

Summary of Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2017 [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: February 7, 2016 (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 three quarters of the fiscal year ending March 2017

(April 1, 2016 – December 31, 2016)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters ended Dec. 2016	47,638	4.0	2,681	248.6	2,928	119.5	2,054	85.2
First three quarters ended Dec. 2015	45,824	5.2	769	-	1,334	-	1,109	-

Note: Comprehensive income: First three quarters of FY3/2017: 2,658 million yen (-%)
 First three quarters of FY3/2016: 17 million yen (-97.8%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Dec. 2016	70.27		69.87	
First three quarters ended Dec. 2015	37.42		37.21	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2016	77,322	60,866	75.7	2,009.95
As of March 31, 2016	91,900	59,947	62.8	1,966.69

Notes: Shareholders' equity

As of December 31, 2016: :58,509 million yen

As of March 31, 2016: 57,738 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 2015	-	20.00	-	20.00	40.00
Fiscal year ending March 2016	-	25.00	-		
Fiscal year ending March 2016 (estimate)				25.00	50.00

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

2: Dividends (estimated for FY3/17) include 40.00 yen ordinary dividend and 10.00 yen commemorative dividend.

3. Forecast for the fiscal year ending March 2017 (Consolidated, April 1, 2016 to March 31, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	75,000	(5.5)	4,000	(14.5)	5,000	(21.2)	3,000	(35.4)	102.80

Note: Change in the forecast from the latest announcement: No

* **Note**

- (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: Yes
- (b) Changes other than in (a): No
- (c) Changes in accounting estimates: No
- (d) Retrospective restatement: No

Note: For more information, please see 2. Other Information (Note), Changes in accounting principles and estimates, and retrospective restatement.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2016:	31,000,309	As of March 31, 2016:	31,000,309
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(b) Treasury shares

As of December 31, 2016:	1,890,496	As of March 31, 2016:	1,642,000
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2016:	29,239,077	Period ended December 31, 2015:	29,641,929
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* Description of quarterly review procedure implementation status

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The quarterly review procedure process based upon the Financial Instruments and Exchange Act has been completed at the time of disclosure of this report.

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 of consolidated business performance

In the first three quarters of fiscal year ending March 2017, the Japanese economy recovered slowly as the government and Bank of Japan implemented a series of economic stimulus measures. However, personal consumption lacked strength as consumers became budget minded, adopting a defensive stance due to uncertainties about the future.

In the construction industry, public-works investments were firm. In the same way as before, however, the rising cost of labor due to the difficulty of recruiting trained construction workers and the high cost of materials need to be watched closely.

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

In the first three quarters, orders received were 53,497 million yen, 1.5% lower than in the first three quarters of the previous fiscal year.

Sales increased 4.0% to 47,638 million yen.

There was an operating income of 2,681 million yen, an increase of 248.6% compared with the same period one year earlier, due to continuing efforts to bring down cost of sales through initiatives such as centralized procurement and improvement of construction efficiency. Ordinary income was 2,928 million up 119.5% compared with the same period one year earlier.

The profit attributable to owners of parent was 2,054 million yen, an increase of 85.2% compared with one year earlier.

(2) Overview of financial condition

Assets

Total assets were 77,322 million yen at the end of the first three quarters, 14,577 million yen less than at the end of the previous fiscal year. Current assets decreased 15,472 million yen to 39,865 million yen and noncurrent assets increased 895 million yen to 37,457 million yen.

The decrease in total assets was primarily the net result of an 14,747 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities decreased to 16,456 million yen, 15,497 million yen less than at the end of the previous fiscal year. The decrease in liabilities was mainly due to decrease of 12,131 million yen in notes payable, accounts payable for construction contracts and other and 2,028 million yen in income taxes payable.

Net assets

Net assets were 60,866 million yen at the end of the first three quarters, mainly due increase of 380 million yen in valuation difference on available-for-sales securities from the end of the previous fiscal year.

(3) Forecast for fiscal year ending in March 2017

There is no change in the forecast for the consolidated results of operations that was announced on November 8, 2016.

2. Other information (Note)

(1) Changes in accounting principles and estimates, and retrospective restatement

Changes in accounting principle

(Application of practical solution on a change in depreciation method due to tax reform 2016)

Beginning with the first quarter of fiscal year ending on March 31, 2017, Hibiya Engineering is using "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) PITF No. 32, issued on June 17, 2016). Accordingly, the depreciation method was changed from the declining-balance method to the straight-line method for the facilities of buildings and structures acquired on or after April 1, 2016.

The application of these accounting standards has no significant effect on earnings.

(2) Additional information

(Application of revised implementation guidance on recoverability of deferred tax assets)

Beginning with the first quarter of the fiscal year ending on March 31, 2017, Hibiya Engineering is using "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	Third quarter ended Dec. 2016 (As of December 31, 2016)
ASSETS		
Current assets		
Cash and deposits	5,945	8,119
Notes receivable, accounts receivable from completed construction contracts and other	43,429	28,682
Securities	2,005	500
Costs on uncompleted construction contracts and other	888	1,018
Other	3,116	1,569
Allowance for doubtful accounts	(46)	(24)
Total current assets	55,338	39,865
Noncurrent assets		
Property, plant and equipment	494	544
Intangible assets	104	166
Investments and other assets		
Investment securities	31,589	32,242
Other	4,405	4,533
Allowance for doubtful accounts	(32)	(29)
Total investments and other assets	35,962	36,745
Total noncurrent assets	36,561	37,457
Total assets	91,900	77,322

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	Third quarter ended Dec. 2016 (As of December 31, 2016)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	23,239	11,107
Income taxes payable	2,433	405
Advances received on uncompleted construction contracts	220	291
Provision for bonuses	2,420	873
Provision for warranties for completed construction	66	67
Provision for loss on construction contracts	98	140
Other	2,552	2,430
Total current liabilities	31,030	15,315
Noncurrent liabilities		
Net defined benefit liability	388	402
Other	533	737
Total noncurrent liabilities	922	1,140
Total liabilities	31,953	16,456
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	45,425	46,140
Treasury shares	(1,909)	(2,321)
Total shareholder's equity	55,200	55,504
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	3,094	3,475
Deferred gains or losses on hedges	0	(0)
Remeasurements of defined benefit plans	(557)	(471)
Total accumulated other comprehensive income	2,537	3,004
Subscription rights to shares	162	181
Non-controlling interests	2,045	2,176
Total net assets	59,947	60,866
Total liabilities and net assets	91,900	77,322

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income
For the first three quarters (April 1, 2016 – December 31, 2016)

(million yen)

	First three quarters ended December 2015 (April 1, 2015 – December 31, 2015)	First three quarters ended December 2016 (April 1, 2016 – December 31, 2016)
Net sales	45,824	47,638
Cost of sales	40,227	39,436
Gross profit	5,597	8,201
Selling, general and administrative expenses	4,828	5,519
Operating income	769	2,681
Non-operating income		
Interest income	61	45
Dividend income	160	174
Share of profit of entities accounted for using equity method	162	–
Other	185	128
Total non-operating income	570	347
Non-operating expenses		
Interest expense	0	2
Share of loss of entities accounted for using equity method	–	94
Other	4	4
Total non-operating expenses	5	101
Ordinary income	1,334	2,928
Extraordinary income		
Gain on sales of non-current assets	–	254
Gain on sales of investment securities	1,160	–
Total extraordinary income	1,160	254
Extraordinary losses		
Loss on insurance cancellation	762	–
Total extraordinary losses	762	–
Profit before income taxes	1,731	3,183
Income taxes-current	217	421
Income taxes-deferred	354	620
Total income taxes	571	1,041
Profit	1,159	2,141
Profit attributable to non-controlling interests	50	86
Profit attributable to owners of parent	1,109	2,054

Quarterly consolidated statements of comprehensive income
For the first three quarters (April 1, 2016 – December 31, 2016)

(million yen)

	First three quarters ended December 2015 (April 1, 2015 – December 31, 2015)	First three quarters ended December 2016 (April 1, 2016 – December 31, 2016)
Profit	1,159	2,141
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,148)	410
Deferred gains or losses on hedges	–	(0)
Remeasurements of defined benefit plans, net of tax	12	54
Share of other comprehensive income of entities accounted for using equity method	(5)	52
Total other comprehensive income	(1,142)	516
Comprehensive income	17	2,658
Comprehensive income attributable to owners of parent	(55)	2,521
Comprehensive income attributable to non-controlling interests	72	136

(3) Notes to consolidated financial statements

(Going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None