

(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: Kazuo Saisu
Contact person: Title Executive Managing Director Name: Hirokazu Uda Tel: (03) 5261-9600
Planned Annual General Meeting of Shareholders: March 30, 2010
Planned filing of a financial report: March 31, 2010

(Amounts less than ¥1 million are truncated)

1. CONSOLIDATED FINANCIAL RESULTS FOR FY 2009 (January 1, 2009 to December 31, 2009)

(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 2009 ended December 31, 2009	4,066	-12.0	-392	—	-367	—	-499	—
FY 2008 ended December 31, 2008	4,617	3.0	-368	—	-347	—	-440	—

	Net loss per share—basic	Net loss per share—diluted	Return on equity	Ordinary loss to total assets	Operating margin
	Yen	Yen	%	%	%
FY 2009 ended December 31, 2009	-66.84	—	-11.8	-6.6	-9.7
FY 2008 ended December 31, 2008	-58.99	—	-9.2	-5.6	-8.0

(Reference) Gain (loss) on investment by equity method: FY 2009: ¥- million FY 2008: ¥- 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, 2009	5,265	3,960	75.2	530.11
As of December 31, 2008	5,842	4,500	77.0	602.33

(Reference) Shareholders' equity: As of December 31, 2009: ¥3,960 million As of December 31, 2008: ¥4,500 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 2009 ended December 31, 2009	-548	645	-5	975
FY 2008 ended December 31, 2008	-418	-49	-37	884

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 2008 ended December 31, 2008	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00	Million yen —	% —	% —
FY 2009 ended December 31, 2009	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00	Million yen —	% —	% —
FY 2010 ending December 31, 2010 (Forecast)	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00	Million yen —	% —	% —

3. FORECAST OF CONSOLIDATED RESULTS FOR FY 2010 (January 1, 2010 to December 31, 2010)

(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	
Interim	2,833	8.3	156	—	160	—	140	—	18.74	
Full year	4,549	11.9	90	—	95	—	53	—	7.09	

4. OTHER

(1) Changes in the scope of consolidation for significant subsidiaries during FY 2009 ended December 31, 2009: None

(2) Changes in significant accounting policies, procedures or presentation (Material changes in method of preparing consolidated financial statements)

(i) Changes resulting from a newly issued accounting pronouncement: Yes

(ii) Changes other than (i): None

Note: For further details, please refer to page 18, "Changes in Significant Accounting Policies."

(3) Number of outstanding shares (Common stock)

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

As of December 31, 2009: 7,796,800 shares As of December 31, 2008: 7,796,800 shares

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

As of December 31, 2009: 325,137 shares As of December 31, 2008: 324,239 shares

Note: For details on the basis for calculating consolidated net income (loss) per share, please refer to page 22, "Per Share Information."

(Reference) Summary of Non-Consolidated Financial Results

1. NON-CONSOLIDATED FINANCIAL RESULTS FOR FY 2009 (January 1, 2009 to December 31, 2009)

(1) Non-Consolidated Operating Results

(Percentage represent year-on-year change)

	Net sales		Operating loss		Ordinary loss		Net loss	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2009 ended December 31, 2009	4,000	-13.2	-405	—	-380	—	-509	—
FY 2008 ended December 31, 2008	4,607	2.9	-375	—	-355	—	-435	—

	Net loss per share-basic	Net loss per share-diluted
	Yen	Yen
FY 2009 ended December 31, 2009	-68.19	—
FY 2008 ended December 31, 2008	-58.29	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2009	5,227	3,933	75.3	526.52
As of December 31, 2008	5,815	4,484	77.1	600.10

(Reference) Shareholders' equity: As of December 31, 2009: ¥3,933 million As of December 31, 2008: ¥4,484 million

2. FORECAST OF NON-CONSOLIDATED RESULTS FOR FY 2009 (January 1, 2010 to December 31, 2010)

(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
Interim	2,825	8.8	168	—	172	—	152	—	20.34
Full year	4,500	12.5	90	—	95	—	53	—	7.09

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 page 3.

1. BUSINESS RESULTS

(1) Analysis of Results of Operations

During the fiscal year ended December 31, 2009, driven by robust growth in emerging economies, the Japanese economy saw continuing recovery in production and exports. However, the strong yen and deflationary pressures had negative impact on corporate profits, which caused stagnation in new plant and equipment investment and employment. Therefore, personal consumption was unable to stage a full-fledged recovery.

In the engineering consultancy industry, budget reductions by national and local government agencies in the area of public sewerage systems led to a continuation of the fierce competitive environment among companies attempting to win project orders. Consequently, conditions for a recovery in project profitability remained extremely harsh.

Facing such an operating environment, the entire OEC Group focused on business development activities in existing markets and new markets, including private-sector business. This included measures to enhance operational and production efficiency through organizational reforms. The Group also promoted its consulting services in such areas as water supply and sewerage as well as environmental facilities, including new facility projects, expansion projects, renewal projects and the maintenance and management of facilities. These consulting services are based on the Group's technology—developed over a long period—focusing on superior safety, reliability and maintenance. In addition, the entire Company particularly focused on sales activities in such areas as support services for extending the lifetime of structural components and earthquake resistance diagnosis, which are among the Group's new services in the sewerage systems business.

However, delays in receiving orders led to net sales falling below the Company's initial forecast. As a result, the Company is reporting an operating loss for the period under review.

Within these conditions, consolidated orders received during the fiscal year under review amounted to ¥4,213 million, an increase of 1.3% compared with the previous fiscal year, while net sales declined 12.0%, to ¥4,066 million. Operating loss amounted to ¥392 million compared with an operating loss of ¥368 million in the previous fiscal year, and ordinary loss amounted to ¥367 million compared with an ordinary loss of ¥347 million in the previous fiscal year.

The Company also recorded an extraordinary loss of ¥86 million as provision to reserve for relocation expenses, which relates to the Company's planned head office relocation during the fiscal year ending December 31, 2010. This relocation is part of the Company's drive to reduce operating expenses. As a result, net loss for the fiscal year under review amounted to ¥499 million compared with a net loss of ¥440 million in the previous fiscal year.

Results by operating division were as follows.

[Engineering Consultant Department]

In the Engineering Consultant Department, despite an environment in which public works projects were being scaled back and the average size of project orders fell owing to deteriorating financial conditions among local government agencies, the department received orders totaling ¥3,495 million during the fiscal year under review, an increase of 0.4% compared with the previous fiscal year. However, sales by the department decreased 16.7%, to ¥3,355 million.

[Information Processing Department]

In the Information Processing Department, orders received increased 6.4% compared with the previous fiscal year, to ¥718 million. Net sales increased 20.3%, to ¥710 million.

The Company operates in a single business segment, engineering consulting and related services. Consequently, the Company does not disclose separate information broken down by business segment.

Regarding the outlook for the fiscal year ending December 31, 2010, in its main business area of public sewerage systems, in light of declining budget requests planned by government agencies for the fiscal year commencing April 1, 2010, the Company expects a continuation of harsh operating conditions. However, the central government has indicated that it will prioritize budget allocations in such areas as safety and environmental policies as well as preventive maintenance (extension of lifetime) of social infrastructure. Based on these conditions, the Group has formulated its "Outline of 2010 Management Policies," which focuses on activities that respond to market changes, expansion of market share, improvement in the average order amount and development of new businesses. In addition, the Group will also implement concerted efforts to restore sustainable profitability through (1) increased productivity based on enhancement and strengthening of the Group's underlying business structure; and (2) thorough cost-reduction measures.

In the fiscal year ending December 31, 2010, the Group forecasts consolidated orders to increase 6.8%, to ¥4,500 million, and net sales to rise 11.9%, to ¥4,549 million. Operating income is forecast to total ¥90 million compared with an operating loss of ¥392 million in the previous fiscal year, while ordinary income is forecast to amount to ¥95 million compared to an ordinary loss of ¥367 million in the previous fiscal year. Net income is forecast to be ¥53 million compared to a net loss of ¥499 million in the previous fiscal year.

(2) Analysis of Financial Position

Cash and cash equivalents increased ¥90 million compared with the end of the previous fiscal year, to stand at ¥975 million at the end of the fiscal year under review. The main factors contributing to this change included a loss before income taxes, an increase in costs on uncompleted services, a decrease in advances received on uncompleted services and a decrease in time deposits.

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 ¥548 million, compared with net cash used in operating activities totaling ¥418 million in the previous fiscal year. Significant items within this figure included loss before income taxes of ¥453 million, an increase in costs on uncompleted services of ¥61 million, and a decrease in advances received on uncompleted services of ¥59 million.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥645 million, compared with net cash used in investing activities of ¥49 million in the previous fiscal year. The major item within this figure was a decrease in time deposits amounting to ¥695 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥5 million compared with ¥37 million in the previous fiscal year. The main item was repayment of lease obligations amounting to ¥4 million.

(Reference) Cash Flow Indicator Trends

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Shareholders' equity ratio (%)	74.1	69.4	76.4	77.0	75.2
Shareholders' equity ratio on a market value basis (%)	55.7	36.7	27.8	18.3	16.6
Interest-bearing debt to cash flow ratio (years)	1.3	4.6	—	—	—
Interest coverage ratio (times)	55.6	15.0	—	—	—

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, 2007 and afterward 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 2008 and FY 2009

With regard to profit distribution, the Company's basic policy is to maintain stable dividends to shareholders over the long term. However, owing to a harsh operating environment, the Company reported a net loss for fiscal 2009. Consequently, the Company has decided to forgo payment of dividends applicable to fiscal 2009. For the fiscal year ending December 31, 2010, although the Company is undertaking concerted efforts to ensure a return to profitability, it expects a continuation of difficult operating conditions. Consequently, the Company forecasts no dividend payment applicable to fiscal 2010. 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 (4) reinforcing its financial base. As it strives to reduce costs and improve profitability, the Group maintains its 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—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 and financial pressures on local government agencies, budgets for public sewerage projects—the Group’s main business—are expected to continue to shrink, and the Group also expects falling order prices due to intensified competition for orders. 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.

(iii) 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, the Company has formulated an Outline of Management Policies, and is working to expand orders received through the strengthening of its sales organization, thereby enabling increased responsiveness to market changes. The Company is also implementing measures to raise productivity and achieve thoroughgoing cost reductions. Specifically, among new service areas within the sewerage systems business, the Group is aggressively focusing its sales activities on winning orders in the following services: (1) natural-disaster risk reduction services; (2) global warming mitigation-measure support services; (3) support services for extending the lifetime of structural components; (4) support services for local government agencies making the transition to accounting based on private-sector corporate accounting principles; and (5) asset management services for sewerage facilities.

With regard to profitability, the Company is implementing a range of measures to reduce fixed expenses. These measures include the reduction of personnel costs, including director-related expenses, realignment of the Group’s organization (merger of subsidiaries), and relocation of the Group’s head office and regional offices. Furthermore, by boosting the skills of the Group’s engineers and the strengthening of management capabilities in such areas as project and budget management, the Group is striving to improve productivity, thereby enhancing profitability. These measures are being undertaken on a Group-wide basis with the aim of restoring the Group’s business to a sound footing.

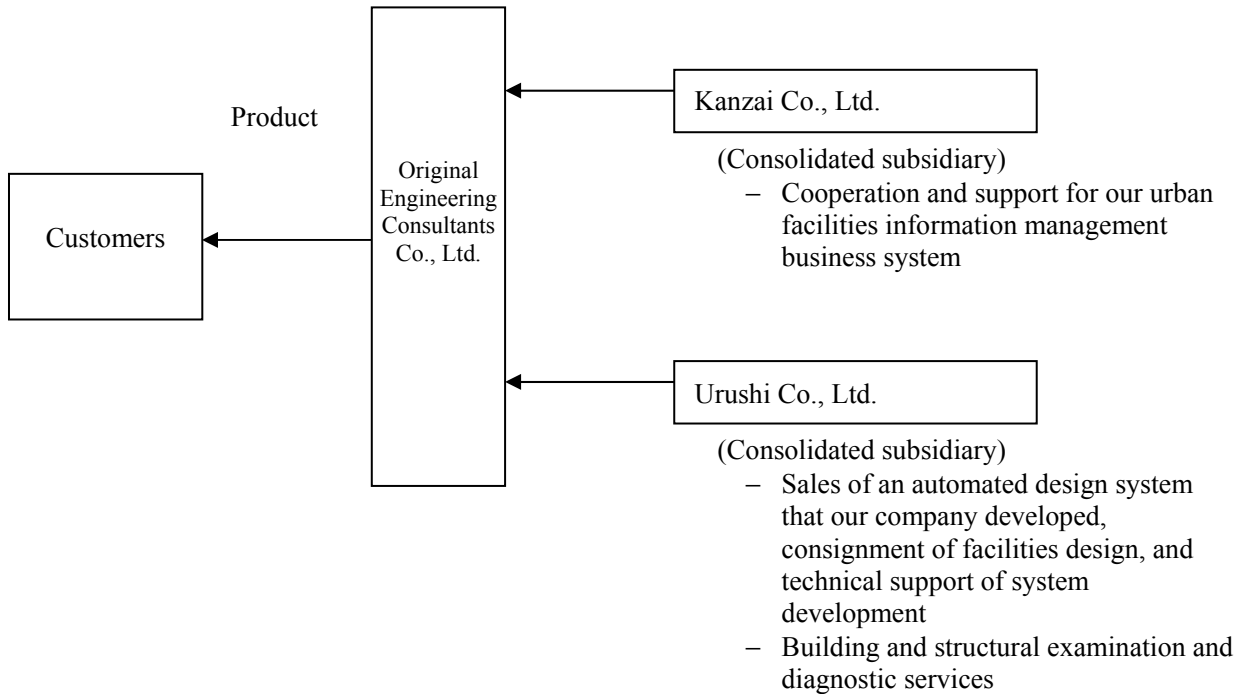
With regard to cash flow management, the Group has forecasted the amount of working capital required for the fiscal year ending December 31, 2010, and has judged that it will be possible to meet cash requirements from the current cash balance. Consequently, the Company sees no need for new fund procurement.

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 is composed of the parent company and its two consolidated subsidiaries. The main activities consist of feasibility studies, master plans, detailed design and construction supervision surveillance of work for water supply and sewerage, establishment of a database on urban facilities as well as development of the systems utilizing this database for management and maintenance of water supply and sewerage.

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



Pursuant to a resolution passed by the Board of Directors on November 6, 2009, the Company merged with and absorbed its fully owned subsidiary Kanzai Co., Ltd., on January 1, 2010. For further details of this merger, please refer to Significant Subsequent Events on page 33 of this report.

3. MANAGEMENT POLICIES

(1) Basic Management Policies

The OEC Group's core management principle is to provide safety, security and integrity by developing and building superior, advanced technology. Based on the community's trust, the OEC Group strives to develop its business and improve corporate members' welfare.

According to these general principles, the Group engages in the development of technology to protect environments of water and greenery and services derived from such technology that expand its business categories. With the technology and services, the Group aims to increase its sales and market share and ultimately to ensure continuous growth of the Group and maximize its corporate value.

(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 2009 (Result)	FY 2010 (Forecast)
1. Amount of orders	Over ¥5.0 billion	¥4.2 billion	¥4.5 billion
2. Operating margin	Over 5%	-9.7%	2.0%
3. Net income (loss) per share	Over ¥10	-¥66.84	¥7.09

(3) Medium- and Long-Term Management Strategies

The OEC Group's medium- to long-term management strategy is founded on technology that provides safety, security and integrity. From this base, we strive to develop new technologies and products that enable us to build new markets and establish a competitive advantage. Our management strategy also calls for the OEC Group to build a solid sales base that achieves a good balance between both public- and private-sector customers.

Technical products	Target clients	
○ Information management		
① Information system for water supply	Public	Private
② Water supply and sewage planning system	Public	
③ Information system for public sewage system	Public	Private
④ Management system for river basin sewage system	Public	Private
⑤ Information system for rural community sewage system	Public	Private
⑥ Management system for beneficiary charges	Public	Private
⑦ Supporting system for water supply and sewage system property management	Public	Private
⑧ Supporting system for water supply and sewage system facility management	Public	Private
⑨ Supporting system for sewage system facility maintenance and management	Public	
⑩ Supporting system for establishing public corporation accounting system	Public	
⑪ Management system for technical document files	Public	Private
○ Simulation system		
① Real water immersion simulation system	Public	Private
② Bio-solution system (reconstruction, renewals, integration, <u>reduction of CO₂</u>)	Public	Private
③ Settling simulator for secondary clarifier	Public	Private
④ OEC validation system for buildings and structure	Public	Private
⑤ Non-destructive testing and diagnosis system	Public	Private
⑥ Concrete tester	Public	Private
⑦ Budgeting and estimation system (architecture, civil engineering, and sewers)	Public	Private
⑧ Earthquake-resistant and temporary work simulation system (sewers)	Public	Private
⑨ Equipment and machinery diagnosis system (acoustic signal)	Public	Private
○ URUSHI series		
① Automatic design system (architecture and civil engineering)	Public	Private
② Automatic design system for facilities	Public	Private
③ Automatic design system of pipe/conduit for water supply and drainage	Public	Private

(i) Sales enhancement

To satisfy the increasingly diverse needs of its clients, the Company offers a wide range of products based on new technologies in addition to its core products and services. This strategy is part of our efforts to differentiate OEC Group from its competitors while also aiming to increase the level of trust clients have in our finished products and services. By providing a clear value to clients, we are striving to bolster the degree of customer satisfaction.

In addition, the Company is striving for significant progress in its efforts to build a sales base that achieves a balance between private- and public-sector customers. The Group is working to develop business among private-sector customers, particularly focusing on support services for extending the lifetime of structural building components through safety verification and earthquake resistance diagnosis. These services utilize the Group's non-destructive structural examination and diagnosis system, concrete tester and URUSHI three-dimensional design system. The Group also provides consulting service on energy saving for government and other public offices by using a bio-solution system (reconstruction, renewals, integration, and reduction of CO₂) and a settling simulator. Furthermore, by fully utilizing the product range outlined above, the Company is pursuing the development of asset-management support operations.

(ii) Enhancement of technical skills and productivity

The Group intends to improve its efficiency and productivity, and to supply higher-quality products and services by fully utilizing its various proprietary systems through the internal network and by providing a knowledge-management environment throughout the Group (sharing information and knowledge on design and consulting).

(iii) Performance and ability-based personnel evaluation system

The Group has been reviewing its personnel evaluation policy, and changed its compensation system in April 2002. The Group has introduced the annual salary system for employees aged over 40. Other measures that focus on employees' commitment to the Group will be implemented.

(4) Company Issues

The OEC Group's main business operations are in the area of public sewerage works projects. In light of ongoing cuts to public works budgets driven by fiscal pressures at both the central government and local government level, the Group expects the continuation of difficult operating conditions.

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.

First, the Group will provide high-quality products to meet clients' needs. Second, the Group will strengthen its proposal-based sales activities as a means of increasing orders received. The Group will also work to win new clients by offering such services as public facility asset management services as part of its sewerage systems-related business, services relating to energy conservation and new energy, and natural-disaster risk reduction services. In addition, by reinforcing coordination between sales and engineering departments, the Group will refocus its activities for winning orders on projects that offer a sounder level of profitability. Third, by improving the skills of the Group's employees, we will strive to enhance efficiency and improve productivity, particularly based on stringent project and budget management. The Group is also working to boost profitability by implementing a thoroughgoing cost-cutting program.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	FY 2008 (as of December 31, 2008)	FY 2009 (as of December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Assets		
Current assets		
Cash and deposits	3,757,704	3,157,068
Notes receivable–trade	3,307	—
Accounts receivable–completed operation	442,090	441,247
Costs on uncompleted services	686,974	748,129
Other	51,226	42,298
Total current assets	4,941,303	4,388,745
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	430,451	432,098
Accumulated depreciation	-337,125	-341,914
Buildings and structures, net	93,325	90,184
Land	150,015	150,015
Lease assets	—	5,293
Accumulated depreciation	—	-1,058
Lease assets, net	—	4,234
Other	106,383	111,017
Accumulated depreciation	-95,665	-99,323
Other, net	10,717	11,694
Total property, plant and equipment	254,058	256,129
Intangible assets		
Software	104,046	101,779
Lease assets	—	16,615
Other	7,189	7,189
Total intangible assets	111,236	125,584
Investments and other assets		
Investment securities	247,976	179,715
Long-term loans receivable	13,796	20,460
Other	283,570	303,694
Allowance for doubtful accounts	-9,036	-9,036
Total investments and other assets	536,305	494,832
Total noncurrent assets	901,600	876,546
Total assets	5,842,904	5,265,291

	FY 2008 (as of December 31, 2008)	FY 2009 (as of December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Liabilities		
Current liabilities		
Accounts payable–operating	132,478	201,942
Lease obligations	—	5,019
Income taxes payable	52,429	51,718
Advances received on uncompleted contracts	185,050	125,697
Provision for bonuses	19,680	19,280
Provision for loss on order received	7,023	5,709
Provision for relocation expenses	—	86,100
Other	213,416	178,447
Total current liabilities	610,078	673,915
Noncurrent liabilities		
Lease obligations	—	16,203
Deferred tax liabilities	38,688	11,042
Provision for retirement benefits	575,686	542,314
Provision for directors' retirement benefits	107,726	—
Other	9,754	61,005
Total noncurrent liabilities	731,855	630,566
Total liabilities	1,341,934	1,304,481
Net assets		
Shareholders' equity		
Capital stock	1,093,000	1,093,000
Capital surplus	3,171,308	3,171,308
Retained earnings	464,248	-35,182
Treasury stock	-284,424	-284,538
Total shareholders' equity	4,444,132	3,944,587
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	56,838	16,222
Total valuation and translation adjustments	56,838	16,222
Total net assets	4,500,970	3,960,809
Total liabilities and net assets	5,842,904	5,265,291

(2) Consolidated Statements of Operations

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Contracts completed	4,617,906	4,066,014
Cost of completed work	3,667,472	3,227,041
Gross profit	950,433	838,972
Selling, general and administrative expenses	1,318,474	1,231,704
Operating loss	-368,041	-392,732
Non-operating income		
Interest income	12,859	9,173
Dividend income	5,787	5,406
Commission for insurance office work	1,907	1,845
Contribution received for operations performed by dispatched employees	1,101	2,118
Gain on cancellation of insurance contract	6,586	17,630
Other	9,960	3,235
Total non-operating income	38,201	39,409
Non-operating expenses		
Interest expenses	—	871
Expenses for securities transactions	14,750	12,214
Other	2,507	820
Total non-operating expenses	17,257	13,906
Ordinary loss	-347,097	-367,228
Extraordinary income		
Reversal of allowance for doubtful accounts	26	—
Total extraordinary income	26	—
Extraordinary loss		
Loss on retirement of noncurrent assets	1,099	15
Loss on valuation of investment securities	46,950	—
Provision for relocation expenses	—	86,100
Total extraordinary loss	48,049	86,115
Loss before income taxes	-395,120	-453,344
Income taxes—current	45,702	46,086
Net loss	-440,822	-499,430

(3) Consolidated Statements of Changes in Net Assets

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Shareholders' equity		
Capital stock		
Balance at the end of previous 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 end of previous period	3,171,308	3,171,308
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,171,308	3,171,308
Retained earnings		
Balance at the end of previous period	942,442	464,248
Changes of items during the period		
Dividends from surplus	-37,371	—
Net loss	-440,822	-499,430
Total changes of items during the period	-478,194	-499,430
Balance at the end of current period	464,248	-35,182
Treasury stock		
Balance at the end of previous period	-284,054	-284,424
Changes of items during the period		
Purchase of treasury stock	-369	-114
Total changes of items during the period	-369	-114
Balance at the end of current period	-284,424	-284,538
Total shareholders' equity		
Balance at the end of previous period	4,922,696	4,444,132
Changes of items during the period		
Dividends from surplus	-37,371	—
Net loss	-440,822	-499,430
Purchase of treasury stock	-369	-114
Total changes of items during the period	-478,563	-499,545
Balance at the end of current period	4,444,132	3,944,587

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	113,026	56,838
Changes of items during the period		
Net changes of items other than shareholders' equity	-56,188	-40,615
Total changes of items during the period	-56,188	-40,615
Balance at the end of current period	56,838	16,222
Total valuation and translation adjustments		
Balance at the end of previous period	113,026	56,838
Changes of items during the period		
Net changes of items other than shareholders' equity	-56,188	-40,615
Total changes of items during the period	-56,188	-40,615
Balance at the end of current period	56,838	16,222
Total net assets		
Balance at the end of previous period	5,035,722	4,500,970
Changes of items during the period		
Dividends from surplus	-37,371	—
Net loss	-440,822	-499,430
Purchase of treasury stock	-369	-114
Net changes of items other than shareholders' equity	-56,188	-40,615
Total changes of items during the period	-534,752	-540,160
Balance at the end of current period	4,500,970	3,960,809

(4) Consolidated Statements of Cash Flows

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Cash flows from operating activities		
Loss before income taxes	-395,120	-453,344
Depreciation and amortization	55,348	54,807
Increase/decrease in allowance for doubtful accounts	-26	—
Increase/decrease in provision for bonuses	-1,230	-400
Increase/decrease in provision for loss on order received	-3,488	-1,313
Increase/decrease in provision for relocation expenses	—	86,100
Increase/decrease in provision for retirement benefits	-10,025	-33,371
Increase/decrease in provision for directors' retirement benefits	-21,493	-107,726
Interest and dividends income	-18,646	-14,579
Interest expenses	—	871
Loss/gain on cancellation of insurance contract	-6,586	-17,630
Loss/gain on sales and retirement of noncurrent assets	1,099	15
Loss/gain on valuation of investment securities	46,950	—
Increase/decrease in notes and accounts receivable—trade	-118,027	4,149
Increase/decrease in costs on uncompleted services	207,963	-61,155
Increase/decrease in notes and accounts payable—trade	14,446	69,464
Increase/decrease in advances received on uncompleted services	-152,779	-59,352
Other	6,655	15,859
Subtotal	-394,961	-517,607
Interest and dividends income received	18,490	16,637
Interest expenses paid	—	-871
Income taxes paid	-44,736	-49,617
Income taxes refund	2,561	2,909
Net cash used in operating activities	-418,646	-548,548

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Cash flows from investing activities		
Increase/decrease in time deposits	-8,839	695,200
Payment for collateral deposits	—	-4,000
Purchase of property, plant and equipment	-12,569	-4,116
Purchase of intangible assets	-50,160	-38,808
Other payments	-24,839	-47,142
Other proceeds	46,757	44,354
Net cash provided by (used in) investing activities	-49,651	645,488
Cash flows from financing activities		
Purchase of treasury stock	-369	-114
Repayments of lease obligations	—	-4,839
Cash dividends paid	-37,600	-691
Net cash used in financing activities	-37,970	-5,645
Effect of exchange rate change on cash and cash equivalents	-1,013	-729
Net increase/decrease in cash and cash equivalents	-507,281	90,565
Balance of cash and cash equivalents at beginning of the year	1,392,038	884,756
Balance of cash and cash equivalents at end of the year	884,756	975,322

(Matters Affecting the Assumption of a Going Concern)

No applicable items.

Significant Accounting Policies

Category	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
<p>1. Matters relating to accounting policies</p> <p>(1) Depreciation and amortization method of major assets</p> <p>(2) Standards for calculating significant reserves</p> <p>(3) Accounting treatment for significant lease transactions</p>	<p>(i) Property, plant and equipment Depreciation is calculated using the declining-balance method, with the exception of buildings acquired on or after April 1, 1998, for which depreciation is calculated using the straight-line method. The length of useful life and residual value for Property, plant and equipment are calculated in accordance with the method stipulated in the Corporation Tax Act.</p> <p>(ii) Intangible assets Software for in-house use is amortized based on the straight-line method over the expected useful life of five years.</p> <p>—</p> <p>(i) Provision for relocation expenses The Company records the amount required for directors' retirement benefits as of the end of the fiscal year, which is calculated using internal rules, as the reserve for directors' retirement benefits.</p> <p>—</p> <p>For finance leases excluding those that involve the transfer of ownership of the leased asset to the lessor, are accounted for using the same method as operating leases.</p>	<p>(i) Property, plant and equipment (excluding leased assets) Same as the previous fiscal period.</p> <p>(ii) Intangible assets (excluding leased assets) Same as the previous fiscal period.</p> <p>(iii) Lease assets The straight-line method is employed for lease assets, with the useful life being the same as the lease period and a residual value of zero. For finance lease transactions that do not involve the transfer of ownership, leases commencing on or prior to December 31, 2008, are accounted for using the same method as operating leases.</p> <p>—</p> <p>(ii) Provision for relocation expenses The Company records the estimated amount required as relocation expenses, related to the relocation of the Company's head office, as the reserve for relocation expenses.</p> <p>—</p>

Excluding the abovementioned items, there are no material changes from the most recent filing of financial statements (*Yuka Shoken Hokokusho*) (March 31, 2009). Consequently, other items in this section have been omitted.

Changes in Significant Accounting Policies

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
—	<p>(Accounting standard for lease transactions)</p> <p>Finance lease transactions that do not involve the transfer of ownership were previously accounted for in a similar manner to the accounting treatment for operating lease transactions. However, from the fiscal year ended December 31, 2009, the Company adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, originally issued by the First Subcommittee of the Business Accounting Council on June 17, 1993, and revised on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, originally issued by the Law and Regulation Committee of the Japanese Institute of Certified Public Accountants (JICPA) on January 18, 1994, and revised on March 30, 2007) to account for such transactions in a manner similar to the accounting treatment for ordinary sale and purchase transactions.</p> <p>For finance lease transactions that do not involve the transfer of ownership, transactions commencing on or before December 31, 2008, continue to be accounted for in the same method as for operating leases.</p> <p>As a result of this change, there is no material impact on income.</p>

(Change in Presentation)

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
<p>(Consolidated Statements of Operations)</p> <p>1. In the previous fiscal year, gain on cancellation of insurance contract was presented within others under non-operating income. In the fiscal year under review, since gain on cancellation of insurance contract exceeded 10% of total non-operating income, it is presented as a separate item.</p> <p>In the previous fiscal year, gain on cancellation of insurance contract amounted to ¥1,225 thousand.</p>	—
<p>(Consolidated Statements of Cash Flows)</p> <p>1. Gain on cancellation of insurance contract presented in cash flows from operating activities was presented within others in the previous fiscal year. However, owing to this item's increase in materiality from the perspective of its amount, it is presented as a separate item.</p> <p>In the previous fiscal year, gain on cancellation of insurance contract presented within others amounted to ¥1,225 thousand.</p> <p>2. Foreign exchange gains/losses and increase/decrease in accrued consumption tax, which were presented in cash flows from operating activities in the previous fiscal year, are included within others owing to their decrease in materiality from the perspective of their respective amounts.</p> <p>Within others, foreign exchange gains/losses comprise ¥1,013 thousand and increase/decrease in accrued consumption tax comprises ¥11,407 thousand.</p> <p>3. In the previous fiscal year, payments into time deposits and proceeds from withdrawal of time deposits were presented as separate items in cash flows from investing activities. In this fiscal year, the net amount is presented as increase/decrease in time deposits.</p> <p>In this fiscal year, within increase/decrease in time deposits, payments into time deposits comprise ¥2,172,947 thousand and proceeds from withdrawal of time deposits comprise ¥2,164,107 thousand.</p>	—

(Additional Information)

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
<p>(Change in the method of depreciation of noncurrent assets)</p> <p>In line with the amendment of the Corporation Tax Law, depreciation expenses for noncurrent assets acquired prior to April 1, 2007, is computed by the method based on the previous Corporation Tax Law. When the book value of such assets reaches 5% of acquisition price, from the following fiscal year these assets are depreciated to their memorandum value using the straight-line method over a period of five years. This change has no material impact on income.</p>	—
—	<p>(Reserve for directors' retirement benefits)</p> <p>Previously, the reserve for directors' retirement benefits was recorded at the end of the fiscal year in accordance with the amount required, which was calculated in line with internal rules established through a resolution passed by the Board of Directors. However, the Company's program for directors' retirement benefits was abolished at the closing of the Annual General Meeting of Shareholders held on March 30, 2009. Accompanying this abolition, the aforementioned Annual General Meeting of Shareholders passed a resolution to pay directors' retirement benefits as termination payments when directors retire. Consequently, the entire reserve for directors' retirement benefits was reversed and the accrued termination payment to currently serving directors totaling ¥59,053 thousand was recorded within fixed liabilities as "other".</p>

Notes

(Omissions of Disclosure)

Notes to the Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statement of Changes in Net Assets, Consolidated Statements of Cash Flows, lease accounting, securities, allowance for retirement benefits and tax effect have been omitted. This omission is due to recognition that these notes are less important to disclosure of the financial results for the fiscal year under review. There are no applicable items relating to derivative transactions, stock options, business combinations or related-party transactions.

(Segment Information)

(1) Operational Segment

The previous consolidated fiscal year 2008 period (January 1, 2008 to December 31, 2008):
Original Engineering Consultants has only one segment, which is engineering consulting and related services. Therefore, no segment information is available.

The consolidated fiscal year 2009 period (January 1, 2009 to December 31, 2009):
Original Engineering Consultants has only one segment, which is engineering consulting and related services. Therefore, no segment information is available.

(2) Location of Segments

The previous consolidated fiscal year 2008 period (January 1, 2008 to December 31, 2008):
Since Original Engineering Consultants has no overseas branch offices or subsidiaries, there are no items applicable to this category.

The consolidated fiscal year 2009 period (January 1, 2009 to December 31, 2009):
Since Original Engineering Consultants has no overseas branch offices or subsidiaries, there are no items applicable to this category.

(3) Overseas Sales

The previous consolidated fiscal year 2008 period (January 1, 2008 to December 31, 2008):
Since no overseas sales were made, there are no items applicable to this category.

The consolidated fiscal year 2009 period (January 1, 2009 to December 31, 2009):
Since overseas sales ratio is under 10%, disclosure is omitted.

(Per Share Information)

FY 2008 (from January 1, 2008 to December 31, 2008)		FY 2009 (from January 1, 2009 to December 31, 2009)	
Net assets per share	¥602.33	Net assets per share	¥530.11
Net loss per share	¥58.99	Net loss per share	¥66.84
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.		Same as at left	

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

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Net loss for the period (thousand yen)	440,822	499,430
Amount not attributed to common shareholders (thousand yen)	—	—
Net loss attributed to common stock (thousand yen)	440,822	499,430
Average number of common stock outstanding (shares) during the period	7,473,253	7,472,181

2. The basis for calculation of net assets per share is as follows.

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Net assets for the period (thousand yen)	4,500,970	3,960,809
Deduction amount from total net assets (thousand yen)	—	—
Net assets attributed to common stock (thousand yen)	4,500,970	3,960,809
Number of common stock outstanding at end of the period (shares)	7,472,561	7,471,663

(Significant Subsequent Events)

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
—	(Relocation of head office) On November 6, 2009, the Board of Directors passed a resolution authorizing the relocation of the Company's head office. Consequently, in the fiscal year ended December 31, 2009, the Company recorded relocation expenses totaling ¥86,100 thousand as an extraordinary loss. This amount includes expenses relating to restoration of the current office to its original condition, moving expenses and loss on retirement of assets.

5. NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) Non-Consolidated Balance Sheets

	FY 2008 (as of December 31, 2008)	FY 2009 (as of December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Assets		
Current assets		
Cash and deposits	3,660,422	3,070,794
Notes receivable—trade	3,307	—
Accounts receivable—completed operation	440,688	438,643
Costs on uncompleted services	670,207	740,050
Prepaid expenses	38,303	31,002
Advances paid to subsidiaries and affiliates	61,552	33,201
Other	9,796	8,085
Total current assets	4,884,279	4,321,779
Noncurrent assets		
Property, plant and equipment		
Buildings	422,037	423,684
Accumulated depreciation	-330,878	-335,370
Buildings, net	91,159	88,314
Structures	3,259	3,259
Accumulated depreciation	-3,029	-3,042
Structures, net	229	216
Vehicles	4,594	4,594
Accumulated depreciation	-4,544	-4,544
Vehicles, net	50	50
Tools, furniture and fixtures	100,089	103,419
Accumulated depreciation	-89,771	-92,919
Tools, furniture and fixtures, net	10,317	10,499
Land	150,015	150,015
Lease assets	—	5,293
Accumulated depreciation	—	-1,058
Lease assets, net	—	4,234
Total property, plant and equipment	251,772	253,331
Intangible assets		
Leasehold right	3,321	3,321
Software	103,249	100,520
Lease assets	—	16,615
Telephone subscription right	3,577	3,577
Total intangible assets	110,147	124,034

	FY 2008 (as of December 31, 2008)	FY 2009 (as of December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Investments and other assets		
Investment securities	247,976	179,715
Stocks of subsidiaries and affiliates	50,000	50,000
Long-term loans receivable	6,836	6,836
Long-term loans receivable from employees	6,959	13,623
Insurance funds	70,106	60,792
Guarantee deposits	165,763	188,862
Long-term prepaid expenses	—	6,339
Other	31,019	31,019
Allowance for doubtful accounts	-9,036	-9,036
Total investments and other assets	569,625	528,152
Total noncurrent assets	931,545	905,518
Total assets	5,815,824	5,227,297
Liabilities		
Current liabilities		
Accounts payable—operating	131,027	200,515
Lease obligations	—	5,019
Accounts payable—other	35,424	36,520
Accrued expenses	93,247	91,246
Income taxes payable	48,120	50,256
Accrued consumption taxes	27,884	—
Advances received on uncompleted contracts	185,050	125,697
Deposits received	40,136	35,587
Provision for bonuses	18,650	18,300
Provision for loss on order received	7,023	5,709
Provision for relocation expenses	—	86,100
Other	13,138	7,802
Total current liabilities	599,703	662,756
Noncurrent liabilities		
Lease obligations	—	16,203
Deferred tax liabilities	38,688	11,042
Provision for retirement benefits	575,686	542,314
Provision for directors' retirement benefits	107,726	—
Long-term accounts payable—other	—	59,053
Other	9,754	1,952
Total noncurrent liabilities	731,855	630,566
Total liabilities	1,331,559	1,293,322

Category	FY 2008 (as of December 31, 2008)	FY 2009 (as of December 31, 2009)
	Amount (thousand yen)	Amount (thousand yen)
Net assets		
Shareholders' equity		
Capital stock	1,093,000	1,093,000
Capital surplus		
Legal capital surplus	3,171,308	2,171,308
Other capital surplus	—	1,000,000
Total capital surplus	3,171,308	3,171,308
Retained earnings		
Legal retained earnings	273,250	—
Other retained earnings		
General reserve	514,500	—
Retained earnings brought forward	-340,205	-62,016
Total retained earnings	447,544	-62,016
Treasury stock	-284,424	-284,538
Total shareholders' equity	4,427,427	3,917,752
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	56,838	16,222
Total valuation and translation adjustments	56,838	16,222
Total net assets	4,484,265	3,933,975
Total liabilities and net assets	5,815,824	5,227,297

(2) Non-Consolidated Statements of Operations

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Contracts completed	4,607,186	4,000,332
Cost of completed work	3,678,136	3,191,666
Gross profit	929,050	808,666
Selling, general and administrative expenses		
Directors' compensations	63,550	46,265
Employees' salaries and allowances	539,439	546,136
Employees' bonuses	47,504	39,130
Provision for employees' bonuses	5,690	5,330
Retirement benefit expenses	22,087	16,168
Provision for directors' retirement benefits	11,306	1,886
Legal welfare expenses and other welfare expenses	93,548	92,754
Traveling and transportation expenses	91,527	92,891
Supplies expenses	42,568	35,457
Advertising expenses	14,993	9,723
Rent expenses	132,637	129,151
Depreciation and amortization	6,415	7,702
Others	233,254	191,704
Total selling, general and administrative expenses	1,304,523	1,214,301
Operating loss	-375,473	-405,635
Non-operating income		
Interest income	12,609	9,064
Dividends income	5,787	5,406
Commission for insurance office work	1,907	1,845
Contribution received for operations performed by dispatched employees	1,101	2,118
Gain on cancellation of insurance contract	6,586	17,630
Others	9,483	2,941
Total non-operating income	37,475	39,006
Non-operating expenses		
Interest expenses	—	871
Expenses for securities transactions	14,750	12,214
Others	2,507	819
Total non-operating expenses	17,257	13,905
Ordinary loss	-355,255	-380,534
Extraordinary income		
Gains on reversal of allowance for doubtful accounts	9,026	—
Total extraordinary income	9,026	—
Extraordinary loss		
Loss on retirement of noncurrent assets	1,099	15
Loss on valuation of investment securities	46,950	—
Provision for relocation expenses	—	86,100
Total extraordinary loss	48,049	86,115
Loss before income taxes	-394,278	-466,649
Income taxes—current	41,354	42,910
Net loss	-435,632	-509,560

(3) Non-Consolidated Statements of Changes in Net Assets

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Shareholders' equity		
Capital stock		
Balance at the end of previous 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		
Legal capital surplus		
Balance at the end of previous period	3,171,308	3,171,308
Changes of items during the period		
Reversal of legal capital surplus	—	-1,000,000
Total changes of items during the period	—	-1,000,000
Balance at the end of current period	3,171,308	2,171,308
Other capital surplus		
Balance at the end of previous period	—	—
Changes of items during the period		
Reversal of legal capital surplus	—	1,000,000
Total changes of items during the period	—	1,000,000
Balance at the end of current period	—	1,000,000
Total capital surplus		
Balance at the end of previous period	3,171,308	3,171,308
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	3,171,308	3,171,308
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	273,250	273,250
Changes of items during the period		
Reversal of legal retained earnings	—	-273,250
Total changes of items during the period	—	-273,250
Balance at the end of current period	273,250	—
Other retained earnings		
General reserve		
Balance at the end of previous period	1,314,500	514,500
Changes of items during the period		
Reversal of general reserve	-800,000	-514,500
Total changes of items during the period	-800,000	-514,500
Balance at the end of current period	514,500	—

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Retained earnings brought forward		
Balance at the end of previous period	-667,201	-340,205
Changes of items during the period		
Reversal of general reserve	800,000	514,500
Dividends from surplus	-37,371	—
Reversal of legal retained earnings	—	273,250
Net loss	-435,632	-509,560
Total changes of items during the period	326,995	278,189
Balance at the end of current period	-340,205	-62,016
Total retained earnings		
Balance at the end of previous period	920,548	447,544
Changes of items during the period		
Reversal of general reserve	—	—
Dividends from surplus	-37,371	—
Net loss	-435,632	-509,560
Total changes of items during the period	-473,004	-509,560
Balance at the end of current period	447,544	-62,016
Treasury stock		
Balance at the end of previous period	-284,054	-284,424
Changes of items during the period		
Purchase of treasury stock	-369	-114
Total changes of items during the period	-369	-114
Balance at the end of current period	-284,424	-284,538
Total shareholders' equity		
Balance at the end of previous period	4,900,801	4,427,427
Changes of items during the period		
Dividends from surplus	-37,371	—
Net loss	-435,632	-509,560
Purchase of treasury stock	-369	-114
Total changes of items during the period	-473,373	-509,674
Balance at the end of current period	4,427,427	3,917,752

	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
Category	Amount (thousand yen)	Amount (thousand yen)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	113,026	56,838
Changes of items during the period		
Net changes of items other than shareholders' equity	-56,188	-40,615
Total changes of items during the period	-56,188	-40,615
Balance at the end of current period	56,838	16,222
Total valuation and translation adjustments		
Balance at the end of previous period	113,026	56,838
Changes of items during the period		
Net changes of items other than shareholders' equity	-56,188	-40,615
Total changes of items during the period	-56,188	-40,615
Balance at the end of current period	56,838	16,222
Total net assets		
Balance at the end of previous period	5,013,828	4,484,265
Changes of items during the period		
Dividends from surplus	-37,371	—
Net loss	-435,632	-509,560
Purchase of treasury stock	-369	-114
Net changes of items other than shareholders' equity	-56,188	-40,615
Total changes of items during the period	-529,562	-550,290
Balance at the end of current period	4,484,265	3,933,975

(Matters Affecting the Assumption of a Going Concern)

No applicable items.

Matters Relating to Accounting Policies

Category	FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
(1) Depreciation and amortization method of major assets	<p>(i) Property, plant and equipment Depreciation is calculated using the declining-balance method, with the exception of buildings acquired on or after April 1, 1998, for which depreciation is calculated using the straight-line method. The length of useful life and residual value for Property, plant and equipment are calculated in accordance with the method stipulated in the Corporation Tax Act.</p> <p>(ii) Intangible assets Software for in-house use is amortized based on the straight-line method over the expected useful life of five years.</p> <p style="text-align: center;">—</p>	<p>(i) Property, plant and equipment (excluding leased assets) Same as the previous fiscal period.</p> <p>(ii) Intangible assets (excluding leased assets) Same as the previous fiscal period.</p> <p>(iii) Lease assets The straight-line method is employed for lease assets, with the useful life being the same as the lease period and a residual value of zero. For finance lease transactions that do not involve the transfer of ownership, leases commencing on or prior to December 31, 2008, are accounted for using the same method as operating leases.</p>
(2) Standards for calculating significant reserves	<p>(i) Provision for relocation expenses The Company records the amount required for directors' retirement benefits as of the end of the fiscal year, which is calculated using internal rules, as the reserve for directors' retirement benefits.</p> <p style="text-align: center;">—</p>	<p style="text-align: center;">—</p> <p>(ii) Provision for relocation expenses The Company records the estimated amount required as relocation expenses, related to the relocation of the Company's head office, as the reserve for relocation expenses.</p>
(3) Accounting treatment for significant lease transactions	<p>For finance leases excluding those that involve the transfer of ownership of the leased asset to the lessor, are accounted for using the same method as operating leases.</p>	<p style="text-align: center;">—</p>

Excluding the abovementioned items, there are no material changes from the most recent filing of financial statements (*Yuka Shoken Hokokusho*) (March 31, 2009). Consequently, other items in this section have been omitted.

Changes in Accounting Treatment

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
—	<p>(Accounting standard for lease transactions) Finance lease transactions that do not involve the transfer of ownership were previously accounted for in a similar manner to the accounting treatment for operating lease transactions. However, from the fiscal year ended December 31, 2009, the Company adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, originally issued by the First Subcommittee of the Business Accounting Council on June 17, 1993, and revised on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, originally issued by the Law and Regulation Committee of the Japanese Institute of Certified Public Accountants (JICPA) on January 18, 1994, and revised on March 30, 2007) to account for such transactions in a manner similar to the accounting treatment for ordinary sale and purchase transactions.</p> <p>For finance lease transactions that do not involve the transfer of ownership, transactions commencing on or before December 31, 2008, continue to be accounted for in the same method as for operating leases.</p> <p>As a result of this change, there is no material impact on income.</p>

(Change in Presentation)

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
<p>(Non-Consolidated Statements of Operations) 1. In the previous fiscal year, gain on cancellation of insurance contract was presented within others under non-operating income. In the fiscal year under review, since gain on cancellation of insurance contract exceeded 10% of total non-operating income, it is presented as a separate item. In the previous fiscal year, gain on cancellation of insurance contract amounted to ¥1,225 thousand.</p>	—

(Additional Information)

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
<p>(Change in the method of depreciation of fixed assets) In line with the amendment of the Corporation Tax Law, depreciation expenses for noncurrent assets acquired prior to April 1, 2007, is computed by the method based on the previous Corporation Tax Law. When the book value of such assets reaches 5% of acquisition price, from the following fiscal year these assets are depreciated to their memorandum value using the straight-line method over a period of five years. This change has no material impact on income.</p>	—
—	<p>(Reserve for directors' retirement benefits) Previously, the reserve for directors' retirement benefits was recorded at the end of the fiscal year in accordance with the amount required, which was calculated in line with internal rules established through a resolution passed by the Board of Directors. However, the Company's program for directors' retirement benefits was abolished at the closing of the Annual General Meeting of Shareholders held on March 30, 2009. Accompanying this abolition, the aforementioned Annual General Meeting of Shareholders passed a resolution to pay directors' retirement benefits as termination payments when directors retire. Consequently, the entire reserve for directors' retirement benefits was reversed and the accrued termination payment to currently serving directors totaling ¥59,053 thousand was recorded within fixed liabilities as "Long-term accounts payable-other."</p>

Significant Subsequent Events

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)
—	<p>(Merger and absorption of consolidated subsidiary) Pursuant to a resolution passed by the Board of Directors on November 6, 2009, the Company merged with and absorbed (hereinafter, “the merger”) its wholly owned subsidiary Kanzai Co., Ltd. (hereinafter, “Kanzai”), on January 1, 2010.</p> <p>(1) Purpose of the merger Kanzai specializes in the Company’s urban facilities information processing business as well as support for system and software development. Until now, Kanzai has principally engaged in the development of a database comprising information on of urban facilities and utilized this database in the development of systems and software related to water supply and sewerage systems. However, in response to changes in the Group’s operating environment, the Company decided to merge with and absorb Kanzai, with an effective merger date of January 1, 2010. The principal aims of the merger include focusing the Group’s management resources and increasing organizational efficiency.</p> <p>(2) Overview of the merger</p> <p>i) Merger schedule Date of merger resolution by the Board of Directors November 6, 2009 Date of signing of the merger agreement November 6, 2009 Planned merger date (effective date) January 1, 2010 Note regarding general meetings of shareholders to approve the merger agreement: For the Company, the merger falls under the scope of a simple merger pursuant to Article 796, Paragraph 3, of the Corporation Law. For Kanzai, the merger falls under the scope of an informal organizational restructuring pursuant to Article 784, Paragraph 1, of the Corporation Law. Owing to the application of these legal criteria, neither the Company nor Kanzai will hold a general meeting of shareholders to approve the merger agreement.</p> <p>ii) Merger method The merger will be an absorption-type merger, under which the Company is the surviving company and Kanzai is dissolved.</p>

FY 2008 (from January 1, 2008 to December 31, 2008)	FY 2009 (from January 1, 2009 to December 31, 2009)										
	<p>iii) Details of share, capital, or cash allotments related to the merger Since the Company owns 100% of the shares of Kanzai, there will be no new share issuance related to the merger or any cash compensation.</p> <p>iv) Summary of accounting treatment The merger is treated as a transaction under common control pursuant to the Accounting Standard for Business Combinations (Business Accounting Council, October 31, 2003) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 27, 2005).</p> <p>(3) Outline of the merger counterparty (as of December 31, 2009)</p> <table border="0" data-bbox="820 734 1353 958"> <tr> <td>i) Name</td> <td>Kanzai Co., Ltd.</td> </tr> <tr> <td>ii) Principal businesses</td> <td>Urban facilities information processing and support for system and software development</td> </tr> <tr> <td>iii) Paid-in capital</td> <td>¥10,000 thousand</td> </tr> <tr> <td>iv) Net assets</td> <td>¥11,869 thousand</td> </tr> <tr> <td>v) Total assets</td> <td>¥68,336 thousand</td> </tr> </table>	i) Name	Kanzai Co., Ltd.	ii) Principal businesses	Urban facilities information processing and support for system and software development	iii) Paid-in capital	¥10,000 thousand	iv) Net assets	¥11,869 thousand	v) Total assets	¥68,336 thousand
i) Name	Kanzai Co., Ltd.										
ii) Principal businesses	Urban facilities information processing and support for system and software development										
iii) Paid-in capital	¥10,000 thousand										
iv) Net assets	¥11,869 thousand										
v) Total assets	¥68,336 thousand										
—	<p>(Relocation of head office) On November 6, 2009, the Board of Directors passed a resolution authorizing the relocation of the Company's head office. Consequently, in the fiscal year ended December 31, 2009, the Company recorded relocation expenses totaling ¥86,100 thousand as an extraordinary loss. This amount includes expenses relating to restoration of the current office to its original condition, moving expenses and loss on retirement of assets.</p>										

6. OTHER

(1) Changes in Directors

At a meeting of the Board of Directors held on February 12, 2010, the following plan was adopted regarding the nomination of currently serving and new directors and the retirement of a director.

The six candidates for director are subject to the approval of the 48th Annual General Meeting of Shareholders to be held on March 30, 2010.

1. Currently Serving Candidates for Director (on March 30, 2010)

President and Representative Director

Kazuo Saisu (currently President and Representative Director)

Deputy-President, Representative Director and Director Responsible for Administration

Hiroshi Yamanouchi (currently Representative Director, Executive Managing Director and Director Responsible for Administration)

Representative Director, Senior Executive Managing Director, Director Responsible for Engineering and General Manager of the Strategy Division

Reiji Hanai (currently Representative Director, Senior Executive Managing Director, Director Responsible for Engineering and General Manager of the Strategy Division)

Director and General Manager of the Northern Japan Branch

Tomio Odanouchi (currently Director and General Manager of the Northern Japan Branch)

Director and General Manager of the Kansai Japan Branch

Keigo Nozaki (currently Director and General Manager of the Kansai Japan Branch)

2. Newly Nominated Candidate for Director (on March 30, 2010)

Director, Director Responsible for Information Management and General Manager of the Information Technology Division

Satoshi Yamashita (currently General Manager of the Information Technology Division)

3. Retiring Directors (on March 30, 2010)

Currently: Director and Adviser

Osamu Suga (candidate for appointment as Chairman)

Currently: General Manager of the System Management Division

Katsuto Shigemune (to retire)

(2) Orders Received/Sales

1. Consolidated Orders Received

Consolidated orders received are as follows.

(Thousand yen)

Department	FY 2008 (from January 1, 2008 to December 31, 2008)		FY 2009 (from January 1, 2009 to December 31, 2009)	
	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)	3,306,055	2,364,934	3,442,586	2,512,786
Others	175,826	38,546	52,441	30,000
Subtotal	3,481,882	2,403,480	3,495,027	2,542,786
Information Processing: Data management of urban facilities and software development	675,628	612,774	718,544	621,025
Subtotal	675,628	612,774	718,544	621,025
Total	4,157,511	3,016,254	4,213,571	3,163,812

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 2008 (from January 1, 2008 to December 31, 2008)		FY 2009 (from January 1, 2009 to December 31, 2009)	
	Amount	Ratio	Amount	Ratio
Engineering Consultant: Water supply and sewerage system (feasibility studies, master plans, detailed design and construction supervision surveillance)	3,738,568	81.0	3,294,734	81.0
Others	288,890	6.2	60,987	1.5
Subtotal	4,027,458	87.2	3,355,721	82.5
Information Processing: Data management of urban facilities and software development	590,447	12.8	710,292	17.5
Subtotal	590,447	12.8	710,292	17.5
Total	4,617,906	100.0	4,066,014	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.

3. Non-Consolidated Orders Received

Non-consolidated orders received are as follows.

(Thousand yen)

Department	FY 2008 (from January 1, 2008 to December 31, 2008)		FY 2009 (from January 1, 2009 to December 31, 2009)	
	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)	3,264,368	2,324,147	3,430,211	2,512,786
Others	175,396	38,546	50,011	30,000
Subtotal	3,439,765	2,362,693	3,480,222	2,542,786
Information Processing: Data management of urban facilities and software development	668,568	608,974	712,254	621,025
Subtotal	668,568	608,974	712,254	621,025
Total	4,108,334	2,971,667	4,192,476	3,163,812

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.

4. Non-Consolidated Sales

Non-consolidated sales are as follows.

(Thousand yen)

Department	FY 2008 (from January 1, 2008 to December 31, 2008)		FY 2009 (from January 1, 2009 to December 31, 2009)	
	Amount	Ratio	Amount	Ratio
Engineering Consultant: Water supply and sewerage system (feasibility studies, master plans, detailed design and construction supervision surveillance)	3,732,906	81.0	3,241,572	81.0
Others	288,460	6.3	58,557	1.5
Subtotal	4,021,366	87.3	3,300,129	82.5
Information Processing: Data management of urban facilities and software development	585,820	12.7	700,202	17.5
Subtotal	585,820	12.7	700,202	17.5
Total	4,607,186	100.0	4,000,332	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.