

(All financial information herein has been prepared in accordance with accounting principles generally accepted in Japan. This document is an English translation from the original Japanese-language document. This translation is not subject to auditing standards in the U.S.)

Listed company name: Original Engineering Consultants Co., Ltd. Stock listing: Tokyo Stock Exchange, Second Section
Code number: 4642 (URL <http://www.oec-solution.co.jp>)

Representative: Title President & Representative Director Name: Nobuhiko Suga
Contact person: Title Director & General Manager of Financial Affairs Division Name: Kaoru Kira Tel: (03) 6757-8800

Planned Annual General Meeting of Shareholders: March 28, 2013

Planned filing of a financial report: March 29, 2013

Date of scheduled payment of dividends: –

Earnings supplementary explanatory documents: None

Earnings presentation: None

(Amounts less than ¥1 million are truncated)

1. CONSOLIDATED FINANCIAL RESULTS FOR FY 2012 (January 1, 2012 to December 31, 2012)

(1) Consolidated Operating Results

(Percentages represent year-on-year change)

| | Net sales | | Operating loss | | Ordinary loss | | Net loss | |
|------------------------------------|-------------|-------|----------------|---|---------------|---|-------------|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY 2012 ended December 31, 2012 | 4,366 | 0.5 | -126 | – | -118 | – | -158 | – |
| FY 2011 ended December 31, 2011 | 4,344 | -13.0 | -210 | – | -207 | – | -303 | – |

(Note) Comprehensive income: FY 2012: ¥130 million FY 2011: ¥344 million

| | Net loss per share-basic | Net income/loss per share-diluted | Return on equity | Ordinary loss to total assets | Operating margin |
|------------------------------------|-----------------------------|--------------------------------------|------------------|----------------------------------|---------------------|
| | Yen | Yen | % | % | % |
| FY 2012 ended December 31, 2012 | -21.19 | – | -4.5 | -2.6 | -2.9 |
| FY 2011 ended December 31, 2011 | -40.65 | – | -8.3 | -4.3 | -4.8 |

(Reference) Gain (loss) on investment by equity method: FY 2012: ¥- million FY 2011: ¥- million

(2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-------------------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2012 | 4,617 | 3,542 | 76.7 | 474.39 |
| As of December 31, 2011 | 4,870 | 3,673 | 75.4 | 491.80 |

(Reference) Shareholders' equity: As of December 31, 2012: ¥3,572 million As of December 31, 2011: ¥3,673 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the period |
|------------------------------------|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| FY 2012 ended December 31, 2012 | -251 | -43 | -10 | 539 |
| FY 2011 ended December 31, 2011 | 10 | 361 | -8 | 844 |

2. DIVIDENDS

| (Record date) | Dividends per share | | | | | Total dividend amount (Full year) | Payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---|-------------------------|-------------|-------------------------|--------------------|--------------|---|--------------------------------|--|
| | End of first quarter | Interim | End of third quarter | Fiscal year-end | Full year | | | |
| FY 2011 ended December 31, 2011 | Yen – | Yen 0.00 | Yen – | Yen 0.00 | Yen 0.00 | Million yen – | % – | % – |
| FY 2012 ended December 31, 2012 | – | 0.00 | – | 0.00 | 0.00 | – | – | – |
| FY 2013 ending December 31, 2013(Forecast) | – | 0.00 | – | 0.00 | 0.00 | | – | |

3. FORECAST OF CONSOLIDATED RESULTS FOR FY 2013 (January 1, 2013 to December 31, 2013)

(Percentages represent changes from the same period of the previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share | |
|-----------|-------------|-----|------------------|---|-----------------|---|-------------|---|----------------------|--|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen | |
| Full year | 4,400 | 0.8 | 84 | - | 86 | - | 35 | - | 4.74 | |

(Note) The Company forecasts revenue and earnings on an annual basis for the year ending December 31, 2013. It does not issue forecasts for the six months ending June 30, 2013. For more details, please refer to "1. ANALYSIS OF BUSINESS RESULTS AND FINANCIAL POSITION," "(1) Analysis of Business Results" on page 2 of the Attachment.

*NOTES

(1) Changes in the scope of consolidation for significant subsidiaries during FY 2012 ended December 31, 2012: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements:

(i) Changes in accounting policies in accordance with revision of accounting standards: Yes

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: Yes

(iv) Retrospective restatements: None

Note: These are subject to Article 14-7 of the Ordinance on Terminology, Forms and Preparation Methods

of Financial Statements. For more detailed information, please refer to "4. CONSOLIDATED FINANCIAL STATEMENTS," "(7)

Change in Significant Accounting Policies" on page 17 of the Attachment.

(3) Number of outstanding shares (Common stock)

(i) Number of shares outstanding at end of period, including treasury stock

As of December 31, 2012: 7,796,800 shares As of December 31, 2011: 7,796,800 shares

(ii) Number of shares of treasury stock at end of period

As of December 31, 2012: 328,871 shares As of December 31, 2011: 327,582 shares

(iii) Average number of shares outstanding for each period

As of December 31, 2012: 7,468,545 shares As of December 31, 2011: 7,469,687 shares

* Disclosure regarding the status of implementation of audit procedures

At the time of disclosure of this financial results report, the audit procedures for the consolidated financial statements pursuant to the Financial Instruments and Exchange Act were being carried out.

Note regarding forecasts and forward-looking statements

The business results forecasts presented are based on information available to the Company at the present time and are subject to potential risks and uncertainty. Accordingly, actual results may differ significantly from any expressed future performance herein due to various factors.

For matters relating to results forecasts, please refer to "1. ANALYSIS OF BUSINESS RESULTS AND FINANCIAL POSITION," "(1) Analysis of Business Results" on page 2 of the Attachment.

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1. ANALYSIS OF BUSINESS RESULTS AND FINANCIAL POSITION

(1) Analysis of Business Results

During the fiscal year ended December 31, 2012, although post-earthquake reconstruction underpinned growth in domestic demand in the Japanese economy, the overall the economic outlook remained uncertain owing to such factors as a persistently strong yen exchange rate and a slowing pace of growth in global economy.

In the engineering consultancy industry, such factors as public works budget reductions led to a continuation of the fierce competitive environment among companies attempting to win project orders. Consequently, securing project profitability remained difficult. However, a recent accident caused by a tunnel collapse highlighted the deteriorating state of much of Japan's aging infrastructure and prompted increased attention focused on infrastructure-related safety issues. Against this backdrop, market demand is shifting from services relating to the construction of new water supply and sewerage facilities toward consulting services relating to a range of issues, including the maintenance, renewal and rebuilding of existing facilities, facilities operation, the development of biomass fuel systems and the utilization of renewable energy sources.

In this operating environment, the OEC Group worked to raise the average order value through such efforts as the strengthening of coordination between its sales and technical functions, and implemented various sales programs focusing on such areas as the winning of new customers for services related to disaster prevention initiatives and the comprehensive evaluation method. The Group also aggressively pursued opportunities overseas in the water-related business field, resulting in the winning of orders in Indonesia and the Solomon Islands. Furthermore, the Group strove to enhance productivity by boosting workforce skill levels, including through an increase in staff members holding professional engineering qualifications.

Notwithstanding the efforts outlined above, the Company declared an operating loss for the fiscal year under review. This result was attributable to such factors as order delays and revisions to work schedules leading to net sales falling short of initial forecasts, and a greater amount of technical after-sales service required than originally planned.

As a result, consolidated orders received during the fiscal year under review amounted to ¥4,765 million, an increase of 14.5% compared with the previous fiscal year, and net sales increased 0.5%, to ¥4,366 million. Operating loss amounted to ¥126 million, compared with operating loss of ¥210 million in the previous fiscal year, and ordinary loss amounted to ¥118 million, compared with ordinary loss of ¥207 million in the previous fiscal year. Net loss for the fiscal year under review amounted to ¥158 million, compared with net loss of ¥303 million in the previous fiscal year.

Results by operating division were as follows.

[Engineering Consultant Department]

The Engineering Consultant Department received orders totaling ¥4,452 million during the fiscal year under review, an increase of 18.6% compared with the previous fiscal year. Sales by the department increased 3.6%, to ¥3,944 million.

[Information Processing Department]

In the Information Processing Department, orders received decreased 23.4% compared with the previous fiscal year, to ¥312 million, owing to such factors as a decrease in large-scale projects. Sales by the department decreased 21.6%, to ¥421 million.

Regarding the outlook for the fiscal year ending December 31, 2013, although the Group anticipates a continuing harsh environment for orders—owing to such factors as price competition—water supply and sewerage budgets are expected to place emphasis on such areas as earthquake- and disaster prevention-related measures, programs to address aging infrastructure, and support services to reinforce operating foundations. Hence, the Group will aggressively carry out sales programs to meet such needs while also actively seeking opportunities in the water-related business field overseas. The Group is also committed to securing profitability by implementing such measures as reductions in fixed operating expenses through organizational streamlining and overhauling the relative share of resources allocated to labor costs.

In the fiscal year ending December 31, 2013, the Group forecasts consolidated orders to decrease 3.5%, to ¥4,600 million, and net sales to increase 0.8%, to ¥4,400 million. Operating income is forecast to be ¥84 million, compared with an operating loss of ¥126 million in the previous fiscal year, and ordinary income is forecast to be ¥86 million, compared with an ordinary loss of ¥118 million in the previous fiscal year. Net income is forecast to be ¥35 million, compared with a net loss of ¥158 million in the previous fiscal year.

(2) Analysis of Financial Position

Cash and cash equivalents decreased ¥305 million compared with the end of the previous fiscal year, to stand at ¥539 million at the end of the fiscal year under review. Significant factors contributing to this change included the posting of a loss before income taxes, an increase in notes and accounts receivable—trade, and income taxes paid.

Main factors contributing to changes in cash flows during the fiscal year under review were as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥251 million, compared with net cash provided by operating activities totaling ¥10 million in the previous fiscal year. Significant items within this figure included loss before income taxes of ¥107 million, increase in notes and accounts receivable—trade of ¥102 million, and income taxes paid of ¥47 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥43 million, compared with net cash provided by investing activities of ¥361 million in the previous fiscal year. The major item within this figure was purchase of intangible assets of ¥30 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥10 million, compared with ¥8 million in the previous fiscal year. The main item was repayment of lease obligations amounting to ¥10 million.

(Reference) Cash Flow Indicator Trends

| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|--|---------|---------|---------|---------|---------|
| Shareholders' equity ratio (%) | 77.0 | 75.2 | 78.7 | 75.4 | 76.7 |
| Shareholders' equity ratio on a market value basis (%) | 18.3 | 16.6 | 16.2 | 18.6 | 23.5 |
| Interest-bearing debt to cash flow ratio (years) | — | — | — | 2.3 | — |
| Interest coverage ratio (times) | — | — | — | 9.4 | — |

Ratio formula:

Shareholders' equity ratio: Shareholders' equity / total assets

Shareholders' equity ratio on a market value basis: Market capitalization / total assets

Interest-bearing debts to cash flow ratio (years): Interest-bearing liabilities / cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / interest payments

Notes:

1. All figures are calculated based on consolidated financial data.
2. Market capitalization is calculated by multiplying the share price at end of period by the number of shares outstanding at end of period (excluding treasury stock).
3. Cash flows in these indicators refer to net cash from operating activities as stated in the Consolidated Statements of Cash Flows. Interest-bearing liabilities are all liabilities presented on the Consolidated Balance Sheets that are subject to interest expenses. Interest payments are those stated in the Consolidated Statements of Cash Flows.
4. In the fiscal year ended December 31, 2010 or earlier and 2012 owing to negative cash flow from operating activities, interest coverage ratio for each of these periods is not presented.

(3) Basic Policy on Distribution of Profits and Dividends for FY 2012 and FY 2013

With regard to profit distribution, the Company's basic policy is to maintain stable dividends to shareholders over the long term. However, within a harsh operating environment, the Company has not been able to generate stable profits. Consequently, the Company has decided to forgo payment of dividends applicable to fiscal 2012. For the fiscal year ending December 31, 2013, to build a sound foundation for its businesses that is capable of withstanding fluctuations in the operating environment and earnings performance, the Company at present considers that increasing its internal reserves is imperative. Consequently, the Company forecasts no dividend payment applicable to fiscal 2013. To prepare for the anticipated further intensification of competition for project orders, the Group will utilize internal reserves for such purposes as (1) bolstering its sales capabilities; (2) enhancing technical capabilities through human resource development and improvement of staff skills; (3) improving the quality of its design system; (4) developing new products (software-related); and (5) reinforcing its financial base. As it strives to reduce costs and improve profitability, the Group maintains a fundamental policy of providing returns to shareholders.

(4) Business Risks

Any forward-looking statements contained in this report are based on judgments made by management as of the end of the fiscal year under review.

(i) Dependence on public works projects

Although the Group is making progress in developing businesses in new fields—including those catering to the private sector—and overseas water-related business, an extremely high proportion of the Group's business comprises public works projects for government agencies, public corporations and local public agencies. Owing to such factors as central government reforms in the area of public works budget allocation and the financial situation of local government agencies, budgets for public sewerage projects—the Group's main business—are expected to continue to shrink. There is the possibility that such factors may lead to a negative impact on net sales and operating income.

(ii) Responsibility for defects in finished products

The Group is strongly focused on maintaining and improving the quality of its products. Although the Group has adopted the ISO9001 quality management system, if a defect in one of the Group's products were to cause a major disruption to its customers, this may have a negative impact on the Group's operating performance.

(5) Conditions or Events that Might Raise Critical Questions about the Validity of the Assumption of a Going Concern

The Group's consecutive operating losses raise critical questions about the validity of the assumption of a going concern.

To resolve this situation, in December 2012, the Company established the OEC Management Improvement Committee under a new executive team, and commenced programs aimed at achieving management stability and business development. This committee is formulating improvement measures to address currently pending issues in such areas as organizational simplification, the quality assurance system, enhancement of work efficiency, and reduction of the overall cost structure. Focusing on the Group's growth strategy, the committee is working to establish direction in such areas as technology development and quality improvement to meet current needs as well as the development of new markets. Furthermore, to restore management soundness, the entire OEC Group is unified in working toward swift management improvement and implementation of the growth strategy, and thereby achieve a turnaround in operating results performance.

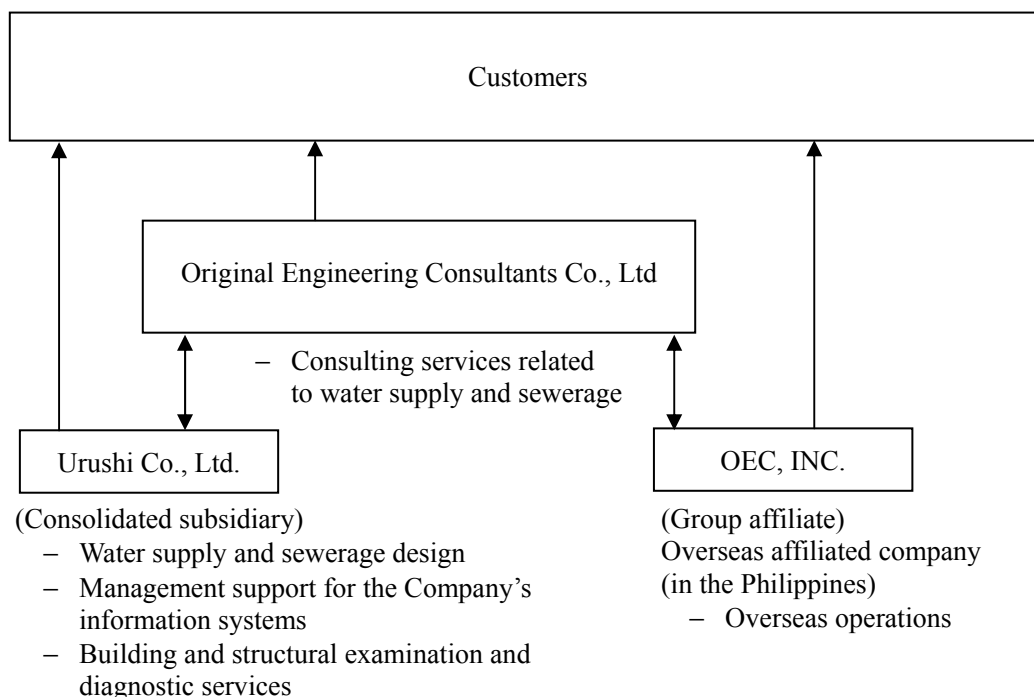
With regard to cash flow management, the Group has forecast the amount of working capital required for the fiscal year ending December 31, 2013, and has judged that it will be possible to meet cash requirements from the current cash balance. Consequently, the Company sees no need for new fund procurement.

Based on the aforementioned analysis, the Company sees no material level of uncertainty with regard to the validity of the assumption of a going concern.

2. OVERVIEW OF THE OEC GROUP'S ORGANIZATION

The OEC Group comprises the Company and one consolidated subsidiary. The Group's principal business activities are in the field of engineering consulting services related to public works, particularly in the area of water supply and sewerage. The Group's core services include the provision of feasibility studies, master plans, detailed project design, construction supervision and surveillance, and urban facilities information management.

The outline of the Group and its interrelations is as follows.



3. MANAGEMENT POLICIES

(1) Basic Management Policies

The OEC Group's core management philosophy is to: (1) contribute to the maintenance of people's living environment; (2) provide superior technologies through ceaseless efforts and the development of leading-edge technology; and (3) pursue business growth and the enhancement of employee welfare, underpinned by community trust.

Based on this philosophy, the Group develops technologies to conserve water resources and protect natural ecosystems, and develops new services derived from such technologies. The Group's basic policy is to broaden its business domain, expand the markets in which it operates and increase sales. In doing so, the Group works to improve its operating performance and increase shareholder value through the realization of sustained business growth and expansion.

(2) Target Management Index

The business projections prepared by the Group to maximize its corporate value as well as to emphasize its shareholders' return are as follows.

| Management target | Medium-term management plan target | FY 2012 (Result) | FY 2013 (Forecast) |
|-------------------------|------------------------------------|------------------|--------------------|
| 1. Amount of orders | Over ¥4.8 billion | ¥4.7 billion | ¥4.6 billion |
| 2. Operating margin | Over 3% | -2.9% | 1.9% |
| 3. Net income per share | Over ¥10 | ¥-21.19 | ¥4.74 |

(3) Medium- and Long-Term Management Strategies

The water supply and sewerage systems market—in which the Group provides its consulting services—is undergoing a rapid shift away from the dominance of conventional design services toward orders for such services as system lifetime extension, stock and asset management, natural-disaster risk reduction, and resource conservation and energy efficiency enhancement. As its management strategy, the Group is utilizing information technology (IT)—developed and built up over many years—as a solid foundation for the provision of a diverse range of consulting services in the Group’s principal field of water supply and sewerage as well as in such fields as river management, waste and environmental management, construction, disaster prevention, overseas business, the provision of a variety of software, and diagnostic business covering buildings, civil engineering structures, machinery and facilities. In doing so, the Group aims to achieve differentiation from competitors and establish a sound medium-to long-term business base.

The Group’s Main Consulting Services

Water Supply Systems

- (1) Restoration of sound management: review of plans for restoration of management soundness in small-scale water supply operations and support services for transition to local public enterprise-based accounting; support services for formulation of reform plans for water charges; formulation of local area water supply vision; formulation of wide-area water supply plans; support for the development of asset management systems; review services for public agencies adopting private finance initiatives (PFI)
- (2) Promotion of systematic renewal programs: formulation of plans to increase facility earthquake resistance and formulation of renewal programs; degradation diagnostic services for pipes, structures and facilities; planning for the introduction of advanced water treatment facilities
- (3) Review of energy efficiency and energy source utilization: measures to address appropriate electricity consumption and reduction of environmental burden; plans for the utilization of water-operations-based energy sources (utilization of small-scale hydro-electric generation systems, etc.)

Sewerage Systems

- (1) Comprehensive medium- to long-term plans: formulation of sewerage system vision; formulation of sewage treatment plans
- (2) Strengthening of management foundations: investigation and evaluation services for sewerage system assets; support services for transition to local public enterprise-based accounting; review services for public agencies adopting comprehensive private consignment; review services for public agencies adopting PFI
- (3) Systematic renewal programs: formulation of sewerage system lifetime extension plans (pipes, pump stations, treatment plants); support services for the development of sewerage asset management systems
- (4) Earthquake preparedness programs: services for the formulation of sewerage system comprehensive earthquake preparedness plans; seismic capacity evaluation and planning services for sewerage facilities (pipes, pump stations, treatment plants); services for the preparation of sewerage system business continuity plans (BCP; earthquake preparedness) ; services for the preparation of tsunami countermeasure plans
- (5) Flood damage abatement: services for the preparation of sewerage system comprehensive flood damage abatement plans; development of flood hazard maps
- (6) Development of resource and energy cycles: services for the preparation of biomass (biosolids) utilization plans; review services for recovery of phosphorus from sewage and sewage sludge; review services for the adoption of energy efficiency and energy generation technologies; services for the preparation of biogas utilization plans; services for the preparation of global warming mitigation plans; design services for such renewable energy facilities as solar power, wind power and small-scale hydro-electric generation systems
- (7) Improvement of combined sewerage systems: services for the preparation of combined sewerage system improvement plans
- (8) Water quality improvement in public bodies of water: services for the preparation of advanced treatment plans at sewage treatment plant; review services for operational support utilizing an activated sludge model (ASM); activated sludge model simulation (BIO-SOLUTION); services for the preparation of treated sewage reuse plans

River Management

- (1) Promotion of flood abatement measures: formulation of joint urban flood control plans; development of flood hazard maps; planning of rainwater storage and infiltration facilities
- (2) Promotion of systematic renewal: planning of long-life facilities (flood gates, drainage pump stations, etc.); degradation diagnostic services for facilities and equipment
- (3) Development of a healthy water cycle: flow regime improvement plans; water quality protection plans

Waste and Environmental Management

- (1) Proposal-based services: formulation of plans for water quality improvement (protection)
- (2) Promotion of systematic renewal: planning of long-life facilities (incineration facilities, sewage treatment plant, final disposal sites, etc.); degradation diagnostic services for facilities and equipment; investigations on the potential for adopting PFI, etc.
- (3) Review of energy source utilization: biomass energy utilization plans; incinerator waste heat utilization plans; mixed incineration plans for sewage sludge and urban garbage
- (4) Environmental surveys: living environment impact surveys; soil and groundwater contamination surveys

Overseas Business

- (1) Advance preparations: preliminary investigations and identification of potential projects for improvement of water, sanitation and living environments in developing countries
- (2) Planning and design: preparation of master plans and feasibility studies for improvement of water, sanitation and living environments in developing countries
- (3) Detailed design: detailed design of facility structural components for projects
- (4) Construction management: construction management of built facility structural components for projects
- (5) Evaluation: Project post-completion evaluation and monitoring
- (6) Public-private partnership (PPP) water infrastructure business support: business development support for companies pursuing the formation of PPP water infrastructure projects
- (7) Base of pyramid (BOP) business support: business development support for companies pursuing the formation of BOP-related environmental projects
- (8) Overseas business development support for small- and medium-sized enterprise (SMEs): business development support for SMEs pursuing the formation of overseas environmental projects

Guard IT Series (Software Provision)

● Water Supply Systems

- (1) Construction works and asset information: works register system; asset management system; business accounting system
- (2) Facilities information: plant register information system; water supply register information system; pipe network calculation system; water supply register touch panel viewing system; water supply register Web-based publishing service
- (3) Operations management information: water supply application information system; water supply disruption information system; property possession information system
- (4) Related information: ground information system; provisional benchmark information system

● Sewerage Systems

- (1) Construction works and asset information: works register system; asset management system; business accounting system
- (2) Treatment station and pump station facilities information: plant register information system; maintenance and inspection information system; water quality test information system; treatment station and pump station facilities lifetime extension support system; treatment station and pump station facilities stock management support system
- (3) Pipeline infrastructure information system: sewer register information system; sewer planning support information system; manhole information system; pipeline infrastructure lifetime extension support system; pipeline infrastructure stock management support system; information system for pipeline infrastructure earthquake disaster preparedness; sewer register touch panel viewing system; sewer register Web-based publishing service
- (4) Operations management information: drainage facility information system; flush lavatory conversion program information system; property possession information system; designated business site information system; user fee management system; user fee levy information system; sewage treatment investigation information system
- (5) Related information: ground information system; provisional benchmark information system; septic tank information system

● Urban Facilities (other urban infrastructure, etc.)

- (1) Construction works and asset information: works register system; asset management system; business accounting system
- (2) Facilities information: plant register information system
- (3) Operations management information: property possession information system; touch panel register viewing system; Web-based register publishing service
- (4) Related information: ground information system

Diagnostic Business covering Buildings, Civil Engineering Structures, Machinery and Facilities

- (1) Non-destructive inspection system for concrete structure soundness diagnosis (elastic wave radar system: i-TECS)
- (2) Non-destructive inspection system for simplified surveys of concrete structures (concrete tester: CTS-02)
- (3) Acoustic diagnostic system for simplified structural soundness diagnosis of facilities and equipment (sound checker: SIDS-01)

(4) Company Issues

The OEC Group's main business operations are in the area of public sewerage works projects. Ongoing cuts to public works budgets driven by fiscal pressures at both the central government and local government level have led to conventional design services becoming very price-driven. However, there is demand for sophisticated, diverse services, such as: infrastructure improvement; renewal, rebuilding and management of existing facilities; and services related to operational management.

Under these circumstances, the Group will address the following key issues as it implements business strategies designed to respond to changes in market conditions and strives to restore its business to a sound management footing.

1. Reduce the overall cost structure to achieve ongoing management stability.
2. Introduce advanced technology to meet market needs and enhance the quality of services provided.
3. Rapidly identify customer needs, and provide the best possible solutions.
4. Utilize the Group's domestic and overseas business network to develop sales programs targeting overseas water business opportunities.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

| | FY 2011 (as of December 31, 2011) | FY 2012 (as of December 31, 2012) |
|--|--------------------------------------|--------------------------------------|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,155,610 | 1,569,616 |
| Accounts receivable—completed operation | 1,314,722 | 1,417,124 |
| Costs on uncompleted services | 87,137 | 7,174 |
| Other | 44,542 | 49,345 |
| Total current assets | 3,602,013 | 3,043,260 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 459,237 | 467,176 |
| Accumulated depreciation | -333,885 | -340,081 |
| Buildings and structures, net | 125,352 | 127,095 |
| Land | 150,015 | 150,015 |
| Lease assets | 8,382 | 20,844 |
| Accumulated depreciation | -3,978 | -7,732 |
| Lease assets, net | 4,404 | 13,112 |
| Other | 128,848 | 123,539 |
| Accumulated depreciation | -109,703 | -110,835 |
| Other, net | 19,144 | 12,703 |
| Total property, plant and equipment | 298,916 | 302,926 |
| Intangible assets | | |
| Software | 90,688 | 84,788 |
| Lease assets | 17,481 | 10,914 |
| Other | 7,178 | 7,178 |
| Total intangible assets | 115,347 | 102,881 |
| Investments and other assets | | |
| Investment securities | 95,266 | 123,043 |
| Long-term loans receivable | 20,105 | 16,625 |
| Long-term deposits | 500,000 | 800,000 |
| Other | 248,103 | 237,772 |
| Allowance for doubtful accounts | -9,036 | -9,036 |
| Total investments and other assets | 854,438 | 1,168,405 |
| Total noncurrent assets | 1,268,702 | 1,574,213 |
| Total assets | 4,870,715 | 4,617,473 |

| | FY 2011 (as of December 31, 2011) | FY 2012 (as of December 31, 2012) |
|---|--------------------------------------|--------------------------------------|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable—operating | 223,186 | 201,945 |
| Lease obligations | 8,325 | 11,075 |
| Income taxes payable | 53,517 | 58,244 |
| Advances received on uncompleted contracts | 107,547 | 64,969 |
| Provision for bonuses | 18,050 | 19,070 |
| Provision for loss on order received | 31,950 | 29,567 |
| Other | 199,033 | 160,492 |
| Total current liabilities | 641,610 | 545,365 |
| Noncurrent liabilities | | |
| Lease obligations | 14,815 | 14,227 |
| Deferred tax liabilities | 10,269 | 10,562 |
| Provision for retirement benefits | 467,895 | 451,033 |
| Asset retirement obligations | 43,007 | 45,141 |
| Other | 19,720 | 8,400 |
| Total noncurrent liabilities | 555,707 | 529,365 |
| Total liabilities | 1,197,318 | 1,074,730 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,093,000 | 1,093,000 |
| Capital surplus | 3,109,291 | 3,109,291 |
| Retained earnings | -214,108 | -372,383 |
| Treasury stock | -284,896 | -285,052 |
| Total shareholders' equity | 3,703,286 | 3,544,855 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | -29,889 | -2,112 |
| Total valuation and translation adjustments | -29,889 | -2,112 |
| Total net assets | 3,673,396 | 3,542,743 |
| Total liabilities and net assets | 4,870,715 | 4,617,473 |

(2) Consolidated Statements of Operations

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|---|---|---|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Contracts completed | 4,344,391 | 4,366,163 |
| Cost of completed work | 3,378,629 | 3,284,617 |
| Gross profit | 965,762 | 1,081,546 |
| Selling, general and administrative expenses | 1,176,160 | 1,208,049 |
| Operating loss | -210,398 | -126,502 |
| Non-operating income | | |
| Interest income | 2,790 | 2,840 |
| Dividend income | 5,444 | 3,744 |
| Insurance return | 639 | 2,840 |
| Contribution received for operations performed by dispatched employees | 2,537 | 2,724 |
| Gain on cancellation of insurance contract | — | 2,458 |
| Other | 5,598 | 7,463 |
| Total non-operating income | 17,009 | 22,072 |
| Non-operating expenses | | |
| Interest expenses | 1,084 | 1,301 |
| Expenses for securities transactions | 11,221 | 12,294 |
| Foreign exchange losses | 1,713 | — |
| Other | 265 | 18 |
| Total non-operating expenses | 14,284 | 13,614 |
| Ordinary loss | -207,673 | -118,044 |
| Extraordinary income | | |
| Gain on sales of investment securities | 8,854 | — |
| Compensation for transfer | *— | *10,475 |
| Reversal of asset retirement obligations | — | 2,038 |
| Total extraordinary income | 8,854 | 12,513 |
| Extraordinary loss | | |
| Impairment loss | — | 1,260 |
| Loss on retirement of noncurrent assets | 987 | 225 |
| Loss on valuation of membership | 650 | — |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 11,836 | — |
| Expenses related to the provision of post- earthquake restoration support | 36,148 | — |
| Total extraordinary loss | 49,622 | 1,486 |
| Loss before income taxes | -248,442 | -107,018 |
| Income taxes—current | 44,923 | 50,964 |
| Income taxes-deferred | 10,269 | 293 |
| Total income taxes | 55,193 | 51,257 |
| Loss before minority interests | -303,636 | -158,275 |
| Net loss | -303,636 | -158,275 |

Consolidated Statements of Comprehensive Income

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|---|---|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Loss before minority interests | -303,636 | -158,275 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -40,588 | 27,777 |
| Total other comprehensive income | -40,588 | 27,777 |
| Comprehensive income | -344,224 | -130,497 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owner of the parent | -344,224 | -130,497 |
| Comprehensive income attributable to minority interests | — | — |

(3) Consolidated Statements of Changes in Net Assets

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|---|---|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the beginning of current period | 1,093,000 | 1,093,000 |
| Changes of items during the period | | |
| Total changes of items during the period | — | — |
| Balance at the end of current period | 1,093,000 | 1,093,000 |
| Capital surplus | | |
| Balance at the beginning of current period | 3,109,291 | 3,109,291 |
| Changes of items during the period | | |
| Total changes of items during the period | — | — |
| Balance at the end of current period | 3,109,291 | 3,109,291 |
| Retained earnings | | |
| Balance at the beginning of current period | 89,527 | -214,108 |
| Changes of items during the period | | |
| Net loss | -303,636 | -158,275 |
| Total changes of items during the period | -303,636 | -158,275 |
| Balance at the end of current period | -214,108 | -372,383 |
| Treasury stock | | |
| Balance at the beginning of current period | -284,705 | -284,896 |
| Changes of items during the period | | |
| Purchase of treasury stock | -191 | -155 |
| Total changes of items during the period | -191 | -155 |
| Balance at the end of current period | -284,896 | -285,052 |
| Total shareholders' equity | | |
| Balance at the beginning of current period | 4,007,113 | 3,703,286 |
| Changes of items during the period | | |
| Net loss | -303,636 | -158,275 |
| Purchase of treasury stock | -191 | -155 |
| Total changes of items during the period | -303,827 | -158,430 |
| Balance at the end of current period | 3,703,286 | 3,544,855 |

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|---|---|---|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the beginning of current period | 10,698 | -29,889 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | -40,588 | 27,777 |
| Total changes of items during the period | -40,588 | 27,777 |
| Balance at the end of current period | -29,889 | -2,112 |
| Total valuation and translation adjustments | | |
| Balance at the beginning of current period | 10,698 | -29,889 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | -40,588 | 27,777 |
| Total changes of items during the period | -40,588 | 27,777 |
| Balance at the end of current period | -29,889 | -2,112 |
| Total net assets | | |
| Balance at the beginning of current period | 4,017,812 | 3,673,396 |
| Changes of items during the period | | |
| Net loss | -303,636 | -158,275 |
| Purchase of treasury stock | -191 | -155 |
| Net changes of items other than shareholders' equity | -40,588 | 27,777 |
| Total changes of items during the period | -344,415 | -130,653 |
| Balance at the end of current period | 3,673,396 | 3,542,743 |

(4) Consolidated Statements of Cash Flows

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|---|---|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Cash flows from operating activities | | |
| Loss before income taxes | -248,442 | -107,018 |
| Depreciation and amortization | 64,343 | 62,994 |
| Impairment loss | — | 1,260 |
| Increase/decrease in provision for bonuses | 420 | 1,020 |
| Increase/decrease in provision for loss on order received | 12,555 | -2,382 |
| Increase/decrease in provision for retirement benefits | -41,408 | -16,861 |
| Interest and dividends income | -8,234 | -6,584 |
| Interest expenses | 1,084 | 1,301 |
| Loss/gain on sales and retirement of noncurrent assets | 987 | 225 |
| Loss/gain on sales of investment securities | -8,854 | — |
| Loss on valuation of membership | 650 | — |
| Reversal of asset retirement obligations | — | -2,038 |
| Increase/decrease in notes and accounts receivable—trade | 29,321 | -102,401 |
| Increase/decrease in costs on uncompleted services | 135,868 | 79,963 |
| Increase/decrease in notes and accounts payable—trade | 45,136 | -21,241 |
| Increase/decrease in advances received on uncompleted services | 28,521 | -42,577 |
| Other | 34,537 | -55,879 |
| Subtotal | 46,484 | -210,217 |
| Interest and dividends income received | 7,882 | 6,605 |
| Interest expenses paid | -1,084 | -1,301 |
| Income taxes paid | -45,103 | -47,659 |
| Income taxes refund | 1,965 | 932 |
| Net cash provided by (used in) operating activities | 10,144 | -251,641 |

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|---|---|---|
| Category | Amount (thousand yen) | Amount (thousand yen) |
| Cash flows from investing activities | | |
| Increase/decrease in time deposits | 394,396 | -20,439 |
| Proceeds from release of collateral deposits | – | 1,300 |
| Purchase of property, plant and equipment | -12,052 | -9,258 |
| Purchase of intangible assets | -30,059 | -30,760 |
| Payments for lease and guarantee deposits | -4,123 | -10,865 |
| Proceeds from collection of lease and guarantee deposits | 474 | 11,658 |
| Other payments | -13,358 | -10,370 |
| Other proceeds | 3,654 | 25,051 |
| Proceeds from sales of investment securities | 22,800 | – |
| Net cash provided by (used in) investing activities | 361,731 | -43,683 |
| Cash flows from financing activities | | |
| Purchase of treasury stock | -191 | -155 |
| Repayments of lease obligations | -7,979 | -10,300 |
| Cash dividends paid | -222 | -18 |
| Net cash used in financing activities | -8,393 | -10,474 |
| Effect of exchange rate change on cash and cash equivalents | -1,713 | 666 |
| Net increase/decrease in cash and cash equivalents | 361,769 | -305,132 |
| Balance of cash and cash equivalents at beginning of the year | 482,441 | 844,211 |
| Balance of cash and cash equivalents at end of the year | 844,211 | 539,078 |

(5) Matters Affecting the Assumption of a Going Concern

No applicable items.

(6) Significant Basic Items for Consolidated Financial Statements

| Category | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|---|
| Items relating to the application of the equity method | <p>(1) Number of non-consolidated subsidiaries and affiliated companies to which the equity method is applied</p> <p>There are no non-consolidated subsidiaries or affiliated companies to which the equity method is applied.</p> <p>(2) Significant non-consolidated subsidiaries and affiliated companies to which the equity method is not applied</p> <p>Significant non-consolidated subsidiaries There are no significant non-consolidated subsidiaries.</p> <p>Significant affiliated companies OEC, INC.</p> <p>(Reason for not applying the equity method) The non-consolidated subsidiaries and affiliated companies to which the equity method is not applied are of small scale and from the perspective of such items as net income and loss (in proportion to the equity held) and retained earnings (in proportion to the equity held) even if such companies are excluded from the application of the equity method, the impact on the Company's consolidated financial statements is minimal and the importance of such companies is small in relation to the overall Group. For these reasons such companies are excluded from the application of the equity method.</p> |

Excluding the abovementioned items, there are no material changes from the most recent filing of financial statements (*Yuka Shoken Hokokusho*) (March 30, 2012). Consequently, other items in this section have been omitted.

(7) Change in Significant Accounting Policies

| FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|
| <p>(Change in the method of depreciation of property, plant and equipment)</p> <p>Accompanying the revision of the Corporation Tax Act, from the second fiscal quarter the Company and its domestic consolidated subsidiaries have changed their method of depreciation of property, plant and equipment acquired on or after April 1, 2012, to conform to the revised law. This change had minimal impact on income and loss.</p> |

(8) Change in Presentation

(Consolidated Statements of Operations)

In the previous fiscal year, insurance refund was presented within other under non-operating income. In the fiscal year under review, since insurance refund exceeded 10% of total non-operating income, it is presented as a separate item. Further, in the previous fiscal year, commission for insurance office work was presented as a separate item. In the fiscal year under review, since the materiality of commission for insurance office work declined, it is presented within other under non-operating income. To reflect these changes in presentation, the previous fiscal year's financial statements have been adjusted.

As a result, in the Consolidated Statements of Operations for the previous fiscal year, other amounting to ¥4,622 thousand and commission for insurance office work amounting to ¥1,614 thousand presented under non-operating income have been adjusted as insurance refund amounting to ¥639 thousand and other amounting to ¥5,598 thousand.

(9) Additional Information

FY 2012
(from January 1, 2012 to December 31, 2012)

(Application of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and past error corrections implemented on or after the commencement of the fiscal year under review, the Company has applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009).

(10) Notes regarding the Consolidated Financial Statements

(Consolidated Statements of Balance Sheets)

Contingent liability

- Contingent liability relating to claim for damages by former officers of the Company

Fiscal year under review (December 31, 2012)

The Company is currently the subject of a claim filed with the Tokyo District Court by two former representative directors of the Company. This suit claims compensation for damages relating to alleged unjustified dismissal amounting to ¥39,360,000 in response to the resolution passed by an extraordinary general meeting of shareholders held on November 6, 2012, which dismissed the aforementioned two former representative directors. The Company believes that the dismissal of the two former representative directors was justified, and will respond appropriately to this claim in court.

(Consolidated Statements of Operations)

* The breakdown of compensation for transfer is as follows.

| FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|--|
| Compensation for transfer | – |
| Transfer expense | – |
| Total | – |

| FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|--|
| Compensation for transfer | ¥17,710 thousand |
| Transfer expense | ¥-7,234 thousand |
| Total | ¥10,475 thousand |

(Segment Information)

Segment Information

[Segment Information]

Previous fiscal year (January 1 to December 31, 2011) and fiscal year under review (January 1 to December 31, 2012)

Since the OEC Group's business operations comprising engineering consulting and related services are conducted within a single business segment, segment information is omitted.

(Per Share Information)

| FY 2011 (from January 1, 2011 to December 31, 2011) | | FY 2012 (from January 1, 2012 to December 31, 2012) | |
|--|---------|--|---------|
| Net assets per share | ¥491.80 | Net assets per share | ¥474.39 |
| Net loss per share | ¥-40.65 | Net loss per share | ¥-21.19 |
| Since net loss is presented for the fiscal year under review and also because there are no residual securities, no figures are shown for net income per share—diluted. | | Since net loss is presented for the fiscal year under review and also because there are no residual securities, no figures are shown for net income per share—diluted. | |

Notes: 1. The basis for calculation of net assets per share is as follows.

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|--|---|---|
| Net assets for the period (thousand yen) | 3,673,396 | 3,542,743 |
| Deduction amount from total net assets (thousand yen) | — | — |
| Net assets attributed to common stock (thousand yen) | 3,673,396 | 3,542,743 |
| Number of common stock outstanding at end of the period (shares) | 7,469,218 | 7,467,929 |

2. The basis for calculation of net income/loss per share is as follows.

| | FY 2011 (from January 1, 2011 to December 31, 2011) | FY 2012 (from January 1, 2012 to December 31, 2012) |
|---|---|---|
| Net loss for the period (thousand yen) | -303,636 | -158,275 |
| Amount not attributed to common shareholders (thousand yen) | — | — |
| Net income/loss attributed to common stock (thousand yen) | -303,636 | -158,275 |
| Average number of common stock outstanding (shares) during the period | 7,469,687 | 7,468,545 |

(Significant Subsequent Events)

No applicable items.

5. OTHER

(1) Changes in Directors

1. Changes in Representative Directors

President & Representative Director: Nobuhiko Suga (former deputy general manager of the Planning Division, Business Strategy Headquarters Division) (as of November 6, 2012)

Vice President & Representative Director: Shu Nagai (former general manager of the Design Division, at the Tokyo Branch) (as of November 6, 2012)

Chairman & Representative Director: Kazuo Saisu (dismissed) (as of November 6, 2012)

President & Representative Director: Reiji Hanai (dismissed) (as of November 6, 2012)

Vice President & Representative Director: Hiroshi Yamanouchi (retired) (as of August 3, 2012)

2. Other Changes in Directors

- Newly-appointed Directors

Director: Tsutomu Kajikawa (former general manager of the Master Plan Division at the Tokyo Branch) (as of November 6, 2012)

Director: Hajime Makinose (former manager of the Akita Office) (as of November 6, 2012)

Director: Kaoru Kira (former deputy general manager of the Operations Division) (as of November 6, 2012)

(2) Orders Received/Sales

1. Consolidated Orders Received

Consolidated orders received are as follows.

(Thousand yen)

| Department | FY 2011 (from January 1, 2011 to December 31, 2011) | | FY 2012 (from January 1, 2012 to December 31, 2012) | |
|---|---|---------------|---|---------------|
| | Orders received | Order backlog | Orders received | Order backlog |
| Engineering Consultant: Water supply and sewerage system (feasibility studies, master plans, detailed design and construction supervision surveillance) | 3,635,983 | 1,927,065 | 4,232,522 | 2,379,324 |
| Others | 117,978 | 54,309 | 220,119 | 110,354 |
| Subtotal | 3,753,962 | 1,981,375 | 4,452,642 | 2,489,679 |
| Information Processing: Data management of urban facilities and software development | 408,050 | 336,104 | 312,718 | 226,997 |
| Subtotal | 408,050 | 336,104 | 312,718 | 226,997 |
| Total | 4,162,012 | 2,317,480 | 4,765,360 | 2,716,676 |

Notes: 1. The amounts shown are the selling price. Consumption tax is not included.

2. The quantity is not included due to the difficulty in recording.

2. Consolidated Sales

Consolidated sales are as follows.

(Thousand yen)

| Department | FY 2011 (from January 1, 2011 to December 31, 2011) | | FY 2012 (from January 1, 2012 to December 31, 2012) | |
|---|---|-------|---|-------|
| | Amount | Ratio | Amount | Ratio |
| Engineering Consultant: Water supply and sewerage system (feasibility studies, master plans, detailed design and construction supervision surveillance) | 3,730,453 | 85.9 | 3,780,263 | 86.6 |
| Others | 76,174 | 1.7 | 164,074 | 3.7 |
| Subtotal | 3,806,627 | 87.6 | 3,944,338 | 90.3 |
| Information Processing: Data management of urban facilities and software development | 537,763 | 12.4 | 421,825 | 9.7 |
| Subtotal | 537,763 | 12.4 | 421,825 | 9.7 |
| Total | 4,344,391 | 100.0 | 4,366,163 | 100.0 |

Notes: 1. The amounts shown are the selling price. Consumption tax is not included.

2. The quantity is not included due to the difficulty in recording.