

Summary of Consolidated Financial Results

For the Second 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

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Date of filing of quarterly securities report: November 6, 2018 (tentative)

Date of commencement of dividend payment: December 3, 2018 (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 2019 (April 1, 2018 – September 30, 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 half ended September 2018	26,920	(2.8)	(1,161)	-	(1,071)	-	(856)	-
First half ended September 2017	27,705	(6.4)	708	(54.1)	918	(37.8)	5,006	454.8

Note: Comprehensive income: First half of FY3/2019: 45 million yen [-99.3%], First half of FY3/2018: 6,198 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2018	(35.08)		-	
First half ended September 2017	172.87		172.00	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2018	72,124	57,963	78.6	2,319.27
As of March 31, 2018	82,931	58,580	69.2	2,350.48

Reference: Shareholders' equity

As of September 30, 2018: 56,673 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				
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 1: 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: Yes

* **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 shares)

(a) Shares outstanding (including treasury shares)

As of September 30, 2018:	26,506,321	As of March 31, 2018:	26,506,321
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(b) Treasury shares

As of September 30, 2018:	2,070,548	As of March 31, 2018:	2,093,217
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2018:	24,425,657	Period ended September 30, 2017:	28,962,968
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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 on consolidated business performance

In the first half of the current fiscal year, the Japanese economy continued to recover 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 effects of 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. In particular, foreign exchange rate movements and Japan's tight labor market are raising the cost of building materials and labor.

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 one-stop source of services for all customer needs and a comprehensive engineering services organization.

In the first half of the current fiscal year, orders received were 33,523 million yen, down 6.0% from one year earlier. Sales decreased 2.8% to 26,920 million yen. There was an operating loss of 1,161 million yen compared with operating profit of 708 million yen one year earlier and an ordinary loss of 1,071 million yen compared with a 918 million yen profit one year earlier. The loss attributable to owners of parent was 856 million yen compared with a profit of 5,006 million yen one year earlier.

(2) Overview of financial condition

Assets

Total assets decreased 10,806 million yen from the end of the previous fiscal year to 72,124 million yen. Current assets decreased 11,848 million yen to 39,166 million yen and noncurrent assets increased 1,041 million yen to 32,957 million yen. Major changes in assets were an increase of 2,640 million yen in cash and deposits and a decrease of 12,140 million yen in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities decreased 10,189 million yen to 14,161 million yen. The main reason was a decrease of 9,638 million yen in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets were 57,963 million yen at the end of the first half because of the 856 million yen loss attributable to owners of parent.

(3) Forecast for fiscal year ending in March 2019

The forecast that was announced on May 10, 2018 has been revised because of the latest results of operations in the current fiscal year and other reasons. Information about this revision is in the press release dated November 6, 2018 concerning this revision.

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)	Second quarter ended Sep.2018 (As of September 30, 2018)
ASSETS		
Current assets		
Cash and deposits	12,669	15,310
Notes receivable, accounts receivable from completed construction contracts and other	32,065	19,925
Securities	1,500	2,000
Costs on uncompleted construction contracts and other	802	965
Other	3,990	978
Allowance for doubtful accounts	(12)	(12)
Total current assets	51,015	39,166
Noncurrent assets		
Property, plant and equipment	740	702
Intangible assets	158	263
Investments and other assets		
Investment securities	26,631	27,633
Other	4,417	4,392
Allowance for doubtful accounts	(32)	(34)
Total investments and other assets	31,016	31,991
Total noncurrent assets	31,915	32,957
Total assets	82,931	72,124

	Fiscal year ended March 2018 (As of March 31, 2018)	Second quarter ended Sep.2018 (As of September 30, 2018)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	18,375	8,736
Income taxes payable	356	97
Advances received on uncompleted construction contracts	630	637
Provision for bonuses	1,242	698
Provision for warranties for completed construction	128	142
Provision for loss on construction contracts	421	516
Other	1,694	1,709
Total current liabilities	<u>22,848</u>	<u>12,539</u>
Noncurrent liabilities		
Net defined benefit liability	878	866
Other	623	754
Total noncurrent liabilities	<u>1,501</u>	<u>1,621</u>
Total liabilities	<u>24,350</u>	<u>14,161</u>
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	45,648	44,044
Treasury shares	(4,535)	(4,483)
Total shareholder's equity	<u>52,894</u>	<u>51,342</u>
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	5,201	5,988
Remeasurements of defined benefit plans	(712)	(657)
Total accumulated other comprehensive income	<u>4,488</u>	<u>5,331</u>
Subscription rights to shares	170	204
Non-controlling interests	1,027	1,086
Total net assets	<u>58,580</u>	<u>57,963</u>
Total liabilities and net assets	<u>82,931</u>	<u>72,124</u>

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

(Million yen)

	First half ended September 2017 (April 1, 2017-September 30, 2017)	First half ended September 2018 (April 1, 2018-September 30, 2018)
Net sales	27,705	26,920
Cost of sales	23,180	24,222
Gross profit	4,525	2,698
Selling, general and administrative expenses	3,816	3,859
Operating profit (loss)	708	(1,161)
Non-operating income		
Interest income	27	18
Dividend income	126	151
Other	85	94
Total non-operating income	239	263
Non-operating expenses		
Share of loss of entities accounted for using equity method	25	166
Other	5	7
Total non-operating expenses	30	173
Ordinary profit (loss)	918	(1,071)
Extraordinary income		
Gain on sales of investment securities	4,523	-
Total extraordinary income	4,523	-
Profit (loss) before income taxes	5,441	(1,071)
Income taxes-current	86	98
Income taxes-deferred	311	(311)
Total income taxes	397	(213)
Profit (loss)	5,043	(857)
Profit (loss) attributable to non-controlling interests	37	(0)
Profit (loss) attributable to owners of parent	5,006	(856)

(Quarterly consolidated statements of comprehensive income)
(For the first half)

(Million yen)

	First half ended September 2017 (April 1, 2017-September 30, 2017)	First half ended September 2018 (April 1, 2018-September 30, 2018)
Profit (loss)	5,043	(857)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,057	846
Deferred gains or losses on hedges	(0)	-
Remeasurements of defined benefit plans, net of tax	35	57
Share of other comprehensive income of entities accounted for using equity method	60	(0)
Total other comprehensive income	1,154	903
Comprehensive income	6,198	45
Comprehensive income attributable to owners of parent	6,150	(14)
Comprehensive income attributable to non-controlling interests	47	59

(3) Notes to quarterly consolidated financial statements

(Going concern assumptions)

No

(Notes on significant change in shareholders' equity)

No

(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.

(Significant Subsequent Event)

(Sale of investment securities)

The Hibiya Engineering Board of Directors approved a resolution on November 6, 2018 to use a public tender offer to sell the following investment securities.

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|-----------------------------|-----------------------------------|
| 1. Issuer of the securities | NTT Urban Development Corporation |
| 2. Date of sale (tentative) | December 4, 2018 |
| 3. Gain on sale | 392 million yen |