

# Consolidated Financial Results for the Second Quarter of FY 2009 August 5, 2009

(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 Business Department Deputy General Manager Name: Hirokazu Uda Tel: (03) 5261-9600

Planned filing of semiannual financial statements (Shihanki Hokokusho): August 7, 2009

Start of dividend payment planned: —

(Amounts less than ¥1 million are truncated)

## 1. CONSOLIDATED INTERIM FINANCIAL RESULTS (January 1, 2009 to June 30, 2009)

### (1) Consolidated Operating Results (Cumulative) (Percentages represent year-on-year change)

	Net sales		Operating income (loss)		Ordinary income (loss)	
	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2009	2,615	—	-20	—	2	—
Six months ended June 30, 2008	2,871	-6.1	83	-47.3	94	-37.5

	Net income (loss)		Net income (loss) per share—basic	Net income per share—diluted
	Million yen	%	Yen	Yen
Six months ended June 30, 2009	-31	—	-4.22	—
Six months ended June 30, 2008	62	-40.2	8.36	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2009	6,066	4,468	73.7	598.03
As of December 31, 2008	5,842	4,500	77.0	602.33

(Reference) Shareholders' equity: As of June 30, 2009: ¥4,468 million As of December 31, 2008: ¥4,500 million

## 2. DIVIDENDS

(Record date)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full year
Fiscal year ended December 31, 2008	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2009	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2009 (Forecast)	—	—	—	2.00	2.00

Note: Revision to dividend forecasts during the three months ended June 30, 2009: None

## 3. FORECAST OF CONSOLIDATED RESULTS FOR FY 2009 (January 1, 2009 to December 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net loss		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	4,855	5.1	9	—	34	—	-11	—	-1.58

#### 4. OTHER

1. Changes in the scope of consolidation for significant subsidiaries during three months: None
2. Application of simplified accounting procedures or special accounting procedures particular to the preparation of quarterly consolidated financial statements: Yes  
Note: For details, see page 4 “Qualitative Information and Financial Statements; 4. Other”
3. Changes in significant accounting policies, procedures or presentation (Material changes in method of preparing quarterly consolidated financial statements)
  - i) Changes resulting from a newly issued accounting pronouncement: Yes
  - ii) Changes other than i): None  
Note: For details, see page 4 “Qualitative Information and Financial Statements; 4. Other”
4. Number of outstanding shares (Common stock)
  - i) Number of shares outstanding at end of period, including treasury stock:  
As of June 30, 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 June 30, 2009: 324,639 shares      As of December 31, 2008: 324,239 shares
  - iii) Average number of shares outstanding for each period (cumulative quarterly period):  
Six months ended June 30, 2009: 7,472,487 shares      Six months ended June 30, 2008: 7,474,004 shares

#### Note regarding forecasts and forward-looking statements

1. Results forecasts were revised on August 4, 2009. 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 more details, refer to “Qualitative Information and Financial Statements”, “3. Qualitative Information on Consolidated Results Forecasts” on page 3.
2. Effective the fiscal year ending December 31, 2009, the Company adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and its accompanying Guidance on the Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). The Company also prepares quarterly consolidated financial statements in accord with Japan’s Regulations on the Terminology, Format, and Preparation of Quarterly Consolidated Financial Statements.

# Qualitative Information and Financial Statements

## 1. QUALITATIVE INFORMATION ON CONSOLIDATED BUSINESS RESULTS

The Japanese economy during the first half of fiscal 2009 (January 1, 2009 – June 30, 2009), despite continued difficult conditions stemming from the global recession from fall 2008, began to show signs of recovery in exports and certain other areas as a result of such factors as improvement in inventory adjustments at corporations, and the government's stimulus measures. However, the sense of surplus in terms of equipment and personnel remained strong, while a full-scale recovery in consumer spending remained out of reach.

In the engineering consultant industry, competition for project orders remained fierce in the face of budget reductions by national and local governments for public sewerage systems. Securing profitability remains difficult, but OEC anticipates that the supplementary budget adopted for the current fiscal year as an additional economic stimulus package will lead to growth in orders during the second half of the subject fiscal year.

Amid this business environment, the OEC Group, based on its management policy of achieving sound management, continued to consolidate its organization, strengthening the technical and organizational capabilities that make up its management resources, and working to improve sales and production efficiency, as well as reduce costs. The Group also made a concerted effort to conduct sales activities aimed at both existing and new markets, including private operators, by continuing to develop 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, which are based on the Group's technology—developed over a long period—focusing on superior safety, reliability and maintenance, and by developing such businesses as accounting support for local municipalities, support services for extending the lifetime of structural components and earthquake resistance diagnosis.

As a result, the total amount of orders received during the subject interim period amounted to ¥1,336 million. Net sales totaled ¥2,615 million, with an operating loss of ¥20 million, ordinary income of ¥2 million, and a net loss of ¥31 million.

Results by operating division were as follows:

### [Engineering Consultant Department]

The Engineering Consultant Department recorded orders received amounting to ¥1,123 million, due mainly to cutbacks in public works projects and lower unit prices per project stemming from the deteriorating financial conditions of local government agencies. Net sales totaled ¥2,027 million.

### [Information Processing Department]

The Information Processing Department recorded orders received amounting to ¥213 million. Net sales totaled ¥588 million.

## 2. QUALITATIVE INFORMATION ON THE CONSOLIDATED FINANCIAL POSITION

The balance of cash and cash equivalents at the end of the subject interim period (June 30, 2009) stood at ¥1,686 million, up ¥801 million from the end of the previous fiscal year (December 31, 2008). This was due mainly to a decrease in notes and accounts receivable—trade; a decrease in costs on uncompleted services; and an increase in advances received on uncompleted services.

### *Cash flow from operating activities*

Net cash provided by operating activities amounted to ¥801 million. This was due mainly to a ¥309 million decrease in notes and accounts receivable—trade; a ¥256 million decrease in costs on uncompleted services; and a ¥354 million increase in advances received on uncompleted services.

### *Cash flow from investing activities*

Net cash provided by investing activities amounted to ¥0 million.

### *Cash flow from financing activities*

Net cash used in financing activities amounted to ¥0 million.

### 3. QUALITATIVE INFORMATION ON CONSOLIDATED RESULTS FORECASTS

Revised results forecasts were announced on August 4, 2009. For details see the August 4 press release “Notice of Recording of Non-operating Income and Revision to Results Forecast.”

### 4. OTHER

- (1) Changes in the scope of consolidation for significant subsidiaries during three months  
Not applicable
- (2) Application of simplified accounting methods or special accounting methods for the preparation of the quarterly consolidated financial statements
  1. Simplified accounting methods
    - Method for calculating depreciation of noncurrent assets  
For assets for which the declining-balance method is used, the amount of depreciation expenses for the consolidated fiscal year is calculated on a pro-rata basis.  
  
Method for calculating the provision for retirement benefits  
For the provision for retirement benefits, the amount of retirement benefit expenses for the consolidated fiscal year is calculated on a pro-rata basis.
  2. Special accounting methods for the preparation of the quarterly consolidated financial statements  
Not applicable
- (3) Changes in significant accounting policies, procedures or presentation  
Effective the fiscal year ending December 31, 2009, the Company adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and its accompanying Guidance on the Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). The Company also prepares quarterly consolidated financial statements in accord with Japan’s Regulations on the Terminology, Format, and Preparation of Quarterly Consolidated Financial Statements.

## 5. CONSOLIDATED FIANACIAL STATEMENTS

### (1) Consolidated Balance Sheets

Category	As of June 30, 2009	As of December 31, 2008
	Amount (thousand yen)	Amount (thousand yen)
<b>(Assets)</b>		
<b>Current assets:</b>		
Cash and deposits	4,562,603	3,757,704
Notes receivable—trade and accounts receivable—completed operation	136,092	445,397
Costs on uncompleted services	430,578	686,974
Other	47,813	51,226
Total current assets	5,177,087	4,941,303
<b>Noncurrent assets:</b>		
Property, plant and equipment	253,803	254,058
Intangible assets	111,819	111,236
Investments and other assets	523,755	536,305
Total noncurrent assets	889,378	901,600
Total assets	6,066,466	5,842,904
<b>(Liabilities)</b>		
<b>Current liabilities:</b>		
Accounts payable—operating	81,665	132,478
Income taxes payable	43,141	52,429
Advances received on uncompleted contracts	539,248	185,050
Provision for bonuses	26,950	19,680
Provision for loss on order received	13,391	7,023
Other	243,995	213,416
Total current liabilities	948,392	610,078
<b>Noncurrent liabilities:</b>		
Provision for retirement benefits	547,366	575,686
Other	102,120	156,169
Total noncurrent liabilities	649,486	731,855
Total liabilities	1,597,878	1,341,934
<b>(Net assets)</b>		
<b>Shareholders' equity:</b>		
Capital stock	1,093,000	1,093,000
Capital surplus	3,171,308	3,171,308
Retained earnings	432,733	464,248
Treasury stock	-284,474	-284,424
Total shareholders' equity	4,412,566	4,444,132
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	56,021	56,838
Total valuation and translation adjustments	56,021	56,838
Total net assets	4,468,588	4,500,970
Total liabilities and net assets	6,066,466	5,842,904

(2) Consolidated Interim Statements of Operations (Cumulative)

	Six months ended June 30, 2009
Category	Amount ( thousand yen)
Net sales	
Contracts completed	2,615,971
Cost of sales	
Cost of completed work	2,018,312
Gross profit	597,659
Selling, general and administrative expenses	618,620
Operating loss	-20,960
Non-operating income:	
Interest income	5,768
Dividends income	4,266
Insurance premiums refunded cancellation	16,917
Other	3,921
Total non-operating income	30,874
Non-operating expenses:	
Expenses for securities transactions	7,195
Other	226
Total non-operating expenses	7,421
Ordinary income	2,491
Extraordinary loss:	
Loss on retirement of noncurrent assets	15
Total extraordinary loss	15
Income before income taxes	2,476
Income taxes—current	33,992
Net loss	-31,515

### (3) Consolidated Interim Statements of Cash Flows

	Six months ended June 30, 2009
Category	Amount (thousand yen)
Net cash provided by (used in) operating activities	
Income before income taxes	2,476
Depreciation and amortization	24,555
Increase (decrease) in provision for bonuses	7,270
Increase (decrease) in provision for loss on order received	6,368
Increase (decrease) in provision for retirement benefits	-28,320
Increase (decrease) in provision for directors' retirement benefits	-107,726
Interest and dividends income	-10,035
Loss (gain) on sales and retirement of noncurrent assets	15
Decrease (increase) in notes and accounts receivable—trade	309,305
Decrease (increase) in costs on uncompleted services	256,396
Increase (decrease) in notes and accounts payable—trade	-50,813
Increase (decrease) in advances received on uncompleted services	354,197
Other	70,922
Subtotal	834,611
Interest and dividends income received	10,363
Income taxes paid	-46,681
Income taxes refund	2,874
Net cash provided by operating activities	801,167
Net cash provided by (used in) investing activities	
Decrease (increase) in time deposits	-3,437
Purchase of property, plant and equipment	-3,942
Purchase of intangible assets	-20,004
Other payments	-13,277
Other proceeds	41,373
Net cash provided by investing activities	712
Net cash provided by (used in) financing activities	
Purchase of treasury stock	-50
Cash dividends paid	-155
Net cash used in financing activities	-205
Effect of exchange rate change on cash and cash equivalents	-212
Net increase (decrease) in cash and cash equivalents	801,462
Cash and cash equivalents at beginning of period	884,756
Cash and cash equivalents at end of period	1,686,219

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(4) Notes regarding Assumption of a Going Concern

No events to be noted for this point

(5) Segment Information

(Business Segment Information)

The consolidated FY 2009 interim period (January 1, 2009 to June 30, 2009):

Original Engineering Consultants has only one segment, which is engineering consulting and related services. Therefore, no segment information is available.

(Geographical Segment Information)

The consolidated FY 2009 interim period (January 1, 2009 to June 30, 2009):

Since Original Engineering Consultants has no overseas branch offices or subsidiaries, there are no items applicable to this category.

(Overseas Sales)

The consolidated FY 2009 interim period (January 1, 2009 to June 30, 2009):

Since overseas sales account for less than 10 percent of total consolidated net sales, overseas sales information is omitted.

(6) Notes regarding Significant Change in Shareholders' Equity

No events to be noted for this point

(Reference)

Consolidated Financial Statements for the Six Months Ended June 30, 2008

(1) Consolidated Interim Statements of Income

Category	Six months ended June 30, 2008	
	Amount (thousand yen)	Ratio (%)
I Net sales		
Contracts completed	2,871,451	100.0
II Cost of sales		
Cost of completed work	2,125,498	74.0
Gross profit	745,952	26.0
III Selling, general and administrative expenses	662,216	23.1
Operating income	83,736	2.9
IV Non-operating income		
1. Interest income	6,439	
2. Dividends income	4,590	
3. Commission for insurance office work	880	
4. Contribution received for operations performed by dispatched employees	1,101	
5. Gain on cancellation of insurance contract	5,378	
6. Other	2,729	21,119
V Non-operating expenses		
1. Expenses for securities transactions	9,837	
2. Other	585	10,422
Ordinary income		94,432
VI Extraordinary income		
1. Gains on reversal of allowance for doubtful accounts	26	26
VII Extraordinary loss		
1. Loss on retirement of noncurrent assets	1,090	1,090
Income before income taxes		93,369
Income taxes—current		30,887
Net income		62,481

## (2) Consolidated Interim Statements of Cash Flows

	Six months ended June 30, 2008
Category	Amount (thousand yen)
<b>I Net cash provided by (used in) operating activities</b>	
Income before income taxes	93,369
Depreciation and amortization	27,036
Increase (decrease) in allowance for doubtful accounts	-26
Increase (decrease) in provision for bonuses	-2,915
Increase (decrease) in provision for loss on order received	-3,708
Increase (decrease) in provision for retirement benefits	-13,588
Increase (decrease) in provision for directors' retirement benefits	-27,060
Interest and dividends income	-11,029
Foreign exchange losses (gains)	461
Loss (gain) on sales and retirement of noncurrent assets	1,090
Decrease (increase) in notes and accounts receivable—trade	240,805
Decrease (increase) in costs on uncompleted services	297,901
Increase (decrease) in notes and accounts payable—trade	5,870
Increase (decrease) in accrued consumption taxes	27,988
Increase (decrease) in advances received on uncompleted services	404,592
Other	34,875
Subtotal	1,075,661
Interest and dividends income received	10,852
Income taxes paid	-43,401
Income taxes refund	2,561
Net cash provided by operating activities	1,045,674
<b>II Net cash provided by (used in) investing activities</b>	
Payments into time deposits	-1,074,204
Proceeds from withdrawal of time deposits	1,070,872
Purchase of property, plant and equipment	-7,137
Purchase of intangible assets	-29,967
Purchase of investments and other assets	-8,111
Proceeds from sales of investments and other assets	25,638
Net cash used in investing activities	-22,910
<b>III Net cash provided by (used in) financing activities</b>	
Purchase of treasury stock	-244
Cash dividends paid	-37,079
Net cash used in financing activities	-37,324
<b>IV Effect of exchange rate change on cash and cash equivalents</b>	-461
<b>V Net increase (decrease) in cash and cash equivalents</b>	984,978
<b>VI Cash and cash equivalents at beginning of period</b>	1,392,038
<b>VII Cash and cash equivalents at end of period</b>	2,377,017

### (3) Segment Information

#### (Business Segment Information)

The consolidated FY 2008 interim period (January 1, 2008 to June 30, 2008):

Original Engineering Consultants has only one segment, which is engineering consulting and related services. Therefore, no segment information is available.

#### (Geographical Segments Information)

The consolidated FY 2008 interim period (January 1, 2008 to June 30, 2008):

Since Original Engineering Consultants has no overseas branch offices or subsidiaries, there are no items applicable to this category.

#### (Overseas Sales)

The consolidated FY 2008 interim period (January 1, 2008 to June 30, 2008):

Since no overseas sales were made, there are no items applicable to this category.

6. OTHER INFORMATION  
ORDERS RECEIVED/SALES (CUMULATIVE)

(1) Consolidated Orders Received

Consolidated orders received for the interim period is as follows.

(Thousand yen)

Department	FY 2008 Interim (from January 1, 2008 to June 30, 2008)		FY 2009 Interim (from January 1, 2009 to June 30, 2009)		(Reference) FY 2008 (from January 1, 2008 to December 31, 2008)	
	Orders received	Order backlog	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)	1,237,517	1,726,279	1,104,010	1,475,710	3,306,055	2,364,934
Others	156,150	277,043	19,610	23,990	175,826	38,546
Subtotal	1,393,668	2,003,322	1,123,621	1,499,700	3,481,882	2,403,480
Information Processing: Data management of urban facilities and software development	401,777	397,321	213,179	237,382	675,628	612,774
Subtotal	401,777	397,321	213,179	237,382	675,628	612,774
Total	1,795,445	2,400,644	1,336,800	1,737,082	4,157,511	3,016,254

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

(2) Consolidated Sales

Consolidated sales for the interim period is as follows.

(Thousand yen)

Department	FY 2008 Interim (from January 1, 2008 to June 30, 2008)		FY 2009 Interim (from January 1, 2009 to June 30, 2009)		(Reference) FY 2008 (from January 1, 2008 to December 31, 2008)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Engineering Consultant: Water supply and sewerage system (feasibility studies, master plans, detailed design and construction supervision surveillance)	2,308,685	80.4	1,993,235	76.2	3,738,568	81.0
Others	30,717	1.1	34,166	1.3	288,890	6.2
Subtotal	2,339,402	81.5	2,027,401	77.5	4,027,458	87.2
Information Processing: Data management of urban facilities and software development	532,048	18.5	588,570	22.5	590,447	12.8
Subtotal	532,048	18.5	588,570	22.5	590,447	12.8
Total	2,871,451	100.0	2,615,971	100.0	4,617,906	100.0

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