

Summary of Consolidated Financial Results For the First 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>

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Date of filing of quarterly securities report: August 7, 2018 (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 quarter of the fiscal year ending March 2019 (April 1, 2018 – June 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 quarter ended June 2018	13,106	(9.1)	(390)	-	(357)	-	(311)	-
First quarter ended June 2017	14,420	1.8	492	(50.4)	621	(30.9)	4,845	785.3

Note: Comprehensive income: First quarter of FY3/2019: 97 million yen [(98.3)%], First quarter of FY3/2018: 5,787 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended June 2018	(12.77)		-	
First quarter ended June 2017	167.51		166.55	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2018	75,146	57,969	75.5	2,322.90
As of March 31, 2018	82,931	58,580	69.2	2,350.48

Reference: Shareholders' equity

As of June 30, 2018: 56,762 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	-				
Fiscal year ending March 2019 (estimate)		40.00	-	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	75,000	12.2	4,000	26.1	5,000	22.1	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 shares)
- (a) Shares outstanding (including treasury shares)
- | | | | |
|----------------------|------------|-----------------------|------------|
| As of June 30, 2018: | 26,506,321 | As of March 31, 2018: | 26,506,321 |
|----------------------|------------|-----------------------|------------|
- (b) Treasury shares
- | | | | |
|----------------------|-----------|-----------------------|-----------|
| As of June 30, 2018: | 2,070,414 | As of March 31, 2018: | 2,093,217 |
|----------------------|-----------|-----------------------|-----------|
- (c) Average number of shares (quarterly consolidated cumulative period)
- | | | | |
|-----------------------------|------------|-----------------------------|------------|
| Period ended June 30, 2018: | 24,415,353 | Period ended June 30, 2017: | 28,928,280 |
|-----------------------------|------------|-----------------------------|------------|

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 quarter of fiscal year ending March 2019, there were expectations for a continuation of the gradual recovery of Japan's economy due to the benefits of measures by the Japanese government and Bank of Japan to support the economy as the labor market and personal income continued to improve. However, caution about the economic outlook is still required because of uncertainty involving the overseas economy and volatility in financial markets.

During the first quarter, Japan's public works market was firm although the housing construction market remained weak. Nevertheless, the fiercely competitive business environment along with increases in material and labor costs resulting from fluctuations in exchange rates and tightening labor market, call for caution.

The Hibiya Engineering Group started its Sixth Medium-term Management Plan in the previous fiscal year. Two central goals are making investments in human resources and ICT in order to change how people work and becoming a source of even more advanced life cycle total solutions. This plan also includes measures to upgrade compliance programs and reinforce safety and quality management. Overall, there were numerous activities during the first quarter to accomplish the goal of the stable and long-term continuation and advancement of business operations as a comprehensive engineering services organization that is a one-stop source of services for all customer needs.

In the first quarter, orders received decreased 3.4% from one year earlier to 16,905 million yen.

Sales decreased 9.1% from one year earlier to 13,106 million yen.

Operating loss was 390 million yen (operating profit of 492 million one year earlier), ordinary loss was 357 million yen (ordinary profit of 621 million one year earlier), and loss attributable to owners of parent was 311 million yen (profit attributable to owners of parent of 4,845 million yen one year earlier).

(2) Overview of financial condition

Assets

Total assets were 75,146 million yen at the end of the first quarter, 7,784 million yen less than at the end of the previous fiscal year. Current assets decreased 8,120 million yen to 42,894 million yen and noncurrent assets increased 336 million yen to 32,251 million yen.

The decrease in total assets was primarily the net result of an increase of 5,350 million yen in cash and deposits and a 11,921 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities were 17,176 million yen, 7,173 million yen less than at the end of the previous fiscal year.

The main reasons were decreases of 6,725 million yen in notes payable, accounts payable for construction contracts and other.

Net assets

Net assets were 57,969 million yen at the end of the first quarter. The decrease in net assets was due to a loss of 311 million yen attributable to owners of parent in the first quarter and other factors.

(3) Forecast for fiscal year ending in March 2019

There is no change in the forecast for consolidated results of operations that was announced on May 10, 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)	First quarter ended June 2018 (As of June 30, 2018)
ASSETS		
Current assets		
Cash and deposits	12,669	18,020
Notes receivable, accounts receivable from completed construction contracts and other	32,065	20,144
Securities	1,500	500
Costs on uncompleted construction contracts and other	802	969
Other	3,990	3,274
Allowance for doubtful accounts	(12)	(13)
Total current assets	51,015	42,894
Noncurrent assets		
Property, plant and equipment	740	719
Intangible assets	158	154
Investments and other assets		
Investment securities	26,631	27,019
Other	4,417	4,391
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	31,016	31,377
Total noncurrent assets	31,915	32,251
Total assets	82,931	75,146

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	First quarter ended June 2018 (As of June 30, 2018)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	18,375	11,649
Income taxes payable	356	99
Advances received on uncompleted construction contracts	630	682
Provision for bonuses	1,242	425
Provision for warranties for completed construction	128	139
Provision for loss on construction contracts	421	387
Other	1,694	2,183
Total current liabilities	22,848	15,565
Noncurrent liabilities		
Net defined benefit liability	878	879
Other	623	731
Total noncurrent liabilities	1,501	1,611
Total liabilities	24,350	17,176
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	6,028	6,028
Retained earnings	45,648	44,589
Treasury shares	(4,535)	(4,483)
Total shareholder's equity	52,894	51,887
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	5,201	5,567
Remeasurements of defined benefit plans	(712)	(693)
Total accumulated other comprehensive income	4,488	4,874
Subscription rights to shares	170	157
Non-controlling interests	1,027	1,049
Total net assets	58,580	57,969
Total liabilities and net assets	82,931	75,146

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

(Million yen)

	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)	First quarter ended June 2018 (April 1, 2018 – June 30, 2018)
Net sales	14,420	13,106
Cost of sales	12,030	11,584
Gross profit	2,389	1,522
Selling, general and administrative expenses	1,897	1,912
Operating profit (loss)	492	(390)
Non-operating income		
Interest income	11	8
Dividend income	107	117
Other	34	34
Total non-operating income	153	160
Non-operating expenses		
Share of loss of entities accounted for using equity method	23	119
Other	1	6
Total non-operating expenses	24	126
Ordinary profit (loss)	621	(357)
Extraordinary income		
Gain on sales of investment securities	4,523	-
Total extraordinary income	4,523	-
Profit (loss) before income taxes	5,144	(357)
Income taxes-current	55	73
Income taxes-deferred	219	(115)
Total income taxes	275	(41)
Profit (loss)	4,869	(315)
Profit (loss) attributable to non-controlling interests	23	(3)
Profit (loss) attributable to owners of parent	4,845	(311)

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

(Million yen)

	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)	First quarter ended June 2018 (April 1, 2018 – June 30, 2018)
Profit (loss)	4,869	(315)
Other comprehensive income		
Valuation difference on available-for-sale securities	847	415
Deferred gains or losses on hedges	(0)	-
Remeasurements of defined benefit plans, net of tax	17	22
Share of other comprehensive income of entities accounted for using equity method	52	(24)
Total other comprehensive income	917	413
Comprehensive income	5,787	97
Comprehensive income attributable to owners of the parent	5,752	74
Comprehensive income attributable to non-controlling interests	34	23

(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.