (Japan Institute of Design Promotion)



- Uses natural heat and reusable heat
- (simple solar heat use, natural ventilation using summer ventilation opening, dual-skin air conditioning)
- Combination of HVAC system placement under the floor and out of sight and an indirect lighting system produces a room that is attractive and functional
- Seat-level HVAC outlets keep the room comfortable during the winter, preventing cold air from collecting in the lower parts of the room

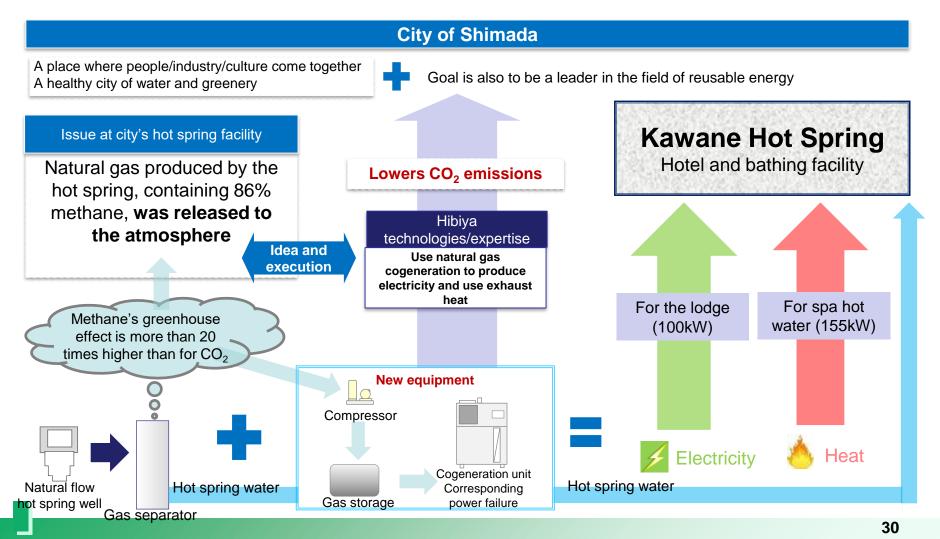
* CLT : Cross Laminated Timber



Natural gas cogeneration system

A local gov't used a Hibiya natural gas cogeneration system at a hot spring lodge

Previously unused energy is utilized to cut the cost of electricity by 60%, which lower CO₂ emissions



Heat run test for data centers

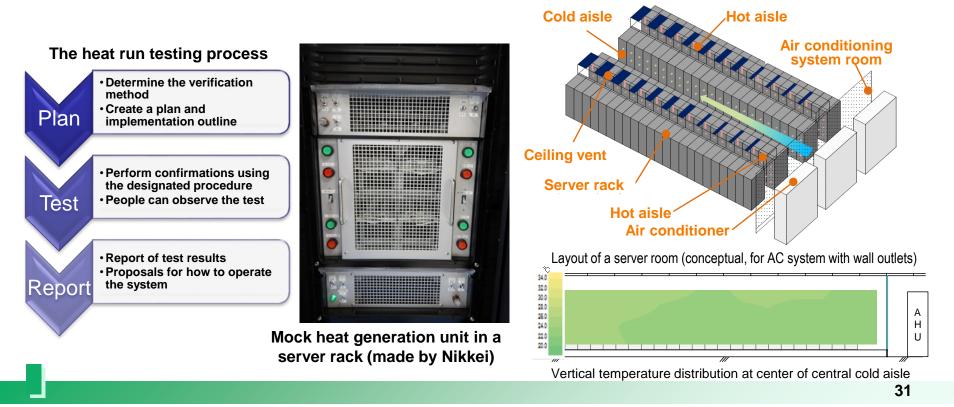
The heat run test – A preliminary load testing under actual conditions to improve reliability

Prior to completion, an environmental evaluation was performed by producing the environmental conditions of the server room where the system will be installed.

• Conditions similar to the actual environment were created by generating a thermal load equivalent to heat produced by servers.

i3l'yA

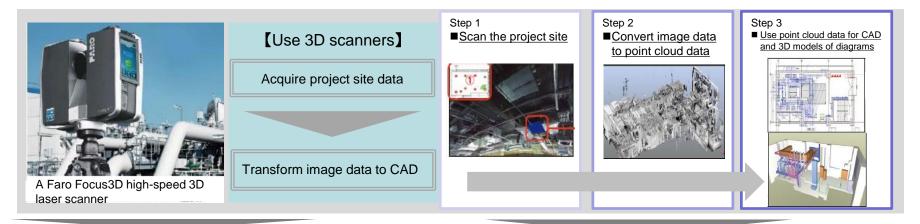
- The mock heat source developed by Hibiya Engineering can produce the same amount of heat as actual servers do. The heat level can be adjusted easily.
- · Capable of testing a 420kW thermal load, the highest level in Japan





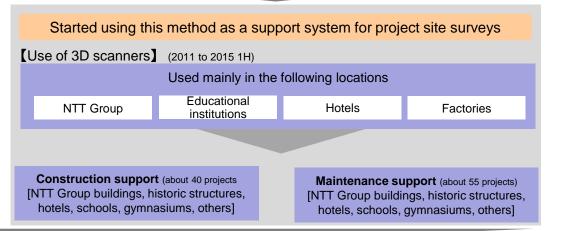
3D Scanners

Use state-of-the-art technology (3D scanners) for more technological advances



[Advantages]

- Reduces number of people and time needed to perform jobsite surveys
- · Improves the safety of jobsite surveys
- Increases the accuracy of construction drawings
- Produces CAD and 3D models quickly



Utilizing this technique as much as possible as a renovation technology



3D Scanner utilization (Kumamoto Teishin Hospital)

Stored building records of the former Kumamoto Teishin Hospital (designed by Mamoru Yamada, an engineer of the former Ministry of Communication)



Record the building data using 3D scanner



Photo of the building

<image>

Point cloud data captured by the scanner



Technologies for efficient construction processes

Many earthquake-resistant construction methods to meet various requirements

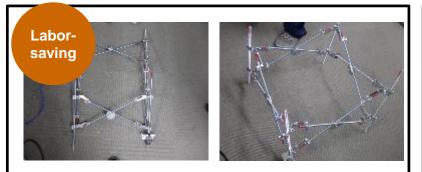
Labor-

saving

Light

weight

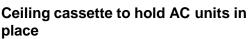
Lineup of earthquake-resistant fasteners



Hanging bolts for labor-saving installation of earthquake-resistant equipment holder

- Equipment hanging metal fasteners fabricated at factory
- Folded for transportation to the job site
- Then simply tighten bolts to install

ECO support bracket



- Light weight due to use of thin plates
- Assembled to use less space
- Use of steel brackets reduces the cost



Support for heavy equipment

- Holds equipment up to 125kg
- Suspension length up to 1,150mm
- Seismic tests have confirmed earthquake safety under these conditions

Seismic tests confirm performance

Seismic table tests have demonstrated that these technologies will meet customers' demands

Verification test





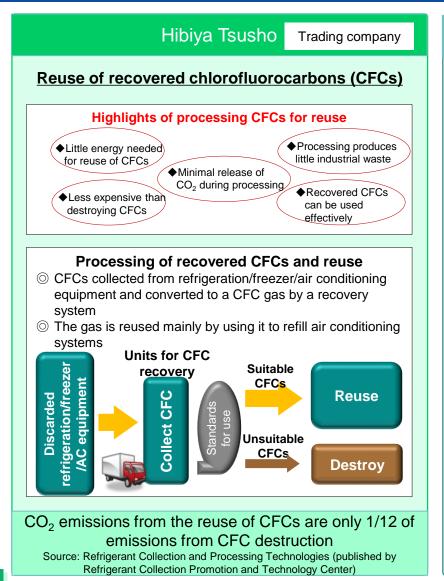
Test of heavy equipment holder



ECO support bracket seismic test



Services and technologies of Hibiya Engineering group







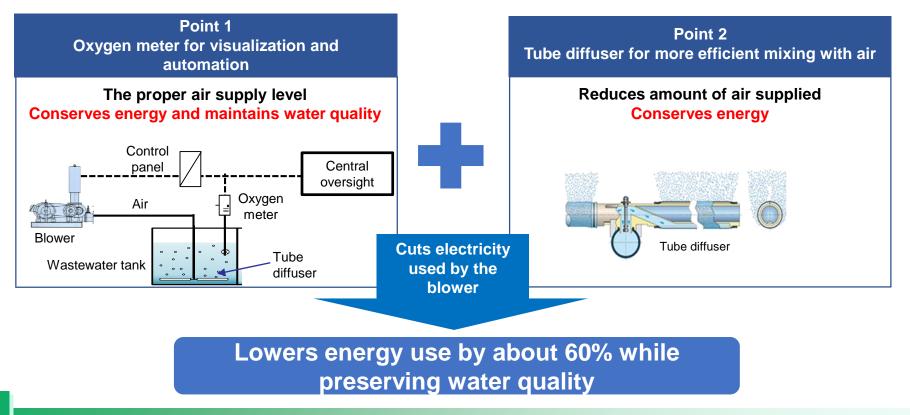
Energy conservation technologies for sanitation equipment

Energy conservation and water quality at wastewater treatment facilities

Energy-efficient climate control and electrical equipment as well as a focus on conserving energy in sanitation equipment

Wastewater treatment facilities

- Requires the supply of an enormous volume of air at a steady rate
- Required amount of air changes depending on day of the week and time of day
- Too much or too little air causes water quality to decline



時代にまっすぐ、技術にまじめです。

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Hibiya Engineering, Ltd.

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