

Year ended December 31, 2016

## FY 2016 Consolidated Financial Results

February 10, 2017

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

Listed company name: Original Engineering Consultants Co., Ltd. Stock listing: Tokyo Stock Exchange, Second Section

Code number: 4642 (URL <http://www.oec-solution.co.jp>)

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

Planned Annual General Meeting of Shareholders: March 30, 2017

Planned filing of a financial report: March 30, 2017

Date of scheduled payment of dividends: March 31, 2017

Earnings supplementary explanatory documents: None

Earnings presentation: None

(Amounts less than ¥1 million are truncated)

## 1. CONSOLIDATED FINANCIAL RESULTS FOR FY 2016 (January 1, 2016 to December 31, 2016)

## (1) Consolidated Operating Results

(Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to the owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2016 ended December 31, 2016	5,589	3.0	573	15.7	587	19.8	414	-4.6
FY 2015 ended December 31, 2015	5,427	5.7	495	-4.6	490	-6.6	434	-9.4

(Note) Comprehensive income: FY 2016: ¥382 million (-8.2%) FY 2015: ¥416 million (-13.8%)

	Profit per share-basic	Profit per share-diluted	Return on equity	Ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY 2016 ended December 31, 2016	61.97	-	9.1	10.1	10.3
FY 2015 ended December 31, 2015	64.97	-	10.5	9.3	9.1

(Reference) Gain (loss) on investment by equity method: FY 2016: ¥- million FY 2015: ¥- 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, 2016	6,081	4,709	77.4	704.06
As of December 31, 2015	5,579	4,368	78.3	653.00

(Reference) Shareholders' equity: As of December 31, 2016: ¥4,708 million As of December 31, 2015: ¥4,366 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 2016 ended December 31, 2016	633	-184	-57	2,363
FY 2015 ended December 31, 2015	471	166	-30	1,974

## 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 2015 ended December 31, 2015	Yen -	Yen 0.00	Yen -	Yen 6.00	Yen 6.00	Million yen 40	% 9.2	% 0.9
FY 2016 ended December 31, 2016	Yen -	Yen 0.00	Yen -	Yen 8.00	Yen 8.00	Million yen 54	% 12.9	% 1.1
FY 2017 ending December 31, 2017(Forecast)	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00		% 15.7	

### 3. FORECAST OF CONSOLIDATED RESULTS FOR FY 2017 (January 1, 2017 to December 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to the owners of the parent		Profit per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	5,820	4.1	553	-3.6	553	-5.8	427	3.0	63.85

#### \*NOTES

(1) Changes in the scope of consolidation for significant subsidiaries during FY 2016 ended December 31, 2016: None

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

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

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of outstanding shares (Common stock)

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

As of December 31, 2016: 7,796,800 shares As of December 31, 2015: 7,796,800 shares

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

As of December 31, 2016: 1,109,267 shares As of December 31, 2015: 1,109,667 shares

(iii) Average number of shares outstanding for each period

As of December 31, 2016: 6,687,411 shares As of December 31, 2015: 6,687,133 shares

#### (Reference) Summary of Non-consolidated Financial Results

##### 1. NON-CONSOLIDATED FINANCIAL RESULTS FOR FY 2016 (January 1, 2016 to December 31, 2016)

###### (1) Non-consolidated Operating Results

(Percentages represent year-on-year change)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2016 ended December 31, 2016	5,588	3.0	569	15.9	585	19.9	413	-4.6
FY 2015 ended December 31, 2015	5,425	6.3	491	-5.9	488	-8.3	432	-11.1

	Profit per share-basic	Profit per share-diluted
	Yen	Yen
FY 2016 ended December 31, 2016	61.77	-
FY 2015 ended December 31, 2015	64.75	-

###### (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, 2016	6,073	4,652	76.6	695.54
As of December 31, 2015	5,573	4,287	76.9	640.97

(Reference) Shareholders' equity: As of December 31, 2016: ¥4,651 million As of December 31, 2015: ¥4,286 million

##### 2. FORECAST OF NON-CONSOLIDATED RESULTS FOR FY 2017 (January 1, 2017 to December 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit		Profit per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	5,800	3.8	550	-3.4	550	-6.0	425	2.9	63.55

\* Disclosure regarding the status of implementation of audit procedures

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

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

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

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

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# 1. ANALYSIS OF BUSINESS RESULTS AND FINANCIAL POSITION

## (1) Analysis of Business Results

During the fiscal year ended December 31, 2016, Japan's economy saw an uptick in business sentiment on the back of the trend of a weak yen that prevailed following the U.S. presidential election and improved corporate earnings, albeit modest, in manufacturing industries. Corporate earnings in domestic demand-led non-manufacturing industries remained on a recovery trend, and business sentiment picked up in both manufacturing and non-manufacturing industries.

According to the Bank of Japan's Tankan survey in December 2016, the diffusion index (DI) for major manufacturing firms advanced four percentage points from the September 2016 survey to 10 percentage points, and that for major non-manufacturing firms levelled off at 18 percentage points. DI for small and medium-sized enterprises improved for both manufacturing and non-manufacturing industries, with the DI for small and medium-sized manufacturers advancing four percentage points from the previous survey to one percentage point and that of non-manufacturers improving one percentage point to two percentage points. The forecasted DI for the three months ahead dropped two percentage points for both major manufacturers and non-manufacturers, indicating that even industries whose business sentiment has improved recently are cautious about future business conditions in Japan and abroad.

Under the above-mentioned economic conditions, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), with which the Company's has a close business relationship, drew up a budget for fiscal 2016. The total budgets earmarked for "disaster prevention and safety subsidies" and "general social infrastructure development subsidies" were roughly on the same level as fiscal 2015. The total amount of the water and sewerage works expenses budget of ordinance-designated cities across Japan and Tokyo's special wards increased 1.8% from fiscal 2015. Japan's water and sewerage infrastructure assets amount to approximately ¥130 trillion, according to a provisional calculation by the Cabinet Office. This means that by sector, the water and sewerage infrastructure stock is second only to the road infrastructure stock. The water supply system has been established in nearly all areas, while the sewerage system has not been built in some areas. Given this, there still is room for new orders for the establishment of related facilities, but such orders are decreasing overall. However, given that many water and sewerage facilities, which were established rapidly during the high-growth period, are reaching the end of their useful life every year, it is necessary to maintain and renew these infrastructure assets, which are indispensable to ensuring a safe, reliable and cultural living environment. In addition, there are growing new needs including flood control measures for protecting human lives and assets from localized torrential rain that have recently been occurring frequently, anti-seismic measures such as building quake-resistant toilet facilities, and water and sewerage systems reinforcement measures for building tsunami-resistant facilities.

The OEC Group, in this operating environment, worked aggressively to win orders mainly in the water supply field, particularly for services related to asset management in line with the Water Supply Division, Ministry of Health, Labour and Welfare's new water supply vision that focuses on the key words of "safety, strength, sustainability, collaboration and challenge". In the sewerage field, the OEC Group pursued orders in line with the seven major themes set by the Sewerage and Wastewater Management Department of MLIT: strengthening earthquake recovery and reconstruction support and implementing national measures for safety and peace of mind; early reduction of areas lacking sewerage infrastructure; promoting water environmental management; improving facilities management and operation; strengthening sewerage management; promoting measures to realize a low-carbon, recycling-oriented society; and, promoting international water businesses through globalization and private-public initiatives. In addition, the OEC Group conducted recovery and reconstruction support operations for damage caused by earthquakes that hit the Kumamoto region in April 2016. We also made efforts to obtain orders for services relating to support by the Ministry of Internal Affairs and Communications for introducing local public enterprise-based accounting into small-scale water supply and sewerage operations, in accordance with the Local Public Enterprise Act, as well as sewerage operations management strategy formulation operations and others. In overseas markets, the Company worked aggressively to win orders by tapping into projects in emerging nations through public-private partnerships.

With regard to the OEC Group's internal organization, the Group strove to improve revenue by boosting productivity and reducing costs based on measures such as creating an organization focusing on the "Era of Maintenance and Management;" facilitating communication and information sharing between different levels; rapid course correction of management issues based on confirming management benchmarks by departments on an as-needed basis; appropriate budget management and process management for order-received projects; process management; outsourcing management; upgrading skills of in-house engineers; securing and fostering young human resources who will lead the next generation; and, expanding external networks.

As a result, consolidated orders received during the fiscal year under review amounted to ¥6,475 million, an increase of 12.5% compared with the previous fiscal year, and net sales increased 3.0%, to ¥5,589 million. Operating income amounted to ¥573 million, an increase of 15.7% compared with the previous fiscal year, and ordinary income increased 19.8%, to ¥587 million. Profit attributable to the owners of the parent for the fiscal year under review amounted to ¥414 million, a decrease of 4.6% compared with the previous fiscal year.

Results by operating division were as follows.

[Engineering Consultant Department]

The Engineering Consultant Department received orders totaling ¥6,031 million during the fiscal year under review, an increase of 14.8% compared with the previous fiscal year. Sales by the department increased 4.9%, to ¥5,171 million.

[Information Processing Department]

In the Information Processing Department, orders received decreased 11.5% compared with the previous fiscal year, to ¥443 million. Sales by the department decreased 16.2%, to ¥418 million.

Regarding the outlook for the fiscal year ending December 31, 2017, the Group anticipates a continuing harsh environment for orders owing to such factors as price competition among firms, although the national budget is expected to remain at the same level as the last fiscal year.

The Company, meanwhile, has achieved increases in productivity both on an individual employee level and on an organizational level through company-wide awareness reforms aimed at achieving the objectives of “Every single employee working with a sense of management” and “establishing an organization with open culture” which have been consistently pursued under the present management structure, and the provision of pleasant working conditions.

Despite an aging population and a shortage of technical human resources, the Company will actively launch activities for hiring new graduates in collaboration with younger employees and mid-career recruitment under the leadership of the top management. In addition, the Company will work to solve management issues by securing and cultivating human resources with excellent skills from a medium- and long-term perspective, while aiming to increase orders received and revenue on a sustainable basis by ensuring that the quality of services provided meets customer needs.

Water supply and sewerage budgets, the Company’s main business target, are expected to place emphasis on such areas as earthquake- and disaster prevention-related measures, programs to address an aging infrastructure, support services to reinforce operating foundations, and enhancing the vitality of local communities. Hence, the Group will aggressively carry out sales programs to meet such needs, while continuing to enter water-related business fields overseas, centering on emerging Asian countries, where economic development is remarkable and demand for water supply and sewerage infrastructure is expected to grow.

In the fiscal year ending December 31, 2017, the Group forecasts consolidated orders to decrease 7.3%, to ¥6,000 million, and net sales to increase 4.1%, to ¥5,820 million. Operating income is forecast to decrease 3.6%, to ¥553 million, and ordinary income to decrease 5.8%, to ¥553 million. Profit attributable to the owners of the parent is forecast to increase 3.0%, to ¥427 million.

## (2) Analysis of Financial Position

Cash and cash equivalents increased ¥388 million compared with the end of the previous fiscal year to stand at ¥2,363 million at the end of the fiscal year under review. Significant factors contributing to this change included the posting of profit before income taxes, and decreases in notes and accounts receivable.

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

(Cash flows from operating activities)

Net cash provided in operating activities amounted to ¥633 million, compared with ¥471 million in the previous fiscal year. The main factor contributing to this change was the posting of profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥184 million, compared with ¥166 million in the previous fiscal year. Significant factors contributing to this change included payments for purchase of investment securities of ¥204 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥57 million, compared with ¥30 million in the previous fiscal year. The main item was cash dividends paid amounting to ¥40 million.

## (Reference) Cash Flow Indicator Trends

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Shareholders' equity ratio (%)	76.7	76.2	79.2	78.3	77.4
Shareholders' equity ratio on a market value basis (%)	23.5	37.7	73.1	44.2	45.4
Interest-bearing debt to cash flow ratio (years)	-	0.05	0.02	0.08	0.11
Interest coverage ratio (times)	-	174.3	292.6	289.13	425.63

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, 2012, as cash flows from operating activities were negative, "interest-bearing debt to cash flow ratio" and "interest coverage ratio" for this period is not presented.

## (3) Basic Policy on Distribution of Profits and Dividends for FY 2016 and FY 2017

With regard to profit distribution, the Company's basic policy is to maintain stable dividend payments to shareholders over the long term. For the fiscal year under review, in light of earnings, internal reserves and other factors, the Company will pay a year-end dividend of ¥8 per share of common stock. For the fiscal year ending December 31, 2017, the Company forecasts a year-end dividend of ¥10 per share, when taking such factors as earnings estimates into account. Meanwhile, the Company will utilize internal reserves for human resources development and improving the quality of its design system, which will lead to intensification of business, and reinforcing its financial base.

#### (4) Business Risks

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

(i) Dependence on public works projects

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

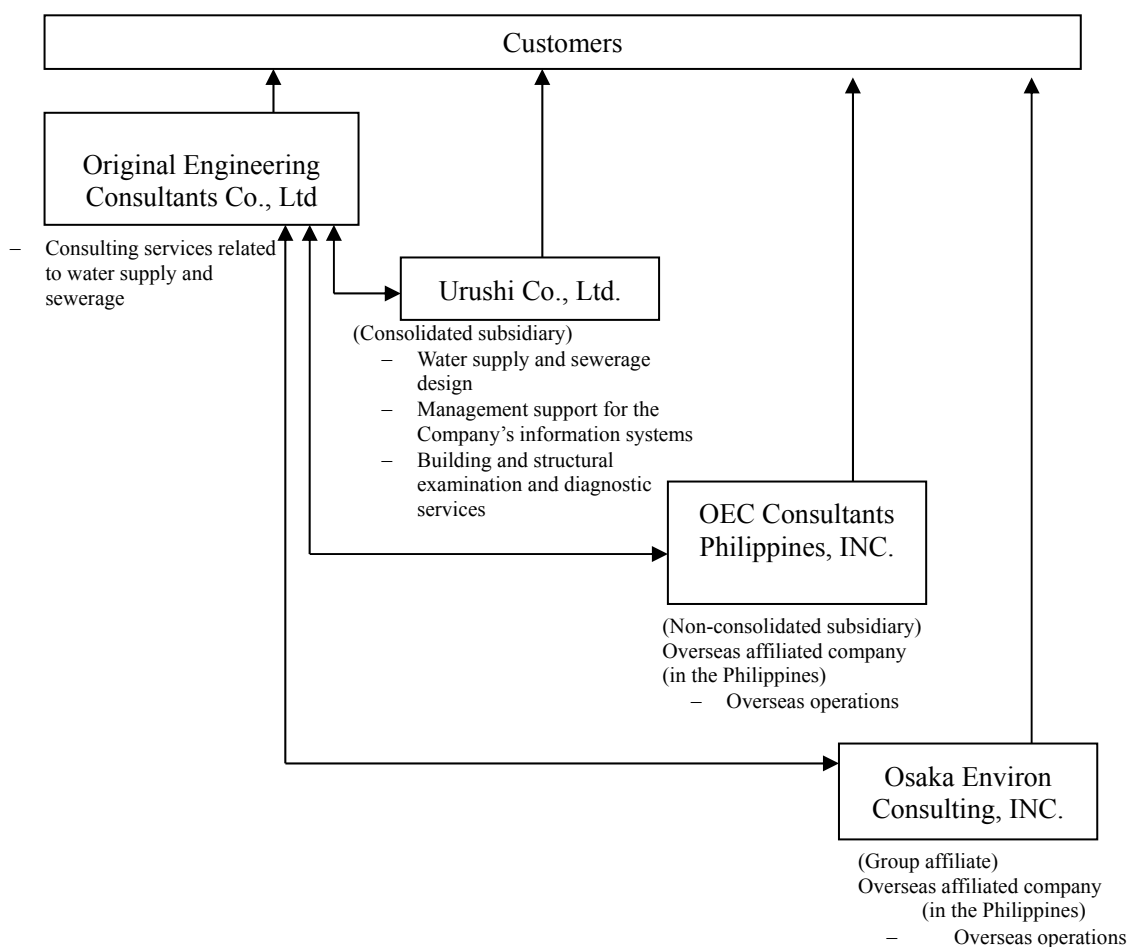
(ii) Responsibility for defects in finished products

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

## 2. OVERVIEW OF THE OEC GROUP'S ORGANIZATION

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

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



### 3. MANAGEMENT POLICIES

#### (1) Basic Management Policies

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

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

#### (2) Target Management Index

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

Management target	Medium-term management plan target	FY 2016 (Result)	FY 2017 (Forecast)
1. Amount of orders	Over ¥7.0billion	¥6.4 billion	¥6.0 billion
2. Operating margin	Over 10.0%	10.3%	9.5%
3. Profit per share	Over ¥70	¥61.97	¥63.85

#### (3) Medium- and Long-Term Management Strategies

In the water supply and sewerage systems market, the Company's main business target, new orders for design services have been decreasing yearly with a shift toward services that focus on the "Era of Maintenance, Administration, and Management," including services to extend the useful lives of established systems, stock and asset management for totally optimized maintenance and replacement of facilities by assessing a whole facility from a broad perspective, disaster prevention, and resource conservation and energy efficiency enhancement.

In its management strategy, the Group uses ICT technology—developed and built up over many years—as a solid foundation for providing a diverse range of consulting services in the Group's principal field of water supply and sewerage, as well as in such fields as river management, waste and environmental management, overseas businesses, provision of a variety of software, and diagnostics business covering buildings and civil engineering structures. In addition, the Group is aiming to establish a sound medium- to long-term business base by supporting the sustainment of entities facing the mass retirement of experienced employees and receiving appropriate payments for providing such services.

#### The Group's Main Consulting Services

##### Water Supply Systems

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

##### Sewerage Systems

- (1) Comprehensive medium- to long-term plans: formulation of sewerage system vision; formulation of sewerage treatment plans; formulation of sewerage operations management strategies
- (2) Strengthening of management foundations: investigation and evaluation services for sewerage system assets; support services for transition to local public enterprise-based accounting; review services for public agencies adopting comprehensive private consignment; review services for public agencies adopting PFI
- (3) Systematic renewal programs: formulation of sewerage system lifetime extension plans/stock and management plans (pipes, pump stations, treatment plants); support services for the development of sewerage asset management



systems

- (4) Earthquake preparedness programs: services for the formulation of sewerage system comprehensive earthquake preparedness plans; seismic capacity evaluation and planning services for sewerage facilities (pipes, pump stations, treatment plants); services for the preparation of sewerage system business continuity plans (BCP; earthquake preparedness) ; services for the preparation of tsunami countermeasure plans
- (5) Flood damage abatement: services for the preparation of sewerage system comprehensive flood damage abatement plans; development of flood hazard maps
- (6) Development of resource and energy cycles: services for the preparation of biomass (biosolids) utilization plans; review services for recovery of phosphorus from sewage and sewage sludge; review services for the adoption of energy efficiency and energy generation technologies; services for the preparation of biogas utilization plans; services for the preparation of global warming mitigation plans; design services for such renewable energy facilities as solar power, wind power and small-scale hydro-electric generation systems
- (7) Improvement of combined sewerage systems: services for the preparation of combined sewerage system improvement plans
- (8) Water quality improvement in public bodies of water: services for the preparation of advanced treatment plans at sewage treatment plant; review services for operational support utilizing an activated sludge model (ASM); activated sludge model simulation (BIO-SOLUTION); services for the preparation of treated sewage reuse plans

### River Management

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

### Waste and Environmental Management

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

### Overseas Business

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

### VISTAQUA Series (Software Provision)

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

- Sewerage Systems

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

- Urban Facilities (other urban infrastructure, etc.)

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

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

- (1) Non-destructive inspection system for concrete structure soundness diagnosis (elastic wave radar system: i-TECS)
- (2) Non-destructive inspection system for simplified surveys of concrete structures (concrete tester: CTS-02)

### **(4) Company Issues**

With regard to the water supply and sewerage business, the OEC Group's main business target, water supply and sewerage facilities have been intensively developed so far, but they are now projected to age rapidly, as with other social infrastructure. Consequently, from now on, water supply and sewerage budgets are expected to focus on maintenance and renewal of existing facilities. Besides, demand for sophisticated, diverse consulting services, such as understanding facilities' safety and soundness and raising of the levels of facilities' maintenance and renewal, are increasing.

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

1. Promote proposal-based marketing in line with the future policies on public sewerage works projects to increase orders received.
2. Reduce the overall cost structure to achieve stable revenue.
3. Introduce advanced technology to meet market needs and enhance the quality of services provided.
4. Rapidly identify customer needs, and provide the best possible solutions.
5. Utilize the Group's domestic and overseas business network to develop sales programs targeting overseas water business opportunities.
6. Promote initiatives for work-life balance to improve employees' working environment.

## **4. BASIC POLICY FOR THE SELECTION OF ACCOUNTING STANDARDS**

The Company's stakeholders are mostly domestic shareholders, creditors and business partners, and hence the Company does not have much necessity to procure funds from overseas. Considering these, the Company applies the Japanese accounting standards.

## 5. CONSOLIDATED FINANCIAL STATEMENTS

### (1) Consolidated Balance Sheets

	FY 2015 (as of December 31, 2015)	FY 2016 (as of December 31, 2016)
Category	Amount (thousand yen)	Amount (thousand yen)
Assets		
Current assets		
Cash and deposits	2,690,589	3,079,626
Accounts receivable—completed operation	1,686,808	1,571,585
Costs on uncompleted services	2,738	12,622
Deferred tax assets	123,982	136,739
Other	34,469	272,288
Total current assets	4,538,588	5,072,861
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	495,421	507,192
Accumulated depreciation	-362,928	-374,710
Buildings and structures, net	132,492	132,482
Land	150,015	150,015
Lease assets	56,408	93,536
Accumulated depreciation	-24,495	-34,685
Lease assets, net	31,912	58,851
Other	114,550	117,466
Accumulated depreciation	-103,827	-102,360
Other, net	10,723	15,106
Total property, plant and equipment	325,144	356,455
Intangible assets		
Software	74,897	104,155
Lease assets	4,568	8,364
Other	7,178	7,178
Total intangible assets	86,643	119,698
Investments and other assets		
Investment securities	405,909	298,352
Long-term loans receivable	14,417	6,866
Other	217,833	228,981
Allowance for doubtful accounts	-9,036	-2,200
Total investments and other assets	629,123	532,000
Total noncurrent assets	1,040,911	1,008,155
Total assets	5,579,499	6,081,016

	FY 2015 (as of December 31, 2015)	FY 2016 (as of December 31, 2016)
Category	Amount (thousand yen)	Amount (thousand yen)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable—operating	202,593	223,309
Lease obligations	12,665	19,832
Income taxes payable	52,525	89,801
Advances received on uncompleted contracts	223,178	215,306
Provision for bonuses	18,545	35,129
Provision for loss on order received	38,544	20,527
Other	337,610	427,309
<b>Total current liabilities</b>	<b>885,662</b>	<b>1,031,215</b>
<b>Noncurrent liabilities</b>		
Lease obligations	24,519	48,292
Deferred tax liabilities	24,096	19,027
Provision for share benefit	9,202	18,018
Net defined benefit liability	214,327	199,479
Asset retirement obligations	45,273	46,889
Other	8,400	8,400
<b>Total noncurrent liabilities</b>	<b>325,819</b>	<b>340,107</b>
<b>Total liabilities</b>	<b>1,211,482</b>	<b>1,371,322</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,093,000	1,093,000
Capital surplus	2,886,615	2,886,615
Retained earnings	927,950	1,301,839
Treasury stock	-670,605	-670,434
<b>Total shareholders' equity</b>	<b>4,236,959</b>	<b>4,611,020</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	54,170	46,610
Remeasurements of defined benefit plans	75,599	50,775
<b>Total valuation and translation adjustments</b>	<b>129,769</b>	<b>97,386</b>
Subscription rights to shares	1,287	1,287
<b>Total net assets</b>	<b>4,368,017</b>	<b>4,709,694</b>
<b>Total liabilities and net assets</b>	<b>5,579,499</b>	<b>6,081,016</b>

## (2) Consolidated Statements of Operations

	FY 2015 (from January 1, 2015 to December 31, 2015)	FY 2016 (from January 1, 2016 to December 31, 2016)
Category	Amount (thousand yen)	Amount (thousand yen)
Contracts completed	5,427,022	5,589,434
Cost of completed work	3,768,745	3,803,727
Gross profit	1,658,277	1,785,706
Selling, general and administrative expenses	1,162,461	1,212,156
Operating income	495,816	573,550
Non-operating income		
Interest income	1,653	2,515
Dividend income	5,352	5,820
Contribution received for operations performed by dispatched employees	2,517	3,003
Reversal of allowance for doubtful accounts	-	6,836
Compensation income	-	10,000
Other	8,009	4,656
Total non-operating income	17,532	32,832
Non-operating expenses		
Interest expenses	1,626	1,488
Expenses for securities transactions	16,727	12,495
Foreign exchange losses	2,459	2,558
Other	2,454	2,551
Total non-operating expenses	23,267	19,094
Ordinary income	490,081	587,288
Extraordinary loss		
Loss on retirement of noncurrent assets	2,099	164
Settlement package	-	65,000
Impairment loss	-	2,434
Total extraordinary loss	2,099	67,598
Profit before income taxes	487,982	519,690
Income taxes—current	86,864	118,014
Income taxes-deferred	-33,362	-12,757
Total income taxes	53,501	105,257
Profit	434,481	414,432
Profit attributable to owners of parent	434,481	414,432

## Consolidated Statements of Comprehensive Income

	FY 2015 (from January 1, 2015 to December 31, 2015)	FY 2016 (from January 1, 2016 to December 31, 2016)
Category	Amount (thousand yen)	Amount (thousand yen)
Profit	434,481	414,432
Other comprehensive income		
Valuation difference on available-for-sale securities	12,726	-7,560
Remeasurements of defined benefit plans, net of tax	-30,901	-24,823
Total other comprehensive income	-18,174	-32,383
Comprehensive income	416,306	382,049
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	416,306	382,049
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statements of Changes in Net Assets**  
**FY 2015 (from January 1, 2015 to December 31, 2015)**

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,093,000	2,899,794	490,098	-683,784	3,799,108
Cumulative effects of changes in accounting policies			30,119		30,119
Beginning balance reflecting changes in accounting policies	1,093,000	2,899,794	520,217	-683,784	3,829,227
Changes of items during the period					
Dividends of surplus			-26,748		-26,748
Profit attributable to owners of parent			434,481		434,481
Purchase of treasury stock				-30,002	-30,002
Disposal of treasury stock		-13,178		43,181	30,002
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-13,178	407,732	13,178	407,732
Balance at the end of current period	1,093,000	2,886,615	927,950	-670,605	4,236,959

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at the beginning of current period	41,444	106,500	147,944	-	3,947,052
Cumulative effects of changes in accounting policies					30,119
Beginning balance reflecting changes in accounting policies	41,444	106,500	147,944	-	3,977,172
Changes of items during the period					
Dividends of surplus					-26,748
Profit attributable to owners of parent					434,481
Purchase of treasury stock					-30,002
Disposal of treasury stock					30,002
Net changes of items other than shareholders' equity	12,726	-30,901	-18,174	1,287	-16,887
Total changes of items during the period	12,726	-30,901	-18,174	1,287	390,845
Balance at the end of current period	54,170	75,599	129,769	1,287	4,368,017



**FY 2016 (from January 1, 2016 to December 31, 2016)**

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,093,000	2,886,615	927,950	-670,605	4,236,959
Changes of items during the period					
Dividends of surplus			-40,543		-40,543
Profit attributable to owners of parent			414,432		414,432
Disposal of treasury stock				171	171
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	373,889	171	374,060
Balance at the end of current period	1,093,000	2,886,615	1,301,839	-670,434	4,611,020

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at the beginning of current period	54,170	75,599	129,769	1,287	4,368,017
Changes of items during the period					
Dividends of surplus					-40,543
Profit attributable to owners of parent					414,432
Disposal of treasury stock					171
Net changes of items other than shareholders' equity	-7,560	-24,823	-32,383	-	-32,383
Total changes of items during the period	-7,560	-24,823	-32,383	-	341,676
Balance at the end of current period	46,610	50,775	97,386	1,287	4,709,694

**(4) Consolidated Statements of Cash Flows**

	FY 2015 (from January 1, 2015 to December 31, 2015)	FY 2016 (from January 1, 2016 to December 31, 2016)
Category	Amount (thousand yen)	Amount (thousand yen)
Cash flows from operating activities		
Profit before income taxes	487,982	519,690
Depreciation and amortization	69,916	65,912
Increase/decrease in provision for bonuses	1,065	16,584
Increase/decrease in provision for loss on order received	2,536	-18,016
Increase /decrease in provision for share benefit	9,202	8,816
Compensation income	-	-10,000
Settlement package	-	65,000
Impairment loss	-	2,434
Increase/decrease in net defined benefit liability	-17,658	-39,672
Increase /decrease in allowance for doubtful accounts	-	-6,836
Interest and dividends income	-7,006	-8,335
Interest expenses	1,626	1,488
Loss/gain on sales and retirement of noncurrent assets	2,099	164
Increase/decrease in notes and accounts receivable—trade	-156,751	115,222
Increase/decrease in costs on uncompleted services	11,335	-9,883
Increase/decrease in notes and accounts payable—trade	34,275	20,715
Increase/decrease in advances received on uncompleted services	38,862	-7,872
Other	75,555	56,207
Subtotal	553,040	771,619
Interest and dividends income received	6,870	8,246
Interest expenses paid	-1,626	-1,488
Settlement package paid	-	-65,000
Income taxes paid	-86,796	-79,802
Income taxes refund	307	-
Net cash provided by (used in) operating activities	471,795	633,575

	FY 2015 (from January 1, 2015 to December 31, 2015)	FY 2016 (from January 1, 2016 to December 31, 2016)
Category	Amount (thousand yen)	Amount (thousand yen)
Cash flows from investing activities		
Increase/decrease in time deposits	300,000	-
Purchase of property, plant and equipment	-6,981	-20,970
Purchase of intangible assets	-28,471	-58,588
Proceeds from collection of insurance funds	8,329	6,205
Payments for lease and guarantee deposits	-1,451	-7,938
Proceeds from collection of lease and guarantee deposits	2,136	1,011
Proceeds from redemption of investment securities	200,000	100,000
Purchase of investment securities	-300,653	-204,592
Other	-6,782	193
Net cash provided by (used in) investing activities	166,124	-184,679
Cash flows from financing activities		
Purchase of treasury stock	-30,002	-
Proceeds from disposal of treasury stock	30,002	-
Repayments of lease obligations	-4,759	-16,534
Proceeds from issuance of subscription rights to shares	1,287	-
Cash dividends paid	-26,748	-40,543
Net cash used in financing activities	-30,220	-57,077
Effect of exchange rate change on cash and cash equivalents	959	-2,933
Net increase/decrease in cash and cash equivalents	608,659	388,884
Balance of cash and cash equivalents at beginning of the year	1,366,221	1,974,880
Balance of cash and cash equivalents at end of the year	1,974,880	2,363,764

## **(5) Notes regarding the Consolidated Financial Statements**

(Matters Affecting the Assumption of a Going Concern)

No applicable items.

(Significant Basic Items for Consolidated Financial Statements)

1. Matters concerning the scope of consolidation

(1) Status of consolidated subsidiaries

The Company has one consolidated subsidiary, which is Urushi Co., Ltd.

(2) Status of non-consolidated subsidiaries

(i) Name of significant non-consolidated subsidiaries

OEC Consultants Philippines, Inc.

(ii) Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small in scale and their combined total assets, net sales, profit and loss (in proportion to the equity held) and retained earnings (in proportion to the equity held) do not have a significant impact on the Company's consolidated financial statements.

2. Items relating to the application of the equity method

(1) Number of non-consolidated subsidiaries and affiliated companies to which the equity method is applied

There are no non-consolidated subsidiaries or affiliated companies to which the equity method is applied.

(2) Significant non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Significant non-consolidated subsidiaries

OEC Consultants Philippines, Inc.

Significant affiliated companies

Osaka Environ Consulting, INC.

(Reason for not applying the equity method)

The non-consolidated subsidiaries and affiliated companies to which the equity method is not applied are of small scale and from the perspective of such items as profit and loss (in proportion to the equity held) and retained earnings (in proportion to the equity held) even if such companies are excluded from the application of the equity method, the impact on the Company's consolidated financial statements is minimal and the importance of such companies is small in relation to the overall Group. For these reasons such companies are excluded from the application of the equity method.

3. Matters concerning business year, etc. of consolidated subsidiaries

The closing date of the business year of consolidated subsidiaries is the same as the consolidated fiscal year end.

4. Matters concerning accounting policies

(1) Evaluation standards and evaluation methods of significant assets

1. Securities

Available-for-sale securities

(1) Securities with fair market value

Stated by the market value method, based on the market price as of the consolidated account settlement date

(valuation differences are reported as a component of net assets, and sales costs are calculated by the moving average method)

(2) Securities without fair market value

Stated at cost determined by the moving-average method

2. Inventories

Costs on uncompleted services

Stated at cost determined by the specific identification method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)

(2) Method of depreciation of important depreciable assets

1. Property, plant and equipment (excluding lease assets)

Declining-balance method

However, buildings (excluding fixtures) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method. The useful life and residual value are determined on the same basis as that of the method provided in the Corporation Tax Act.

2. Intangible assets (excluding lease assets)

Software for internal use is amortized using the straight-line method over the estimated internal useful life (five years).

3. Lease assets

Lease assets are amortized using the straight-line method, assuming the lease period as the useful life with a residual

value of zero.

(3) Basis for recording important allowances and provisions

1. Allowance for doubtful accounts

To provide for possible losses resulting from uncollectible receivables, the estimated uncollectible amount is recorded based on historical default rate with regard to general accounts receivable, and by individually assessing possible collectability for certain receivables such as loans with default possibility.

2. Provision for bonuses

To prepare for the payment of bonuses to employees, an amount corresponding to the current portion of estimated bonus payments to employees, out of the estimated future bonus payments, is recorded.

3. Provision for loss on orders received

To prepare for future loss on orders received, an estimated loss amount is recorded when a future loss is probable for order received outstanding at the end of the fiscal year under review and the amount can be reasonably estimated.

4. Provision for share benefit

To prepare for grant of shares of the Company to employees based on the Share Benefit Regulations, an estimated amount of share benefit obligation at the end of the fiscal year under review is recorded.

(4) Accounting treatment for retirement benefits

1. Method of attributing the estimated amount of retirement benefits to periods

In calculating retirement benefit obligation, the straight-line attribution is applied to allocate the estimated amount of retirement benefits to the periods up to the end of the fiscal year under review.

2. Amortization of actuarial differences

Actuarial differences are amortized on a pro-rata basis by the straight-line method over a certain number of years within the average remaining service years of employees (five years) at the time of recognition in each year, starting in the fiscal year following the fiscal year in which the differences are recognized.

(5) Basis for recording important revenues and expenses

Basis for recording contracts completed

The percentage-of-completion method is applied to construction contracts if the outcome of the progressed portion by the end of the fiscal year under review is certain (the estimated percentage of completion at the end of the fiscal year under review is based on the percentage of the cost incurred to the estimated total cost); otherwise the completed-contract method is applied.

(6) Scope of funds in the Consolidated Statements of Cash Flows

Funds in the Consolidated Statements of Cash Flows comprise cash in hand, deposits withdrawable at any time, and easily cashable short-term investments with small risk of price fluctuation and the maturity date coming within three months of the acquisition date.

(7) Other important matters for the preparation of consolidated financial statements

Accounting treatment of consumption taxes, etc.

The tax exclusion method is applied.

(Changes in accounting policies)

(Application of accounting standards, etc. for business combination)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and others from the beginning of the consolidated fiscal year under review. Accordingly, the Company has changed the presentation of profit and other related items and the presentation of “minority interests” to “non-controlling interests.” To reflect this change in presentation, accounts have been reclassified in the consolidated financial statements for the previous fiscal year.

(Application of the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

In accordance with the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (Practical Issues Task Force No. 32, June 17, 2016) from the beginning of the consolidated fiscal year under review. Accordingly, the Company has changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The effect of this change on the Company’s consolidated financial statements for the consolidated fiscal year under review is immaterial.

(Additional information)

(Transactions of Delivering the Company's Treasury Stock to Employees, etc. through Trusts)

The Company conducts transactions to deliver its own stock to the employee stock ownership plan through a trust for the welfare benefit of employees. The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30, March 26, 2015) with respect to the accounting treatment for the said trust agreement. Accordingly, the Company recognizes the difference arising from the disposal of treasury shares by the Company to the trust, and posts as liabilities the net amount of gain or loss from sales of shares sold by the trust to the employee stock ownership plan, dividends paid by the Company for the shares held by the trust, and miscellaneous expenses related to the trust.

(1) Outline of the transactions

Under this program, the Company grants its own stock to employees who meet certain requirements for eligibility in accordance with predetermined stock benefit rules.

The Company grants points to employees based on individual performance, and employees receive the number of shares of the Company's stock equivalent to such points accumulated when they meet certain eligibility requirements. Shares to be granted to employees, including the portion of shares to be granted in the future, are managed separately as trust assets through purchases using money held in trust in advance.

The adoption of this program is expected to help increase interest in the Company's share price and performance improvements among employees, and motivate them to work with even greater enthusiasm.

(2) The Company's own stock held in trust

The Company's own stock held in trust is recorded as treasury stock under net assets at book value in the trust (after deduction of associated expenses). Regarding book value and number of shares of such own stock of the Company, there were 70,100 shares with a book value of 30,002,000 yen at the end of December 31, 2015, and 69,700 shares with a book value of 29,831,000 yen at the end of December 31, 2016.

(Segment Information)

Segment Information

Previous fiscal year (January 1 to December 31, 2015) and fiscal year under review (January 1 to December 31, 2016)

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

(Per Share Information)

FY 2015 (from January 1, 2015 to December 31, 2015)		FY 2016 (from January 1, 2016 to December 31, 2016)	
Net assets per share	¥653.00	Net assets per share	¥704.06
Profit per share	¥64.97	Profit per share	¥61.97
Since there are no residual securities, no figures are shown for profit per share—diluted.		Since there are no residual securities, no figures are shown for profit per share—diluted.	

Note: 1. The basis for calculation of profit per share is as follows.

	FY 2015 (from January 1, 2015 to December 31, 2015)	FY 2016 (from January 1, 2016 to December 31, 2016)
Profit for the period (thousand yen)	434,481	414,432
Amount not attributed to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent attributed to common stock (thousand yen)	434,481	414,432
Average number of common stock outstanding (shares) during the period	6,687,133	6,687,411

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

	FY 2015 (from January 1, 2015 to December 31, 2015)	FY 2016 (from January 1, 2016 to December 31, 2016)
Net assets for the period (thousand yen)	4,368,017	4,709,694
Deduction amount from total net assets (thousand yen)	1,287	1,287
(of which the amount of subscription rights to shares)	(1,287)	(1,287)

Net assets attributed to common stock (thousand yen)	4,366,729	4,708,406
Number of common stock outstanding at end of the period (shares)	6,687,133	6,687,533

The Company's shares held in trust that are recognized as treasury stock within shareholders' equity are included in the treasury stock deducted from the calculation of the average number of shares outstanding during the period, used for calculating profit per share (70,100 shares as of December 31, 2015 and 69,700 shares as of December 31, 2016).

The Company's shares held in trust that are recognized as treasury stock within shareholders' equity are included in the treasury stock deducted from the number of shares outstanding at end of the period, used for calculating "net assets per share" (70,100 shares as of December 31, 2015 and 69,700 shares as of December 31, 2016).

(Significant Subsequent Events)

No applicable items.



## 6. OTHER

### (1) Changes in Directors

#### 1. Changes in Representative Directors

No applicable items.

#### 2. Other Changes in Directors

No applicable items.

### (2) Orders Received/Sales

#### 1. Consolidated Orders Received

Consolidated orders received are as follows.

(Thousand yen)

Department	FY 2015 (from January 1, 2015 to December 31, 2015)		FY 2016 (from January 1, 2016 to December 31, 2016)	
	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)	5,209,547	3,732,808	6,015,323	4,623,050
Others	43,920	27,828	15,768	5,514
Subtotal	5,253,467	3,760,637	6,031,091	4,628,564
Information Processing: Data management of urban facilities and software development	501,686	382,684	443,923	408,200
Subtotal	501,686	382,684	443,923	408,200
Total	5,755,153	4,143,321	6,475,015	5,036,764

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 2015 (from January 1, 2015 to December 31, 2015)		FY 2016 (from January 1, 2016 to December 31, 2016)	
	Amount	Ratio	Amount	Ratio
Engineering Consultant: Water supply and sewerage system (feasibility studies, master plans, detailed design and construction supervision surveillance)	4,850,403	89.4	5,132,943	91.8
Others	77,405	1.4	38,082	0.7
Subtotal	4,927,809	90.8	5,171,026	92.5
Information Processing: Data management of urban facilities and software development	499,213	9.2	418,407	7.5
Subtotal	499,213	9.2	418,407	7.5
Total	5,427,022	100.0	5,589,434	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.