

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2015 [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: Haruki Nomura, President

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Date of filing of quarterly securities report: November 7, 2014 (tentative)

Date of commencement of dividend payment: December 9, 2014 (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 2015 (April 1, 2014 – September 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2014	28,104	7.1	(975)	-	(755)	-	(494)	
First half ended September 2013	26,243	(10.1)	(918)	-	(551)	-	118	(49.6)

Note: Comprehensive income: First half of FY3/2015: 276 million yen [-73.9%], First half of FY3/2014: 1,058 million yen [-%]

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended September 2014	(16.41)	-
First half ended September 2013	3.87	3.85

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2014	73,394	56,597	74.6	1,823.71
As of March 31, 2014	83,531	57,068	66.2	1,828.81

Notes: Shareholders' equity

As of September 30, 2014: 54,746 million yen As of March 31, 2014: 55,256 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 2014	-	15.00	-	15.00	30.00
Fiscal year ending March 2015	-	16.00			
Fiscal year ending March 2015 (estimate)			-	16.00	32.00

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

3. Forecast for the fiscal year ending March 2015 (Consolidated, April 1, 2014 to March 31, 2015)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	71,000	2.2	2,500	35.7	3,300	14.3	2,000	(9.7)	66.19

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: 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 stock)

As of September 30, 2014:	31,000,309	As of March 31, 2014:	31,000,309
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(b) Treasury stock

As of September 30, 2014:	980,814	As of March 31, 2014:	785,800
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2014:	30,136,343	Period ended September 30, 2013:	30,559,862
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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 the current fiscal year, the Japanese economy recovered slowly due to improving corporate earnings, a rebound in capital expenditures and other reasons. But the outlook remains unclear partly because of the decline in consumer spending caused mainly by the extended downturn in demand following the rush to buy before the April 2014 consumption tax increase.

In the construction industry, public-works investments and private-sector capital expenditures are strong. However, the operating environment is challenging because of the rising cost of materials and labor and intense competition to capture orders.

The Hibiya Engineering Group has been taking numerous actions aimed at making more progress toward the goal of becoming a "true comprehensive engineering services company" that is a one-stop source of services for customers' needs. Due to these activities, orders received were 37,851 million yen, 8.2% higher than one year earlier. Sales increased 7.1% to 28,104 million yen.

Although group companies continued to work on cutting costs, there was an operating loss of 975 million yen compared with a loss of 918 million yen one year earlier and an ordinary loss of 755 million yen compared with a loss of 551 million yen one year earlier. The first half net loss was 494 million yen compared with net income of 118 million yen one year earlier.

(2) Overview of financial condition

Assets

Total assets were 73,394 million yen at the end of the first half, down 10,137 million yen from the end of the previous fiscal year. Current assets decreased 9,067 million yen to 34,886 million yen and noncurrent assets decreased 1,069 million yen to 38,508 million yen. Assets decreased mainly because of an 11,666 million yen decrease in accounts receivable from completed construction contracts and other.

Liabilities

Total liabilities decreased 9,665 million yen to 16,797 million yen. Notes payable, accounts payable for construction contracts and other decreased 9,398 million yen and income taxes payable decreased 667 million yen.

Net assets

Net assets totaled 56,597 million yen at the end of the first half mainly because of a 954 million yen decrease in retained earnings from the end of the previous fiscal year.

(3) Forecast

There is no change in the forecast for consolidated results of operations that was announced on May 9, 2014.

2. Other information (Note)

Changes in accounting principles and estimates, and retrospective restatement

Changes in accounting policy

(Application of accounting standard for retirement benefits)

Beginning at the start of the first quarter of the fiscal year ending on March 31, 2015, the Company is using Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) as prescribed in paragraph 35 of this accounting standard and paragraph 67 of this guidance.

As a result, Hibiya Engineering has revised the method for calculating retirement benefit liabilities and service cost, continue to apply the standard for assigning expected retirement benefit payments to specific years using the straight-line attribution method, and changed the method for determining the discount rate from a discount rate based on a number of years that is close to the average remaining service period of employees to a single weighted average discount rate that reflects the expected period for retirement benefit payments and the amount to be paid in each expected payment period.

These changes had no effect on the first quarter consolidated financial statements.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(million yen)

	Fiscal year ended March 2014 (As of March 31, 2014)	Second quarter ended September 2014 (As of September 30, 2014)
ASSETS		
Current assets		
Cash and deposits	4,920	4,310
Notes receivable, accounts receivable from completed construction contracts and other	32,717	21,050
Short-term investment securities	4,517	4,815
Costs on uncompleted construction contracts and other	854	1,868
Other	979	2,874
Allowance for doubtful receivables	(34)	(33)
Total current assets	43,954	34,886
Noncurrent assets		
Property, plant and equipment	558	540
Intangible assets	158	139
Investments and other assets		
Investment securities	33,336	33,213
Other	5,692	4,776
Allowance for doubtful accounts	(168)	(162)
Total investments and other assets	38,860	37,828
Total noncurrent assets	39,577	38,508
Total assets	83,531	73,394

	Fiscal year ended March 2014 (As of March 31, 2014)	Second quarter ended September 2014 (As of September 30, 2014)
LIABILITIES		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	20,441	11,043
Short-term loans payable	330	-
Income taxes payable	721	53
Advances received on uncompleted construction contracts	1,003	1,066
Provision for bonuses	922	616
Provision for warranties for completed construction	53	54
Provision for loss on construction contracts	242	686
Other	874	1,085
Total current liabilities	24,588	14,605
Noncurrent liabilities		
Net defined benefit liability	606	543
Provision for directors' retirement benefits	39	-
Other	1,227	1,648
Total noncurrent liabilities	1,874	2,191
Total liabilities	26,463	16,797
NET ASSETS		
Shareholder's equity		
Capital stock	5,753	5,753
Capital surplus	5,931	5,931
Retained earnings	40,187	39,232
Treasury stock	(525)	(836)
Total shareholder's equity	51,346	50,080
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	4,031	4,774
Remeasurements of defined benefit plans	(121)	(108)
Total accumulated other comprehensive income	3,909	4,666
Subscription rights to shares	109	138
Minority interests	1,702	1,711
Total net assets	57,068	56,597
Total liabilities and net assets	83,531	73,394

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income
For the first half (April 1, 2014 – September 30, 2014)

(million yen)

	First half ended September 2013 (April 1, 2013-September 30, 2013)	First half ended September 2014 (April 1, 2014-September 30, 2014)
Net sales	26,243	28,104
Cost of sales	23,714	25,820
Gross profit	2,529	2,283
Selling, general and administrative expenses	3,447	3,258
Operating income (loss)	(918)	(975)
Non-operating income		
Interest income	52	51
Dividend income	84	92
Equity in earnings of affiliates	178	-
Other	62	114
Total non-operating income	378	258
Non-operating expenses		
Interest expense	7	1
Equity in losses of affiliates	-	34
Other	4	2
Total non-operating expenses	11	38
Ordinary income (loss)	(551)	(755)
Extraordinary income		
Gain on sales of investment securities	284	-
Gain on redemption of investment securities	273	-
Total extraordinary income	557	-
Extraordinary losses		
Loss on sales of investment securities	-	5
Total extraordinary losses	-	5
Income (loss) before income taxes	6	(760)
Income taxes-current	28	36
Income taxes-deferred	(98)	(301)
Total income taxes	(70)	(264)
Income (loss) before minority interests	76	(495)
Minority interests in income (loss)	(41)	(1)
Net income (loss)	118	(494)

Quarterly consolidated statements of comprehensive income
For the first half (April 1, 2014 – September 30, 2014)

	First half ended September 2013 (April 1, 2013-September 30, 2013)	First half ended September 2014 (April 1, 2014-September 30, 2014)
Income (loss) before minority interests	76	(495)
Other comprehensive income		
Valuation difference on available-for-sale securities	950	707
Remeasurements of defined benefit plans, net of tax	-	14
Share of other comprehensive income of associates accounted for using equity method	31	50
Total other comprehensive income	982	772
Comprehensive income	1,058	276
Comprehensive income attributable to owners of the parent	1,065	256
Comprehensive income attributable to minority interests	(7)	20

- (3) Notes to consolidated financial statements
(Going concern assumptions)
No
- (Significant change in shareholders' equity)
No