



April 11<sup>th</sup>, 2008

Hibiya Engineering, Ltd.  
Sumitomo Fudosan Mita Twin Building East, 4-2-8  
Shibaura, Minato-ku  
Tokyo 108-0023, Japan

Attention: Mr. Shinya Kimura, President and Representative Director  
Mr. Yoshiaki Ugaki, Vice President and Representative Director

Dear Sirs:

Enclosed is a demand letter related to our shareholder proposal for the upcoming Annual General Meeting of Hibiya Engineering, Ltd (the "Company"). Brandes Investment Partners, L.P. ("Brandes") intends to vote all shares under our control in support of this proposal, but for convenience the proposal is being submitted by only one Brandes fund.

As noted in previous letters and meetings, our belief has been, and continues to be, that the Company has significant excess capital (including cash and both long and short-term investment securities) that is generating returns well below the cost of capital. Although we recognize that the Company may have certain needs in the future to fund acquisitions and strategic investments, we believe the amount of cash and investments currently on the balance sheet is well in excess of any such needs.

We appreciate the continued dialogue on the issue of excess capital and the sincere manner in which the communication has taken place. We also acknowledge that the Company's recent announcement of a commemorative dividend of ¥10 per share is a step in the right direction. However, we believe much more can and should be done in order to improve capital efficiency. Accordingly, we believe that the enclosed shareholder proposal is very reasonable and will be a welcomed action by a large percentage of the Company's shareholders. Our intention is to disclose our proposal to the public unless further progress can be made.

We hope that this letter is not taken negatively, and we would like to reiterate that improving capital efficiency is in the best interest of all shareholders. We would like to thank you for your continued efforts on behalf of shareholders, and look forward to a successful and productive future.

Sincerely yours,

Brent Woods, Kenneth Little, Luiz Sauerbronn, and Shingo Omura  
Members of the Brandes Corporate Governance Committee



## Revised Shareholder Proposal

(改訂版株主提案書)

To the Board of Directors of Hibiya Engineering, Ltd. 日比谷総合設備株式会社取締役会御中

### 1. Claimant et al.

Enclosed is a copy of the Power of Attorney in which State Street Bank And Trust Client Omnibus Account OM02, a registered shareholder in HIBIYA ENGINEERING, LTD. (the "Company"), has delegated to Brandes Investment Partners, LP ("Brandes") the authority to introduce a shareholder proposal to the 43<sup>rd</sup> Ordinary General Shareholders Meeting of the Company. The Power of Attorney relates to 318,000 Company shares held by Claimant for at least six months prior to the date of this demand.

The Claimant acts as the nominee of the Brandes Global Small Cap Equity Fund (hereinafter, the "Fund"). Brandes Investment Partners & Co. ("BIPCO") is the investment manager and trustee of the Fund, and has the authority to direct or authorize Brandes to initiate action on behalf of the Fund. Brandes is the sub-advisor of the Fund and has full discretionary authority over the Fund, subject to the investment management agreement and guidelines of the Fund. In its capacity as investment manager, BIPCO is entitled to direct (and has directed) the Claimant on corporate governance issues related to the Company's shares that are beneficially owned by the Fund.

### 1. 請求人その他

日比谷総合設備株式会社（以下「当社」といいます。）の株主名簿上の株主であるステート ストリート バンク アンド トラスト クライアント オムニバス アカウント オーエムゼロツー（以下「請求人」といいます。）は、添付の委任状に基づき、当社の第 43 回定時株主総会に株主提案を提出する権限をブランデス・インベストメント・パートナーズ・エル・ピー（以下「ブランデス」といいます。）に付与しました。当該委任状は、本請求書の日先立つ少なくとも 6 ヶ月の間請求人が保有している当社の株式 318,000 株に関するものです。

請求人は、ブランデス・グローバル・スモール・キャップ・エクイティ・ファンド（以下「ファンド」といいます。）のために名義人として行動しています。ブランデス・インベストメント・パートナーズ & コー（以下「ビプロ」といいます。）はファンドの投資管理者及び受託者であり、ブランデスに対してファンドの運営の指示、または自由裁量で行動する権限を与えることができます。ブランデスはファンドのサブアドバイザーとして、ファンドのガイドライン及び投資運用契約に基づき、自由裁量の権限を有しています。投資管理者としての地位に基づき、ビプロは、ファンドが実質的に保有する当社の株式に関連して企業統治に関する事項につき請求人を指示する権限を有します（且つ指示を与えたものです）。

Brandes Investment Partners, L.P.

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858.755.0239 | 800.237.7119 | Fax 858.755.0916

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## 2. Demand

In accordance with Article 303 of the Company Act it is hereby demanded that the following agenda item be submitted to the 43<sup>rd</sup> Ordinary General Shareholders Meeting of the Company scheduled to be held in June 2008.

In accordance with Article 305 of the Company Act it is also demanded that the following proposal and its supporting reasons be included in the notice of such shareholders meeting and related materials to be sent to the Company's shareholders.

### (I) Proposal (1) Additional Dividend

Additional dividends shall be paid as follows:

#### (i) Type of Assets for Dividend

Cash

#### (ii) Additional Dividend per Share

¥32.5 less dividend amount per share of Common Stock of the Company proposed by the Company's Board of Directors to the 43<sup>rd</sup> Ordinary General Shareholders Meeting of the Company and approved by such Meeting (Hereinafter, this amount shall be referred to as "Additional Dividend per Share"). Including the ¥7.5 per share interim dividend, the annual dividend paid shall be ¥40 per share.

#### (iii) Allocation of Assets for Dividend

Per share of Common Stock of the Company, Additional Dividend per Share shall be paid to shareholders (including "Jisshitsu" shareholders) of Common Stock of the Company as of March 31, 2008 (hereinafter referred to as "Allocation Date"); provided however if the Company determines the record date (*Kijyunbi*) for this additional dividend to be June 30, 2008, Allocation Date shall change to June 30, 2008.

## 2. 請求

会社法第 303 条に従い、後記の議題を、平成 20 年 6 月に開催予定の当社第 43 回定時株主総会における会議の目的とすることを、ここに請求します。

会社法第 305 条に従い、後記の議案及び提案理由を上記株主総会の招集通知及び添付参考書類に記載して株主に通知することを、ここに請求します。

### (I) 議案(1) 剰余金追加配当の件

下記剰余金を追加で配当するものとします。

#### (i) 配当財産の種類

金銭

#### (ii) 1 株当たり追加配当額

金 32.5 円から第 43 回定時株主総会に当社取締役会が提案し同総会で承認された当社普通株式 1 株当たりの剰余金配当額を控除した金額（以下この金額を「一株当たり追加配当額」といいます。）。これにより中間配当金（一株につき 7.5 円）とあわせて年間配当金は一株につき 40 円となります。

#### (iii) 配当財産の割当てに関する事項

普通株式 1 株につき、一株当たり追加配当額を、平成 20 年 3 月 31 日（以下「割当日」といいます。）現在の当社普通株主（実質株主を含みます。）に支払うものとします。但し、当社が、剰余金追加配当の基準日を平成 20 年 6 月 30 日と定めた場合、割当日は平成 20 年 6 月 30 日と読み替えます。

(iv) Total Dividend Amount (Book Value)

The amount produced by multiplying (a) Additional Dividend per Share with (b) the total outstanding number of shares (excluding treasury shares) of Common Stock of the Company as of the Allocation Date. (Hereinafter, this amount shall be referred to as "Total Additional Dividend Amount.")

(v) Date for Additional Dividend

June 30, 2008; provided that it shall be paid no later than September 30, 2008.

(II) Proposal (2) Share buybacks

In accordance with Article 156, Paragraph 1 of the Company Act, the company will acquire, within 1 year from the date of the 43<sup>rd</sup> Annual General Meeting, up to 1.5 million of its own shares for the maximum of ¥1.5 billion or the "Bunpai Kanou Gaku" (as defined under Article 461 of the Company Act), whichever is the least.

(III) Reasons

These proposals reflect the belief that the Company should maintain a balance sheet that is consistent with its core business as an engineering company, and that capital well in excess of such needs should be returned to its shareholders.

Firstly, by increasing the total annual dividend to ¥40 yen per share (including the interim dividend of ¥7.5 per share), we expect the Company to continue to increase the payout ratio and prevent further accumulation of cash in the future.

As of December 31, 2007, 62% of the Company's total assets or approximately ¥43.5 billion was comprised of cash, marketable securities and investment securities including cross-shareholdings (hereafter referred to as "Financial Assets"), the majority of which is unrelated to the Company's operations as an engineering company. Even after taking into consideration the need for working capital, strategic relationship holdings associated

(iv) 配当金額（帳簿価額）の総額

(a)一株当たり追加配当額に(b)割当日現在の当社発行済普通株式総数（自己株式を除く）を乗じて算出した金額（以下この金額を「追加配当総額」といいます。）

(v) 剰余金の追加配当が効力を生ずる日

平成 20 年 6 月 30 日。但し、その支払い期限は平成 20 年 9 月 30 日とします。

(II) 議案(2) 自己株式取得の件

会社法第 156 条第 1 項の規定に基づき、本定時株主総会終結の時から 1 年以内に当社普通株式を株式総数 150 万株、取得価額の総額 15 億円（ただし、会社法により許容される取得価格の総額（会社法 461 条に定める「分配可能額」）が当該金額を下回るときは、会社法により許容される取得価格の総額の上限となる金額）を限度として取得することとします。

(III) 提案理由

本提案は、当社がエンジニアリング会社としての中核事業に相応しいバランスシートを維持すべきであり、必要性を超えた余剰資本は株主に返還すべきであるという考えに基づくものです。

まず、1 株当たりの年間配当金を(7.5 円の間配当金とあわせて) 40 円にすることにより、当社が今後、更なる増配に努め、これ以上の余剰資本の蓄積を防ぐことを図っています。

平成 19 年末現在、当社の総資産の 62%に相当する約 435 億円が、現金、有価証券及び政策株式を含めた投資有価証券（以下「金融資産」といいます。）で構成され、その大半は、エンジニアリング会社としての当社の業務に関連しません。運転資金、事業関係強化のための政策株式投資並びに将来的な新規事業投資に必要とされる資本を考慮した上でも、現在の金融資産の規模はエンジニアリング事業が正当に必要とす

with business activities, and potential investments in new businesses, the magnitude of Financial Assets held by the Company goes well beyond what is legitimately needed to fund its operations.

In addition, the return that the Company earns on its Financial Assets is less than 1.5% on an annualized basis, well below its estimated cost of capital and exhibits no improvements.

Secondly, the share buyback proposal aims for the reduction of excess capital, and it is intended for the Company to cancel all shares upon repurchase. In addition, the 1.5 million share buyback program would signal the strong faith that the Company has in its underlying businesses, and would also be accretive to all shareholders.

With regard to the above-mentioned issues, the Company has failed to sufficiently explain to shareholders, including in its 'Midterm Management Plan' announced in 2006, the 'justifiable amount' or 'return parameters' for the excess capital it may use for future strategic investments. We believe that any such investments, if economically justified, could be financed through capital markets at such time the potential acquisitions arise. Maintaining significant excess Financial Assets to provide for potential future acquisitions is not in the interest of shareholders.

The proposals, if approved, would result in an incremental return to shareholders of approximately ¥2 billion, which would reduce the Company's total Financial Assets to approximately ¥41 billion. Following the execution of the proposed dividend and share buybacks, approximately 61% of the Company's total assets would still consist of Financial Assets, a ratio that is more than sufficient to support its operations while still allowing for it to pursue growth opportunities.

### 3. Miscellaneous

If for any reason the Board of Directors of the Company intends not to fulfill the matters demanded, it is requested that the undersigned be notified immediately.

る金額をはるかに超えています。

また、当社が金融資産から得ている収益率は 1.5%未満と極めて低く、資本コストを大きく下回り、依然として改善される傾向がございません。

次に、自社株買いは、過剰資本の段階的な解消を目的としており、取得された自社株はその速やかな消却が望まれます。最大 150 万株の自社株買いは、当社の事業に対する経営陣の強い信念の表明ともなり、全株主にとって有益であると考えています。

以上に対して、将来の戦略投資等の可能性ゆえに多額の余剰資本を確保する必要性、余剰資本の適正規模並びに当資本に求められる収益性などにつき、2006 年に発表された中期的経営計画等を通じて株主に対して十分な説明がなされたとはいえません。当該投資等につき経済的に正当化できるものであれば、その機会が現実化した際に、資本市場から必要資金を調達することも可能であると考えます。将来発生するかもしれない事由に備えて、明らかに余剰な金融資産を維持することは株主利益に反するものです。

なお、本提案が可決された場合、約 20 億円の剰余金の追加株主還元となり、当社の金融資産を約 410 億円程度まで減少させますが、還元後も、当社の総資産の 61% 前後は金融資産で構成され、当社の事業活動を支えながら成長機会を追究するために十分な比率の金融資産を含むものと考えます。

### 3. その他

その理由を問わず、ここに請求された事項を当社取締役会が履行する意図がない場合、速やかに下記署名者にご通知下さい。

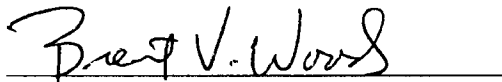
Please communicate with the undersigned in relation to any matters concerning this demand. この請求書に関連する事項については、下記署名者にご連絡ください。

11988 El Camino Real, Suite 500, P.O. Box 919048, San Diego, California, 92191-9048, United States of America

(アメリカ合衆国 92191-9048 カリフォルニア州、サンディエゴ、エル・カミノ・レアル 11988、500 号室)

Brandes Investment Partners, LP

(ブランドス・インベストメント・パートナーズ・エル・ピー)



By (署名者) : Brent V. Woods

Title (肩書き) : Managing Director - Investments

Date (日付) : April 16th, 2008