

Summary of Consolidated Financial Results

For the Second 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: November 8, 2016 (tentative)

Date of commencement of dividend payment: December 5, 2016 (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 2017 (April 1, 2016 – September 30, 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 half ended September 2016	29,586	8.6	1,543	-	1,475	-	902	-
First half ended September 2015	27,252	(3.0)	(539)	-	(331)	-	(270)	-

Note: Comprehensive income: First half of FY3/2017: 489 million yen [-%], First half of FY3/2016: -784 million yen [-%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2016	30.81		30.64	
First half ended September 2015	(9.10)		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2016	73,689	59,553	77.8	1,963.63
As of March 31, 2016	91,900	59,947	62.8	1,966.69

Reference: Shareholders' equity

As of September 30, 2016: 57,304 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 2016	-	20.00	-	20.00	40.00
Fiscal year ending March 2017	-	25.00			
Fiscal year ending March 2017 (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: Yes

* **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: 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 shares)

(a) Shares outstanding (including treasury shares)

As of September 30, 2016:	31,000,309	As of March 31, 2016:	31,000,309
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(b) Treasury shares

As of September 30, 2016:	1,817,387	As of March 31, 2016:	1,642,000
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2016:	29,290,476	Period ended September 30, 2015:	29,695,517
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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 on consolidated business performance

In the first half 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 due to uncertainties about overseas economies, appreciation of the yen, postponement of the consumption tax hike and other factors.

In the construction industry, public-works investments were firm. However, the operating environment is still challenging because of the rising cost of labor due to the difficulty of recruiting trained construction workers and the high cost of materials.

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 half of fiscal year ending March 2017, orders received were 34,431 million yen, 4.0% lower than in the first half of the previous fiscal year.

Sales increased 8.6% to 29,586 million yen.

There was an operating income of 1,543 million yen compared with 539 million yen operating loss one year earlier, an ordinary income of 1,475 million compared with 331 million ordinary loss one year earlier. The profit attributable to owners of parent was 902 million yen compared with 270 million loss attributable to owners of parent one year earlier.

(2) Overview of financial condition

Assets

Total assets were 73,689 million yen at the end of the first half, 18,211 million yen less than at the end of the previous fiscal year. Current assets decreased 17,220 million yen to 38,118 million yen and noncurrent assets decreased 990 million yen to 35,571 million yen.

The decrease in total assets was primarily the net result of an 18,962 million yen decrease in notes receivable, accounts receivable from completed construction contracts and other.

Liabilities

Liabilities decreased to 14,135 million yen, 17,817 million yen less than at the end of the previous fiscal year.

The decrease in liabilities was mainly due to decrease of 13,368 million yen in notes payable, accounts payable for construction contracts and other and 2,339 million yen in income taxes payable.

Net assets

Net assets were 59,553 million yen at the end of the first half, mainly due decrease of 500 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

The forecast for consolidated results of operations that was announced on May 13, 2016 has been revised based on recent business performance and other factors. For further details, see the "Notice of Revisions to the Forecast for Consolidated Results of Operations for the Fiscal Year Ending March 2017" released today (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)	Second quarter ended September 2016 (As of September 30, 2016)
ASSETS		
Current assets		
Cash and deposits	5,945	8,893
Notes receivable, accounts receivable from completed construction contracts and other	43,429	24,466
Securities	2,005	1,002
Costs on uncompleted construction contracts and other	888	1,231
Other	3,116	2,543
Allowance for doubtful accounts	(46)	(19)
Total current assets	55,338	38,118
Noncurrent assets		
Property, plant and equipment	494	545
Intangible assets	104	188
Investments and other assets		
Investment securities	31,589	30,313
Other	4,405	4,556
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	35,962	34,837
Total noncurrent assets	36,561	35,571
Total assets	91,900	73,689

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	Second quarter ended September 2016 (As of September 30, 2016)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	23,239	9,870
Income taxes payable	2,433	93
Advances received on uncompleted construction contracts	220	403
Provision for bonuses	2,420	894
Provision for warranties for completed construction	66	67
Provision for loss on construction contracts	98	166
Other	2,552	1,854
Total current liabilities	31,030	13,351
Noncurrent liabilities		
Net defined benefit liability	388	416
Other	533	368
Total noncurrent liabilities	922	784
Total liabilities	31,953	14,135
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	45,425	45,723
Treasury shares	(1,909)	(2,200)
Total shareholder's equity	55,200	55,207
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	3,094	2,594
Deferred gains or losses on hedges	0	2
Remeasurements of defined benefit plans	(557)	(499)
Total accumulated other comprehensive income	2,537	2,096
Subscription rights to shares	162	181
Non-controlling interests	2,045	2,067
Total net assets	59,947	59,553
Total liabilities and net assets	91,900	73,689

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income
For the first half (April 1, 2016 – September 30, 2016)

(Million yen)

	First half ended September 2015 (April 1, 2015-September 30, 2015)	First half ended September 2016 (April 1, 2016-September 30, 2016)
Net sales	27,252	29,586
Cost of sales	24,575	24,488
Gross profit	2,676	5,098
Selling, general and administrative expenses	3,215	3,555
Operating income (loss)	(539)	1,543
Non-operating income		
Interest income	43	32
Dividend income	99	110
Other	97	35
Total non-operating income	239	179
Non-operating expenses		
Equity in losses of affiliates	29	241
Other	3	5
Total non-operating expenses	32	246
Ordinary income (loss)	(331)	1,475
Profit (loss) before income taxes	(331)	1,475
Income taxes-current	21	31
Income taxes-deferred	(96)	528
Total income taxes	(75)	559
Profit (loss)	(256)	916
Profit attributable to non-controlling interests	13	13
Profit (loss) attributable to owners of parent	(270)	902

Quarterly consolidated statements of comprehensive income
For the first half (April 1, 2016 – September 30, 2016)

(Million yen)

	First half ended September 2015 (April 1, 2015-September 30, 2015)	First half ended September 2016 (April 1, 2016-September 30, 2016)
Profit (loss)	(256)	916
Other comprehensive income		
Valuation difference on available-for-sale securities	(494)	(468)
Deferred gains or losses on hedges	-	1
Remeasurements of defined benefit plans, net of tax	8	36
Share of other comprehensive income of entities accounted for using equity method	(41)	3
Total other comprehensive income	(527)	(426)
Comprehensive income	(784)	489
Comprehensive income attributable to owners of parent	(774)	461
Comprehensive income attributable to non-controlling interests	(10)	28

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

(Significant change in shareholders' equity)
No