

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2018 [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 8, 2017 (tentative)

Date of commencement of dividend payment: December 4, 2017 (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 2018 (April 1, 2017 – September 30, 2017)

(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 2017	27,705	(6.4)	708	(54.1)	918	(37.8)	5,006	454.8
First half ended September 2016	29,586	8.6	1,543	-	1,475	-	902	-

Note: Comprehensive income: First half of FY3/2018: 6,198 million yen [-%], First half of FY3/2017: 489 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2017	172.87		172.00	
First half ended September 2016	30.81		30.64	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2017	82,615	68,312	80.5	2,302.36
As of March 31, 2017	93,661	63,719	65.4	2,117.40

Reference: Shareholders' equity

As of September 30, 2017: 66,503 million yen As of March 31, 2017: 61,251 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 2017	-	25.00	-	25.00	50.00
Fiscal year ending March 2018	-	30.00			
Fiscal year ending March 2018 (estimate)			-	30.00	60.00

Note 1: Change in the estimation of dividend from the latest announcement: No

2: FY3/17 dividends include 40.00 yen ordinary dividend and 10.00 yen commemorative dividend.

3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 to March 31, 2018)

(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	(4.3)	4,000	(28.7)	5,000	(28.3)	7,300	40.2	252.35

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: 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, 2017:	31,000,309	As of March 31, 2017:	31,000,309
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(b) Treasury shares

As of September 30, 2017:	2,115,382	As of March 31, 2017:	2,072,671
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2017:	28,962,968	Period ended September 30, 2016:	29,290,476
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* This report is exempt from the audit procedure

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 fiscal year ending in March 2018, the slow recovery of the Japanese economy continued with the support of actions by the Japanese government and Bank of Japan. Against a backdrop of improving corporate sentiment, capital expenditures are increasing gradually mainly for investments that boost productivity and expenditures in growing market sectors. In addition, consumer spending continues to recover along with improvements in the number of jobs and personal income.

Japan's construction market was strong during the first half because of redevelopment projects, capital expenditures to upgrade and replace equipment for streamlining production processes and other purposes, and growth in public-works projects due to government measures to support the economy.

The Hibiya Engineering Group continued to make progress by taking actions aimed at becoming a comprehensive engineering services organization that is a one-stop source of services for all customer needs.

First half orders received increased 3.6% from one year earlier to 35,654 million yen.

Sales decreased 6.4% to 27,705 million yen.

Operating profit was down 54.1% to 708 million yen, ordinary profit declined 37.8% to 918 million yen and profit attributable to owners of parent was up 454.8% to 5,006 million yen.

(2) Overview of financial condition

Assets

Total assets were 82,615 million yen at the end of the first half, 11,046 million yen less than at the end of the previous fiscal year. Current assets decreased 3,262 million yen to 52,966 million yen and noncurrent assets decreased 7,783 million yen to 29,649 million yen.

The decrease in total assets was primarily the net result of increases of 1,427 million yen in cash and deposits and 15,793 million yen in securities and a 24,632 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities were 14,302 million yen, 15,639 million yen less than at the end of the previous fiscal year.

The main reasons were decreases of 12,140 million yen in notes payable, accounts payable for construction contracts and other and 1,964 million yen in income taxes payable.

Net assets

Net assets were 68,312 million yen at the end of the first half mainly due first half profit attributable to owners of parent of 5,006 million yen.

(3) Forecast for fiscal year ending in March 2018

There is no change in the forecast for consolidated results of operations that was announced on June 28, 2017.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Second quarter ended Sep.2017 (As of September 30, 2017)
ASSETS		
Current assets		
Cash and deposits	11,345	12,773
Notes receivable, accounts receivable from completed construction contracts and other	41,102	16,470
Securities	968	16,762
Costs on uncompleted construction contracts and other	711	973
Other	2,117	5,991
Allowance for doubtful accounts	(17)	(5)
Total current assets	56,229	52,966
Noncurrent assets		
Property, plant and equipment	646	778
Intangible assets	181	156
Investments and other assets		
Investment securities	32,227	23,990
Other	4,406	4,776
Allowance for doubtful accounts	(29)	(52)
Total investments and other assets	36,604	28,714
Total noncurrent assets	37,432	29,649
Total assets	93,661	82,615

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Second quarter ended Sep.2017 (As of September 30, 2017)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	20,826	8,686
Income taxes payable	2,115	150
Advances received on uncompleted construction contracts	157	504
Provision for bonuses	3,015	765
Provision for warranties for completed construction	53	147
Provision for loss on construction contracts	315	501
Other	2,490	2,121
Total current liabilities	28,974	12,875
Noncurrent liabilities		
Net defined benefit liability	340	341
Other	627	1,086
Total noncurrent liabilities	967	1,427
Total liabilities	29,942	14,302
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	6,009
Retained earnings	49,292	53,542
Treasury shares	(2,624)	(2,845)
Total shareholder's equity	58,352	62,460
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	3,342	4,424
Deferred gains or losses on hedges	0	0
Remeasurements of defined benefit plans	(444)	(382)
Total accumulated other comprehensive income	2,898	4,042
Subscription rights to shares	181	170
Non-controlling interests	2,287	1,638
Total net assets	63,719	68,312
Total liabilities and net assets	93,661	82,615

(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 2016 (April 1, 2016-September 30, 2016)	First half ended September 2017 (April 1, 2017-September 30, 2017)
Net sales	29,586	27,705
Cost of sales	24,488	23,180
Gross profit	5,098	4,525
Selling, general and administrative expenses	3,555	3,816
Operating profit	1,543	708
Non-operating income		
Interest income	32	27
Dividend income	110	126
Other	35	85
Total non-operating income	179	239
Non-operating expenses		
Share of loss of entities accounted for using equity method	241	25
Other	5	5
Total non-operating expenses	246	30
Ordinary profit	1,475	918
Extraordinary income		
Gain on sales of investment securities	-	4,523
Total extraordinary income	-	4,523
Profit before income taxes	1,475	5,441
Income taxes-current	31	86
Income taxes-deferred	528	311
Total income taxes	559	397
Profit	916	5,043
Profit attributable to non-controlling interests	13	37
Profit (loss) attributable to owners of parent	902	5,006

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

(Million yen)

	First half ended September 2016 (April 1, 2016-September 30, 2016)	First half ended September 2017 (April 1, 2017-September 30, 2017)
Profit	916	5,043
Other comprehensive income		
Valuation difference on available-for-sale securities	(468)	1,057
Deferred gains or losses on hedges	1	(0)
Remeasurements of defined benefit plans, net of tax	36	35
Share of other comprehensive income of entities accounted for using equity method	3	60
Total other comprehensive income	(426)	1,154
Comprehensive income	489	6,198
Comprehensive income attributable to owners of parent	461	6,150
Comprehensive income attributable to non-controlling interests	28	47

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

(Significant change in shareholders' equity)
No