

**Consolidated Financial Statements
and
Non-Consolidated Financial Statements**

**OYO Corporation
and Consolidated Subsidiaries**

*Year ended December 31, 2019
with Independent Auditor's Report*

1. Basis of preparation of the consolidated financial statements and non-consolidated financial statements.

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (the Ministry of Finance Ordinance No. 28, 1976).

With respect to the comparative information included in the consolidated financial statements for the current fiscal year (from January 1, 2019 to December 31, 2019), the information relating to Article 15-5, Paragraph 2, Item 2 and Paragraph 3 of the revised Regulations for Consolidated Financial Statements under "Cabinet Office Ordinance Partially Revising Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements, etc." ("Revised Ordinance", Cabinet Office Ordinance No.7 March 23, 2018) has been prepared in accordance with the Regulations for Consolidated Financial Statements before revision under Article 3, Paragraph 2 of the Supplementary Provisions of "Revised Ordinance".

- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements, etc.” (“Regulations for Non-Consolidated Financial Statements”, the Ministry of Finance Ordinance No. 59, 1963).

The Company is eligible to submit special financial statements, and prepares its financial statements in compliance with the provisions of Article 127 of the Regulations for Financial Statements.

With respect to the comparative information included in the non-consolidated financial statements for the current fiscal year (from January 1, 2019 to December 31, 2019), the information relating to Article 8-12, Paragraph 2, Item 2 and Paragraph 3 of the revised Regulations for Financial Statements under "Revised Ordinance" has been prepared in accordance with the Regulations for Financial Statements before revision under Article 2, Paragraph 2 of the Supplementary Provisions of "Revised Ordinance".

2. Audit certification

The consolidated financial statements for the current fiscal year (From January 1, 2019 to December 31, 2019) and non-consolidated financial statements for the current fiscal year (from January 1, 2019 to December 31, 2019) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Ensuring appropriateness of the consolidated financial statements

The Company is committed to ensuring the appropriateness of the consolidated financial statements. In particular, the Company joined the Financial Accounting Standards Foundation to develop a more comprehensive understanding of accounting standards and enhance its systems appropriately to respond to changes in accounting standards.

1. 【Consolidated Financial Statements】
 (1) 【Consolidated financial statements】
 ① 【Consolidated balance sheets】

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	25,536	26,352
Notes and accounts receivable-trade	* ¹ 1,791	* ¹ 1,781
Accounts receivable-completed operation	19,518	22,911
Lease receivables and investment assets	2,440	2,934
Short-term investment securities	899	1,199
Costs on uncompleted services	2,395	755
Merchandise and finished goods	755	785
Work in process	651	765
Raw materials and supplies	1,859	1,780
Other	1,757	864
Allowance for doubtful accounts	(19)	(26)
Total current assets	57,585	60,105
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	14,589	14,359
Accumulated depreciation	(9,750)	(9,612)
Accumulated impairment loss	—	(62)
Buildings and structures, net	4,838	4,684
Machinery, equipment and vehicles	6,516	6,833
Accumulated depreciation	(5,476)	(5,544)
Machinery, equipment and vehicles, net	1,040	1,288
Tools, furniture and fixtures	1,648	1,680
Accumulated depreciation	(1,504)	(1,549)
Tools, furniture and fixtures, net	143	130
Land	* ³ 6,251	* ³ 6,146
Lease assets	517	533
Accumulated depreciation	(277)	(243)
Lease assets, net	239	290
Construction in progress	55	56
Total property, plant and equipment	12,568	12,597
Intangible assets		
Software	1,014	1,013
Software in progress	80	—
Goodwill	142	183
Other	127	155
Total intangible assets	1,364	1,351

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Investments and other assets		
Investment securities	*4 6,017	*4 6,297
Long-term loans receivable	72	23
Net defined benefit asset	1,306	1,569
Deferred tax assets	45	54
Real estate for investment	534	534
Accumulated depreciation	(212)	(222)
Real estate for investment, net	321	311
Other	1,658	1,656
Allowance for doubtful accounts	(523)	(408)
Total investments and other assets	8,898	9,504
Total noncurrent assets	22,832	23,453
Total assets	80,418	83,559

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*1 720	*1 636
Accounts payable-operating	1,433	1,831
Short-term loans payable	–	104
Lease obligations	1,041	1,266
Provision for product warranties	136	125
Income taxes payable	421	864
Advances received on uncompleted contracts	1,671	475
Provision for bonuses	137	141
Provision for loss on orders received	161	161
Other	4,026	4,595
Total current liabilities	9,750	10,201
Noncurrent liabilities		
Lease obligations	1,614	1,971
Net defined benefit liability	1,940	1,866
Provision for stock benefits	57	208
Deferred tax liabilities	449	676
Deferred tax liabilities for land revaluation	*3 416	*3 327
Other	175	151
Total noncurrent liabilities	4,654	5,200
Total liabilities	14,404	15,402
Net assets		
Shareholders' equity		
Capital stock	16,174	16,174
Capital surplus	15,077	15,077
Retained earnings	37,458	39,096
Treasury stock	(1,828)	(1,826)
Total shareholders' equity	66,881	68,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,248	1,760
Revaluation reserve for land	*3 (2,594)	*3 (2,797)
Foreign currency translation adjustment	305	107
Remeasurements of defined benefit plans	41	175
Total accumulated other comprehensive income	(1,000)	(753)
Non-controlling interests	131	389
Total net assets	66,013	68,157
Total liabilities and net assets	80,418	83,559

② 【Consolidated statements of income and consolidated statements of comprehensive income】
 【Consolidated statements of income】

(Millions of yen)

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Net sales	45,232	53,883
Cost of sales	*1, *2 31,079	*1, *2 38,000
Gross profit	14,152	15,883
Selling, general and administrative expenses		
Directors' compensations	692	786
Salaries and allowances	4,960	5,201
Provision for bonuses	52	52
Provision for stock benefits	51	78
Legal welfare expenses	768	796
Retirement benefit expenses	124	218
Traveling and transportation expenses	472	518
Rent expenses	384	396
Depreciation	309	318
Research and development expenses	*3 1,675	*3 1,612
Amortization of goodwill	77	54
Other	3,104	3,266
Total selling, general and administrative expenses	12,671	13,301
Operating income	1,481	2,581
Non-operating income		
Interest income	166	191
Dividends income	83	96
Equity in earnings of affiliates	78	59
Foreign exchange gains	7	—
Insurance and dividends income	102	88
Rent of real estate	53	57
Other	104	102
Total non-operating income	597	596
Non-operating expenses		
Interest expenses	4	7
Foreign exchange losses	—	37
Provision of allowance for doubtful accounts	13	12
Rent cost of real estate	15	14
Loss on retirement of noncurrent assets	129	22
Other	1	25
Total non-operating expenses	164	119
Ordinary income	1,913	3,058

(Millions of yen)

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Extraordinary income		
Gain on sales of noncurrent assets	9	278
Gain on sales of affiliate's stocks	—	25
Total extraordinary income	9	303
Extraordinary loss		
Loss on sales of investment securities	—	53
Impairment loss	*4 44	*4 166
Total extraordinary loss	44	219
Profit before income taxes	1,878	3,142
Income taxes-current	668	1,116
Income taxes-deferred	434	(163)
Total income taxes	1,103	952
Profit	774	2,189
Profit (Loss) attributable to non-controlling interests	(29)	13
Profit attributable to owners of parent	804	2,176

【Consolidated statements of comprehensive income】

(Millions of yen)

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Profit	774	2,189
Other comprehensive income		
Valuation difference on available-for-sale securities	(694)	511
Foreign currency translation adjustment	(375)	(196)
Remeasurements of defined benefit plans	(286)	133
Total other comprehensive income	*1 (1,356)	*1 448
Comprehensive income	(581)	2,638
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	(551)	2,625
Comprehensive income (loss) attributable to non-controlling interests	(30)	13

③ 【Consolidated statements of changes in net assets】
 Prior fiscal year (From January 1, 2018 to December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity total
Balance at the beginning of the year	16,174	16,519	37,406	(1,903)	68,196
Changes during the year					
Dividends from surplus			(752)		(752)
Profit attributable to owners of parent			804		804
Purchase of treasury stock				(1,703)	(1,703)
Disposal of treasury stock		75		263	338
Cancellation of treasury stock		(1,515)		1,515	—
Reversal of revaluation reserve for land					—
Change in ownership interest of parent due to transactions with non-controlling shareholders		(1)			(1)
Net changes in items other than shareholders' equity					
Total changes during the year	-	(1,441)	52	75	(1,314)
Balance at the end of year	16,174	15,077	37,458	(1,828)	66,881

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	1,942	(2,594)	680	328	356	277	68,830	
Changes during the year								
Dividends from surplus							(752)	
Profit attributable to owners of parent							804	
Purchase of treasury stock							(1,703)	
Disposal of treasury stock							338	
Cancellation of treasury stock							—	
Reversal of revaluation reserve for land							—	
Change in ownership interest of parent due to transactions with non-controlling shareholders							(1)	
Net changes in items other than shareholders' equity	(693)	—	(375)	(286)	(1,356)	(146)	(1,502)	
Total changes during the year	(693)	—	(375)	(286)	(1,356)	(146)	(2,816)	
Balance at the end of year	1,248	(2,594)	305	41	(1,000)	131	66,013	

Current fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity total
Balance at the beginning of the year	16,174	15,077	37,458	(1,828)	66,881
Changes during the year					
Dividends from surplus			(740)		(740)
Profit attributable to owners of parent			2,176		2,176
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		1	1
Cancellation of treasury stock					—
Reversal of revaluation reserve for land			202		202
Change in ownership interest of parent due to transactions with non-controlling shareholders					—
Net changes in items other than shareholders' equity					
Total changes during the year	—	(0)	1,637	1	(1,639)
Balance at the end of year	16,174	15,077	39,096	(1,826)	68,521

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	1,248	(2,594)	305	41	(1,000)	131	66,013	
Changes during the year								
Dividends from surplus							(740)	
Profit attributable to owners of parent							2,176	
Purchase of treasury stock							(0)	
Disposal of treasury stock							1	
Cancellation of treasury stock							—	
Reversal of revaluation reserve for land							202	
Change in ownership interest of parent due to transactions with non-controlling shareholders							—	
Net changes in items other than shareholders' equity	511	(202)	(197)	133	246	258	504	
Total changes during the year	511	(202)	(197)	133	246	258	2,143	
Balance at the end of year	1,760	(2,797)	107	175	(753)	389	68,157	

④ 【Consolidated statements of cash flows】

(Millions of yen)

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,878	3,142
Depreciation and amortization	1,107	1,159
Impairment loss	44	166
Amortization of goodwill	77	54
Increase (decrease) in provision for bonuses	(6)	3
Interest and dividend income	(250)	(288)
Interest expenses	4	7
Equity in (earnings) losses of affiliates	(78)	(59)
Loss (gain) on sales of investment securities	(9)	(225)
Loss (gain) on sales of affiliate's stocks	—	(25)
Decrease (increase) in notes and accounts receivable trade	(112)	(2,926)
Decrease (increase) in inventories	56	(100)
Decrease (increase) in costs on uncompleted services	253	1,639
Increase (decrease) in notes and accounts payable trade	(47)	133
Increase (decrease) in advances received on uncompleted contracts	197	(1,195)
Other	(960)	1,222
Subtotal	2,155	2,707
Interest and dividend income received	274	316
Interest expenses paid	(4)	(7)
Income taxes paid	(272)	(686)
Refund of income taxes	—	184
Net cash provided by (used in) operating activities	2,152	2,515
Cash flows from investment activities		
Payments into time deposits	(5,521)	(5,616)
Proceeds from withdrawal of time deposits	5,330	5,689
Purchase of short-term investment securities	(600)	(2,900)
Proceeds from sales of short-term investment securities	1,200	3,000
Purchase of property, plant and equipment and intangible assets	(1,057)	(1,151)
Proceeds from sales of property, plant and equipment and intangible assets	12	15
Purchase of investment securities	(113)	(13)
Proceeds from sales of investment securities	25	603
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (251)
Payments of short-term loans receivable	(65)	(1)
Payments of long-term loans receivable	—	(1)
Collection of loans receivable	72	0
Other	38	0
Net cash provided by (used in) investing activities	(677)	(624)
Cash flows from financing activities		
Proceeds from short-term loans payable	—	103
Decrease in short-term loans payable	—	(2)
Repayments of lease obligations	(101)	(111)
Proceeds from sales of treasury stock	—	1
Purchase of treasury stock	(1,410)	(0)
Cash dividends paid	(752)	(740)

Dividends paid to non-controlling interests	(76)	(6)
Other	(41)	—
Net cash provided by (used in) financing activities	(2,381)	(756)
Effect of exchange rate change on cash and cash equivalents	(172)	32
Net increase (decrease) in cash and cash equivalents	(1,078)	1,166
Cash and cash equivalents at beginning of the year	20,477	19,399
Cash and cash equivalents at end of the year	* ¹ 19,399	* ¹ 20,565

【Notes】

(Significant accounting policies)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 27

Names of major consolidated subsidiaries:

OYO CORPORATION U.S.A.
KINEMATRICS, INC.
GEOMETRICS, INC.
GEOPHYSICAL SURVEY SYSTEMS, INC.
ROBERTSON GEOLOGGING LTD.
NCS SUBSEA, INC.
FONG CONSULT PTE.LTD.
FC INSPECTION PTE.LTD.
NS ENVIRONMENTAL SCIENCE CONSULTANT CORPORATION
OYO RESOURCES MANAGEMENT CORPORATION
TOUHOKU BORING CO., LTD.
OCEAN ENGINEERING CORPORATION
KOEI CONSULTANT CO., LTD.
OYO SEISMIC INSTRUMENTATION CORPORATION
OYO INTERNATIONAL CORPORATION
OYO GEO-MONITORING SERVICE CORPORATION
NANKYU GEO TECHNICS CORPORATION
OYO GEOTECHNICAL SERVICE CORPORATION
KCS CO., LTD.
OYO RMS CORPORATION

In the current fiscal year, shares of FONG CONSULT PTE.LTD. and FC INSPECTION PTE.LTD. were acquired and these two companies were newly included in the scope of consolidation. Also, four companies were excluded from the scope of consolidation due to the completion of liquidation procedures.

(2) Names of major non-consolidated subsidiaries

Major non-consolidated subsidiary:

SIGMA KOGYO CO., LTD.

(Reason for excluding from the scope of consolidation)

This unconsolidated subsidiary is small; and the total assets, net sales, net income and loss (amount corresponding to each company's equity), and retained earnings (amount corresponding to each company's equity) of the subsidiary have no significant impact on the consolidated financial statements.

2. Application of the equity method

(1) Number of affiliates accounted for under the equity method: 5

Names of major affiliates

IRIS INSTRUMENTS SAS
ENGINEERING & RISK SERVICES CORPORATION

(2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method

Name of major non-consolidated subsidiaries:

SIGMA KOGYO CO., LTD.

The Company excluded this non-consolidated subsidiary because it had little impact on the consolidated financial statements and had no impact overall, considering net income and loss for the year (amount corresponding to each company's equity) and retained earnings (amount corresponding to each company's equity).

3. Fiscal year-end, etc. of consolidated subsidiaries

The year-end closing date for consolidated subsidiaries is the same as the consolidated year-end closing date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

(a) Securities

Available-for-sale securities

Securities with fair market value

Stated at fair value based on the quoted market price as of the year-end closing date with any changes in unrealized gains or losses, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method.

Securities without fair market value

Stated at cost determined by the moving average method.

(b) Derivatives

Stated at fair value.

(c) Inventory assets

Costs on uncompleted services

Stated at cost using the specific identification method (balance sheet amounts are determined by writing down the book values based on decrease in profitability).

Merchandise/products/raw materials/work in process

Stated at cost using the weighted-average method (balance sheet amounts are determined by writing down the book values based on decrease in profitability). The lower of cost or market method, cost being determined by the first-in-first-out method, is used by major consolidated subsidiaries.

(2) Depreciation method of significant depreciable assets

(a) Property, plant and equipment (excluding lease assets) and real estate for investment

For buildings (excluding structures attached to buildings) of the Company and its domestic consolidated subsidiaries, the straight-line method is used; and for other property, plant equipment, the declining balance method is used. For overseas subsidiaries, the straight-line method is used.

Major useful lives are as follows:

Buildings and structures: 2 - 50 years

Machinery, equipment and vehicles: 2 - 15 years

(b) Intangible assets (excluding lease assets)

Straight-line method

Software for internal use is amortized over the expected available period (5 - 10 years).

(c) Lease assets

The straight-line method is adopted mainly with a residual value of zero and the lease period deemed equal to the service life of the asset.

(3) Accounting for significant allowances and provisions

(a) Allowance for doubtful accounts

To prepare for expected losses from bad debts, the Company and its domestic consolidated subsidiaries estimate uncollectible amounts for normal receivables based on the historical experience and for certain specific receivables such as doubtful accounts receivables, based on the individual probability of recovery. Overseas consolidated subsidiaries estimate uncollectible amounts for certain receivables, such as doubtful accounts receivables, based on the individual probability of recovery.

(b) Provision for bonuses

At the Company and its consolidated subsidiaries, to prepare for payment of bonuses to employees, a provision for bonuses is provided based on the expected amount of payment.

(c) Provision for loss on orders received

At the Company and its domestic consolidated subsidiaries, to prepare for future losses on contracts for orders received, a provision for losses on orders received is provided based on the future losses anticipated at the end of the current fiscal year and the amount of foreseeable losses that can reasonably be estimated.

(d) Provision for product warranties

At the Company and its certain consolidated overseas subsidiaries, to prepare for estimated warranty costs, a provision for product warranties is provided based on historical experience of free-of-charge repairs of products.

- (e) Provision for stock benefits
In order to provide for grants of shares of the Company to directors and employees of the Group in accordance with the director stock benefit regulations and stock benefit regulations, a provision for stock benefits is provided based on the estimated stock benefit obligations as of the end of the current fiscal year.
- (4) Accounting method for retirement benefits
- (a) Method of attributing the estimated retirement benefits to periods
In calculating retirement benefit obligations, the benefit formula method of attributing estimated retirement benefits to periods has been applied until the end of the current fiscal year.
- (b) Amortization method of actuarial gain or loss and past service cost
Actuarial gain or loss is amortized in the fiscal year following the year in which the gain or loss is incurred by the straight-line method over periods (5 years) which are shorter than the average remaining service periods of the employees. Past service cost is amortized by the straight-line method over periods (5 years) which are shorter than the average remaining service periods of the employees.
- (5) Accounting for significant revenues and expenses
- (a) Individual contracts from which the outcome can be estimated reliably through the end of the current fiscal year
The percentage-of-completion method is adopted. (The percentage of completion is measured by the proportion of the cost incurred relative to the estimated total cost).
- (b) Other contracts
The completed-contract method is adopted.
- (6) Significant hedge accounting method
- (a) Hedge accounting method
Deferral hedge accounting is adopted.
- (b) Hedging instruments and hedged items
Hedging instruments: forward-exchange contracts
Hedged items: accounts payable-trade
- (c) Hedging policy
In order to reduce risks of exchange rate fluctuations, hedges are used to cover liabilities.
- (d) Method of assessing hedge effectiveness
An assessment of hedge effectiveness is omitted because the relationship between the hedging instruments and hedged items is direct.
- (7) Amortization of goodwill
Goodwill is amortized by the straight-line method 5 years or 10 years.
- (8) Cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents on the consolidated statement of cash flows included cash on hand, bank deposits that could be withdrawn at any time, and low-risk short-term investments easily convertible to cash maturing within three months from the date of acquisition.
- (9) Other significant items regarding preparation of the consolidated financial statements
Accounting for consumption tax
All amounts exclude consumption tax.

(Change in accounting policies)
Not applicable.

(Unapplied accounting standards)

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (Implementation Guidance No. 30, issued on March 30, 2018)

(1) Summary

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) developed comprehensive accounting standards related to revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (IFRS 15 for the IASB and Topic 606 for the FASB). Considering that IFRS 15 is applied effective fiscal years beginning on or after January 1, 2018 and Topic 606 is applied effective fiscal years beginning on or after December 15, 2017, the ASBJ developed a comprehensive accounting standard related to revenue recognition and issued it along with implementation guidance.

In developing the accounting standard related to revenue recognition, the ASBJ determined that, from the point of view of financial statement comparability, which is one of the benefits of maintaining consistency with IFRS 15, the accounting standard should incorporate the basic principles of IFRS 15. Also, if there are any items that should be considered related to practices in Japan, alternative approaches would be added that do not impair comparability.

(2) Planned date of application

Undetermined

(3) Effect of application

The impact of applying the accounting standard on the consolidated financial statements is currently being evaluated.

(Change in presentation)

(Consolidated statements of income)

“Provision of allowance for doubtful accounts”, which was previously included in “Other” under “Non-operating expenses” in the prior fiscal year, has been presented separately from the current fiscal year due to an increase in materiality. In order to reflect this change in presentation, the Company reclassified the consolidated statement of income for the prior fiscal year. As a result, “Other” in “Non-operating expenses” in the amount of 15 million yen in the consolidated statement of income for the prior fiscal year was reclassified as 13 million yen in “Provision of allowance for doubtful accounts”, and 1 million yen in “Other.”

(Change due to the application of Partial Amendments Accounting Standard for Tax Effect Accounting)

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) have been applied effective the beginning of current fiscal year with deferred tax assets presented in investments and other assets and deferred tax liabilities presented in noncurrent liabilities.

As a result, 16 million yen of 302 million yen of deferred tax assets under current assets was included in deferred tax assets under investments and other assets of 45 million yen in the consolidated balance sheet for the prior fiscal year, and 286 million yen of deferred tax assets under current assets of 302 million yen was included in deferred tax liabilities under noncurrent liabilities of 449 million yen in the consolidated balance sheet for the prior fiscal year.

In addition, the disclosures stipulated in “Interpretive Notes to Accounting Standard for Tax Effect Accounting” (Note 8 and Note 9) (excluding the total amount of the valuation allowance) as stipulated in Paragraphs 3 to 5 of Partial Amendments to Accounting Standard for Tax Effect Accounting have been added to the notes to tax effect accounting in the consolidated financial statements. However, comparative information for the prior fiscal year is not presented in accordance with the transitional treatment stipulated in paragraph 7 of the Partial Amendments.

(Additional information)

(Board Benefit Trust)

The Company has introduced the “Board Benefit Trust (BBT)” as directors’ remuneration from June 2, 2014 based on the resolution at the General Meeting of Shareholders held on March 26, 2014. Based on the resolution at the General Meeting of Shareholders held on March 27, 2018, it was determined to continue the scheme and partially revise it. Also, the Company introduced the Stock Granting Trust (J-ESOP) on the same day to enhance the motivation and morale of employees towards improved stock price and business performance, by elevating linkages between the stock price and business performance of the Company and treatment of the employees, and also to promote achievement of the target in the mid-term business plan and further increase the corporate value of the Company. It is partially revised and continued. (Hereinafter, the “System.”)

(1) Outline of transaction

In introducing the System, the Company established anew the “Director stock benefit regulations” (Hereinafter, “Director benefit regulations”) and “Stock benefit regulations” (Hereinafter, “Benefit regulations”).

The Company has entrusted funds to a trust bank to enable the prior purchase of the Company stock to be granted in the future based on the established director stock benefit regulations and benefit regulations (Hereinafter, “the Trust”).

The Board Benefit Trust (BBT) is a program in which points are awarded to directors based on the director benefit regulations, and stock is granted to the directors according to the points accumulated. Also, the Stock Granting Trust (J-ESOP) is a program in which points are awarded based on the Benefit regulations according to the business performance of the Company and each subsidiary for each fiscal year, and stock is granted to the employees based on the number of points accumulated.

(2) Shares of the Company held by the Trust

Shares of the Company held by the Trust are included in treasury stock in the net assets section of the consolidated balance sheets based on their book value (excluding associated expenses). The book value and the corresponding number of shares of the Company totaled 524 million yen and 350,672 shares, respectively, as of the end of the prior fiscal year, and 522 million yen and 349,482 shares, respectively, as of the end of the current fiscal year.

(Consolidated balance sheets)

※ 1. Treatment of trade notes maturing at the end of the fiscal year

Trade notes maturing at the end of the fiscal year are settled on the clearance date. The following notes are outstanding at the end of the fiscal year, as the maturity date fell on a business holiday for financial institutions.

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Notes receivable-trade	2 million yen	2 million yen
Notes payable-trade	8 million yen	3 million yen

2. Pledged assets and secured liabilities

(Prior fiscal year)

Within the limit of the letter of credit (2,440 million yen), the Company provides the accounts receivable-trade and inventories of its US consolidated subsidiaries as securities under the asset-based loan system of the United States of America.

(Current fiscal year)

Within the limit of the letter of credit (2,410 million yen), the Company provides the accounts receivable-trade and inventories of its US consolidated subsidiaries as securities under the asset-based loan system of the United States of America.

※ 3. Revaluation of land

Land for business operations was revalued in accordance with the Land Revaluation Law (Law No. 34 issued on March 31, 1998) and a revaluation reserve for land was recorded under net assets.

Revaluation method

Land value is calculated on the basis of taxable amounts for land value tax along with reasonable adjustments, in accordance with Article 2, Item 4 of the Enforcement Ordinance relating to the Land Revaluation Law (Cabinet Order No. 119 issued on March 31, 1998). Also, part of the value of land is calculated on the basis of the approved values of noncurrent assets, stated in Article 2, Item 3, with reasonable adjustments.

Revaluation date: December 31, 2001

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
The difference between the fair value of the land at the end of the period of the revaluation and the book value after the revaluation:	(883) million yen	(735) million yen
The difference related to real estate for rent out of this:	(48) million yen	(51) million yen

※ 4. Non-consolidated subsidiaries and affiliates

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Investment securities (stock)	761 million yen	769 million yen

The amounts of investment in joint ventures included above were 746 million yen in the prior fiscal year and 754 million yen in the current fiscal year.

5. Guarantee obligation

A performance bond from a financial institution related to sales order is guaranteed as follows.

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Tianjin Smart Sensor Technology Co., LTD.	26 million yen	25 million yen

(Consolidated statements of income)

※ 1. Loss on valuation of inventories

Inventories at the end of the year were stated after a reduction of book value due to a decline in profitability and the loss on valuation of inventories included in cost of sales was as follows:

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Cost of sales	183 million yen	154 million yen

※ 2. Provision for loss on orders received included in cost of sales

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Cost of sales	1 million yen	– million yen

※ 3. Research and development expenses included in general and administrative expenses and manufacturing costs

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
General and administrative expenses	1,675 million yen	1,612 million yen

※ 4. Impairment loss

Prior fiscal year (January 1, 2018 to December 31, 2018)

The Group recognized impairment loss on the following assets.

Location	Use	Type	Impairment loss
Kingdom of Norway	Other	Goodwill	44 million yen

The Group groups business assets in accordance with its management accounting categories, which are organized so that income and expenses can be continuously monitored, while idle assets not directly used in business operations are grouped individually.

As a result of reviewing the business plan, goodwill arising from the acquisition of shares of P-Cable 3D Seismic AC, a consolidated subsidiary, was written down to the recoverable amount because estimated cash flows were less than initially projected and the difference amounting to 44 million yen (405,000 US dollars) was recognized as an impairment loss under extraordinary loss.

The recoverable amount is estimated at value in use, which is the amount calculated based on future cash flow discounted at a rate of 15%.

Current fiscal year (January 1, 2019 to December 31, 2019)

The Group recognized impairment loss on the following assets.

Location	Use	Type	Impairment loss
Fukuoka-city, Fukuoka	Office	Land and building	156 million yen
Hirosaki-city, Aomori	Rep. Office	Land	9 million yen

The Group groups business assets in accordance with its management accounting categories, which are organized so that income and expenses can be continuously monitored, while idle assets not directly used in business operations are grouped individually.

For the assets indicated above, due to a determination for disposal by sales in the current fiscal year, the book value was reduced to the recoverable amount and the write-down of 166 million yen (component: land (103 million yen), building (62 million yen)) was recognized as an impairment loss.

Also, the recoverable amount is estimated at net realizable value, which is the amount calculated by deducting the expected disposal cost from the estimated sales amount.

(Consolidated statements of comprehensive income)

※ 1. Reclassification adjustments and tax effects related to each component of other comprehensive income

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Valuation difference on available-for-sale securities:		
Amount arising during the current fiscal year	(984) million yen	957 million yen
Reclassification adjustment	(9) million yen	(219) million yen
Amount before tax effect	(994) million yen	737 million yen
Tax effect	299 million yen	(225) million yen
Valuation difference on available-for-sale securities	(694) million yen	511 million yen
Foreign currency translation adjustment:		
Amount arising during the current fiscal year	(375) million yen	(171) million yen
Reclassification adjustment	– million yen	(25) million yen
Foreign currency translation adjustment:	(375) million yen	(196) million yen
Remeasurements of defined benefit plans:		
Amount arising during the current fiscal year	(236) million yen	178 million yen
Reclassification adjustment	(176) million yen	14 million yen
Amount before tax effect	(413) million yen	192 million yen
Tax effect	126 million yen	(59) million yen
Remeasurements of defined benefit plans	(286) million yen	133 million yen
Total other comprehensive income	(1,356) million yen	448 million yen

(Consolidated statements of changes in net assets)

Prior fiscal year (From January 1, 2018 to December 31, 2018)

1. Type and number of shares issued and type and number of treasury stock

	Number of shares at January 1, 2018	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at December 31, 2018
Issued shares				
Common stock (Notes)1	28,882,573	-	1,300,000	27,582,573
Total	28,882,573	-	1,300,000	27,582,573
Treasury stock				
Common stock (Notes)2,3	1,801,594	1,187,259	1,519,280	1,469,573
Total	1,801,594	1,187,259	1,519,280	1,469,573

(Notes) 1 Decrease of 1,300,000 shares of common stock was due to the cancellation of treasury stock by resolution of the Board of Directors on February 14, 2018.

2 The number of common stock of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes 199,952 shares and 350,672 shares of the Company held by the Trust & Custody Services Bank, Ltd. (Trust Account).

3 Outline of reasons for the change

Breakdown of increase in the number is as follows:

Increase due to resolution of board meeting	1,000,000 shares
Increase due for acquisition by Trust & Custody Services Bank, Ltd. (Trust Account)	187,000 shares
Increase due to purchase of less than standard unit	259 shares

Breakdown of decrease in the number is as follows.

Cancellation of treasury stock	1,300,000 shares
Decrease due to delivery to Trust & Custody Services Bank, Ltd. (Trust Account)	187,000 shares
Decrease due to demand for sale	32,280 shares

2. Subscription rights to shares and treasury stock subscription shares

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 27, 2018 General meeting of shareholders	Common stock	381	14.00	December 31, 2017	March 28, 2018
August 10, 2018 Board meeting	Common stock	370	14.00	June 30, 2018	September 25, 2018

(Notes) 1 The total amount of dividends resolved by the General Meeting of Shareholders of March 27, 2018 includes 2 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

2 The total amount of dividends resolved by the Board of Directors of August 10, 2018 includes 4 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

(2) Dividends for which the settlement date was within the current fiscal year but the effective date in the following fiscal year

Resolution	Type of shares	Total dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2019 General meeting of shareholders	Common stock	370	Retained earnings	14.00	December 31, 2018	March 28, 2019

(Note) The total amount of dividends resolved by the Board of Directors of March 27, 2019 includes 4 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

Current fiscal year (From January 1, 2019 to December 31, 2019)

1. Type and number of shares issued and type and number of treasury stock

	Number of shares at January 1, 2019	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at December 31, 2019
Issued shares				
Common stock (Notes)1	27,582,573	-	-	27,582,573
Total	27,582,573	-	-	27,582,573
Treasury stock				
Common stock (Notes)2,3	1,469,573	283	1,215	1,468,641
Total	1,469,573	283	1,215	1,468,641

(Notes) 1 The number of common stock of treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes 350,672 shares and 349,482 shares of the Company held by the Trust & Custody Services Bank, Ltd. (Trust Account).

2 Outline of reasons for the change

Breakdown of increase in the number is as follows.

Increase due to purchase of less than standard unit

283 shares

Breakdown of decrease in the number is as follows.

Decrease due to demand for sale of less than standard unit

25 shares

Decrease due to demand for sale

1,190 shares

2. Subscription rights to shares and treasury stock subscription shares

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 27, 2019 General meeting of shareholders	Common stock	370	14.00	December 31, 2018	March 28, 2019
August 9, 2019 Board meeting	Common stock	370	14.00	June 30, 2019	September 24, 2019

(Notes) 1 The total amount of dividends resolved by the General Meeting of Shareholders of March 27, 2019 includes 4 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

2 The total amount of dividends resolved by the Board of Directors of August 9, 2019 includes 4 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

(2) Dividends for which the settlement date was within the current fiscal year but the effective date in the following fiscal year

Resolution	Type of shares	Total dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2020 General meeting of shareholders	Common stock	423	Retained earnings	16.00	December 31, 2019	March 30, 2020

(Note) The total amount of dividends resolved by the Ordinary General Meeting of Shareholders of March 27, 2020 includes 5 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

(Consolidated statements of cash flows)

※ 1. The relationship between the year-end balance of cash and cash equivalents and amounts in the consolidated balance sheets

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Cash and deposits	25,536 million yen	26,352 million yen
Short-term investment securities	899 million yen	1,199 million yen
Total	26,435 million yen	27,552 million yen
Time deposits with maturities of more than 3 months	(6,136) million yen	(6,086) million yen
Stock and debt securities with redemption period exceeding 3 months	(899) million yen	(899) million yen
Cash and cash equivalents	19,399 million yen	20,565 million yen

※ 2. Breakdown of assets acquired and liabilities assumed of newly consolidated subsidiary due share acquisition

Assets and liabilities of FONG CONSULT PTE.LTD. and FC INSPECTION PTE.LTD. on the date of acquisition as well as the relationship between the acquisition cost and net disbursement for the acquisition were presented below:

Current assets	562 million yen
Noncurrent assets	126 million yen
Goodwill	109 million yen
Current liabilities	(237) million yen
Noncurrent liabilities	(59) million yen
Non-controlling interests	(192) million yen
Acquisition cost of shares	309 million yen
Cash and cash equivalents	(57) million yen
Difference: Net disbursement for the acquisition	251 million yen

3. Significant noncash transactions

(1) The amount of assets and liabilities related to finance lease transactions

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Amount of assets and liabilities related to finance lease transactions	96 million yen	119 million yen

(2) Cancellation of treasury stock

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Cancellation of treasury stock	1,515 million yen	– million yen

(Lease transactions)

1. Finance lease transactions (lessee)

Lease transactions which stipulate the transfer of ownership of leased assets to the lessee

(a) Lease assets

Property, plant and equipment

Primarily consists of equipment for analysis and measurement (Tools, furniture and fixtures) for geo-engineering and consultation services.

(b) Depreciation method for lease assets

Described in Significant accounting policies "4. Accounting policies, item (2) Depreciation method of significant depreciable assets."

2. Operating lease transactions

Unearned lease payments for noncancellable operating lease transactions

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Due in 1 year or less	112	128
Due after 1 year	503	426
Total	616	554

3. Sublease transactions in the consolidated balance sheets are recorded inclusive of tax on interest

(1) Lease receivables and investment assets

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Current assets	2,440	2,934

(2) Lease obligations

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Current liabilities	961	1,154
Noncurrent liabilities	1,479	1,779

(Financial instruments)

1. Accounting policies

(1) Policy for financial instruments

The Group funds business investments and short-term operations with its own resources, in principle. The Group invests surpluses in highly rated financial instruments. The Group enters into derivative transactions to hedge future risks of exchange rate fluctuations, but does not engage in speculative trading.

(2) Types of financial instruments and related risks

Operating receivables, such as notes and accounts receivable-trade and accounts receivable-completed operations, are exposed to credit risks in relation to customers; and trade receivables denominated in foreign currencies are exposed to exchange rate fluctuation risks. The Company uses derivative transactions (currency swaps and forward-exchange contracts) to hedge part of its operating receivables.

Short-term investment securities and investment securities are mainly highly-rated bonds, investment trusts and stock of the companies with which the Group has business relationships; and these are exposed to market-price fluctuation risks. Operating payables, such as notes and accounts payable-trade and accounts payable-operating, are mostly payable within one year or less. Trade payables denominated in foreign currencies are exposed to exchange fluctuation risks. The Company uses derivative transactions (currency swaps and forward-exchange contracts) to hedge part of its operating payables.

Derivative transactions are currency swaps and forward-exchange contracts for foreign currency in order to avoid exchange rate fluctuations. Regarding the hedging instruments, hedged items and hedging policy and method of measuring hedge effectiveness, refer to the information described in "4. Accounting policies, (6) Significant hedge accounting method".

(3) Risk management for financial instruments

(a) Credit risk (risks related to customers' contract delinquency) management

In accordance with the Company's business management policy, the Company regularly monitors its customers' financial situations and controls record dates and outstanding balances per customer for operating receivables. The Company applies a similar management system to its consolidated subsidiaries.

For short-term investment securities and investment securities, the Company selects highly rated financial instruments, in accordance with its securities policy. Accordingly, the credit risk is insignificant.

For derivative transactions, the Company limits counterparties to highly rated financial institutions. Accordingly, the credit risk is minimal.

(b) Market risk (exchange rate/interest rate fluctuations) management

The Company hedges against the exchange fluctuations utilizing currency swaps and forward-exchange contracts for part of its operating payables and receivables denominated in foreign currencies.

For short-term investment securities and investment securities, the Company regularly monitors market conditions and the fair values of its securities. The Company also intermittently reviews its status of its shareholdings, considering its relationships with the companies.

For enforcement and management of derivative transactions, the Company follows the Company's rules with regard to decision-making authority and the maximum limit for transactions, and the fund management division conducts the transactions with the approval of the person in charge of decision-making.

The Company applies a similar management system to its consolidated subsidiaries.

(c) Liquidity risk (risk of not being able to complete payment before due date) management

The responsible division of the Company creates and reviews fund management plans on a timely basis and manages the liquidity risk by keeping funds on hand.

The Company applies a similar management system to its consolidated subsidiaries.

(4) Supplementary explanation on fair values of financial instruments

Fair value of financial instruments is defined as the market-based price and the price reasonably calculated when there is no market price available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional amounts of derivatives in the note "Derivative transactions" are not necessarily indicative of the market risk regarding the derivative transactions.

2. Fair value of financial instruments

The book values on the consolidated balance sheets, fair value and the difference between them are shown in the following table. The following table does not include items for which the calculation of fair value is not readily determinable (See Note 2 below).

Prior fiscal year (As of December 31, 2018)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	25,536	25,536	-
(2) Notes and accounts receivable-trade	1,791	1,791	-
(3) Accounts receivable-completed operations	19,518	19,518	-
(4) Short-term investment securities and investment securities Available-for-sale securities	5,939	5,939	-
Total assets	52,785	52,785	-
(1) Notes and accounts payable-trade	720	720	-
(2) Accounts payable-operating	1,433	1,433	-
(3) Income taxes payable	421	421	-
Total liabilities	2,574	2,574	-

Current fiscal year (As of December 31, 2019)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	26,352	26,352	-
(2) Notes and accounts receivable-trade	1,781	1,781	-
(3) Accounts receivable-completed operations	22,911	22,911	-
(4) Short-term investment securities and investment securities Available-for-sale securities	6,510	6,510	-
Total assets	57,555	57,555	-
(1) Notes and accounts payable-trade	636	636	-
(2) Accounts payable-operating	1,831	1,831	-
(3) Income taxes payable	864	864	-
Total liabilities	3,331	3,331	-

(Notes) 1. Method of calculating the fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable-trade, (3) Accounts receivable-completed operations
As these instruments are settled within a short term and their fair values and book values are nearly equal, their book values are assumed as their fair values.

(4) Short-term investment securities and investment securities

The fair value of stocks is determined by their price on stock exchanges and the fair value of bonds and investment trusts is determined by the prices indicated by the dealers or financial institutions. For information on securities classified by holding purpose, please refer to the note "Securities".

Liabilities

(1) Notes and accounts payable-trade, (2) Accounts payable-operating, (3) Income taxes payable

Since these instruments are settled within a short term and their fair value and book value are nearly equal, their book value is assumed as their fair value.

2. The book value on the consolidated balance sheet of the financial instruments for which fair value is extremely difficult to determine

(Millions of yen)

Classifications	December 31, 2018	December 31, 2019
Investments in a limited partnership	0	0
Unlisted stocks	216	216
Stocks of subsidiaries and affiliates	761	769

These instruments do not have market prices and it is extremely difficult to determine fair value. Accordingly, they were not included in “(4) Short-term investment securities and investment securities”.

3. Redemption schedule of receivables and securities with maturities

Prior fiscal year (As of December 31, 2018)

	Due within 1 year or less (Millions of yen)	Due after 1 year through 5 years (Millions of yen)	Due after 5 years through 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	25,517	-	-	-
Notes and accounts receivable-trade	1,791	-	-	-
Accounts receivable-completed operation	19,518	-	-	-
Short-term investment securities and investment securities				
Available-for-sale securities with maturities				
1. Bonds				
(1) Government bonds/local authority bonds, etc.	-	-	-	-
(2) Corporate bonds	-	-	-	-
(3) Others	900	850	-	-
2. Others	-	82	-	-
Total	47,727	932	-	-

Current fiscal year (As of December 31, 2019)

	Due within 1 year or less (Millions of yen)	Due after 1 year through 5 years (Millions of yen)	Due after 5 years through 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	26,337	-	-	-
Notes and accounts receivable-trade	1,781	-	-	-
Accounts receivable-completed operation	22,911	-	-	-
Short-term investment securities and investment securities				
Available-for-sale securities with maturities				
1. Bonds				
(1) Government bonds/local authority bonds, etc.	-	-	-	-
(2) Corporate bonds	200	-	-	-
(3) Others	1,000	750	-	-
2. Others	0	83	-	-
Total	52,230	833	-	-

4. Repayment schedule of lease obligations due after the balance sheet date.
 Prior fiscal year (As of December 31, 2018)

	Within one year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)
Lease obligations	1,041	769	469	273	90	12

Current fiscal year (As of December 31, 2019)

	Within one year (Millions of yen)	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)	Due after 5 years (Millions of yen)
Lease obligations	1,266	948	576	301	106	37

(Securities)

1. Available-for-sale securities

Prior fiscal year (As of December 31, 2018)

	Type	Book value on the consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Investments with book values on the consolidated balance sheets exceeding acquisition cost	(1) Stocks	3,863	1,990	1,872
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	200	200	0
	(3) Others	25	19	6
	Sub total	4,088	2,209	1,878
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	79	141	(62)
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	1,231	1,250	(18)
	(3) Others	539	561	(21)
	Sub total	1,850	1,953	(102)
Total		5,939	4,162	1,776

(Note) Unlisted stocks (book value on the consolidated balance sheet: 216 million yen) do not have market prices, and it is extremely difficult to determine the fair values. Accordingly, these securities are not included in the above table, "Available-for-sale securities".

Current fiscal year (As of December 31, 2019)

	Type	Book value on the consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Investments with book values on the consolidated balance sheets exceeding acquisition cost	(1) Stocks	4,289	1,758	2,530
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	652	650	2
	(3) Others	28	19	8
	Sub total	4,969	2,428	2,541
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	3	4	(0)
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	199	200	(0)
	(c) Others	1,096	1,100	(3)
	(3) Others	240	260	(19)
	Sub total	1,540	1,564	(23)
Total		6,510	3,992	2,517

(Note) Unlisted stocks (book value on the consolidated balance sheet: 216 million yen) do not have market prices, and it is extremely difficult to determine the fair values. Accordingly, these securities are not included in the above table, "Available-for-sale securities".

2. Available-for-sale securities sold

Prior fiscal year (From January 1, 2018 to December 31, 2018)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	25	9	-
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	-	-	-
Total	25	9	-

Current fiscal year (From January 1, 2019 to December 31, 2019)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	597	278	53
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	-	-	-
Total	597	278	53

(Retirement benefits)

1. Description of retirement benefit plans provided by the Company

The Company and certain domestic consolidated subsidiaries have established a contract-type defined pension plan (Cash Balance Plan) and retirement lump-sum payment plan as a defined benefit-type program.

The other domestic subsidiaries and overseas subsidiaries adopt a defined contribution program such as the Smaller Enterprise Retirement Allowance Mutual Aid System.

In some cases, an additional retirement allowance, which is not included in the retirement benefit obligation, mathematically calculated in accordance with retirement benefit accounting, may be paid out at retirement of the employees.

Also, with respect to defined benefit pension plan and lump-sum retirement allowance plan operated by certain domestic consolidated subsidiaries, the net defined benefit liability and retirement benefit expenses are calculated by a compendium method.

From October 1, 2017, a defined contribution pension plan was newly established by the Company.

2. Defined benefit plan

(1) Changes in the retirement benefit obligations at beginning of the year and end of the year
(Excluding plans for which a compendium method is applied stated in (3))

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Retirement benefit obligations at beginning of the year	6,471	6,281
Service cost	285	276
Interest cost	18	15
Actuarial gain or loss	(108)	33
Retirement benefits paid	(385)	(500)
Retirement benefit obligations at end of the year	6,281	6,106

(2) Changes in plan assets at beginning of the year and end of the year
(Excluding plans for which a compendium method is applied stated in (3))

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Plan assets at beginning of the year	6,022	5,655
Expected return on plan assets	120	113
Actuarial gain or loss	(345)	212
Contribution by the Company	127	128
Retirement benefits paid	(268)	(316)
Plan assets at end of the year	5,655	5,793

(3) Changes in net defined benefit liability calculated using a compendium method at beginning of the year and end of the year (net)

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Net defined benefit liability at beginning of the year (net)	(10)	8
Retirement benefits expenses	94	14
Retirement benefits paid	(22)	(21)
Contribution to the system	(52)	(18)
Net defined benefit liability at end of the year (net)	8	(16)

(4) Reconciliation of retirement benefit obligations and plan assets at end of the year and net defined benefit liability and net defined benefit asset provided on the consolidated balance sheets

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Funded projected benefit obligations	4,499	4,392
Plan assets	(5,806)	(5,961)
	(1,306)	(1,569)
Unfunded projected benefit obligations	1,940	1,866
Net liability for projected benefit obligations in the consolidated balance sheets	634	296
Net defined benefit liability	1,940	1,866
Net defined benefit asset	(1,306)	(1,569)
Net liability for projected benefit obligations in the consolidated balance sheets	634	296

(Note) Including plans for which a compendium method is adopted.

(5) Retirement benefit expenses

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Service cost	285	276
Interest cost	18	15
Expected return on plan assets	(120)	(113)
Amortization of actuarial gain or loss	(176)	14
Other	10	3
Retirement benefit expenses calculated by compendium method	94	14
Retirement benefit expenses related to defined benefit plans	112	211

(6) Remeasurements of defined benefit plans included in other comprehensive income

The breakdown of remeasurements of defined benefit plans (before tax effect) is as follows.

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Actuarial gain or loss	(176)	14
Total	(176)	14

(7) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The breakdown of accumulated remeasurements of defined benefit plans (before tax effect) is as follows.

	(Millions of yen)	
	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Unrecognized actuarial gain or loss	(59)	(252)
Total	(59)	(252)

(8) Matters related to plan assets

① Major breakdown of plan assets

Ratios of asset classes to total plan assets by major classification are as follows.

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Bonds	72 %	60 %
Stocks	23 %	24 %
General accounts	3 %	3 %
Others	2 %	13 %
Total	100 %	100 %

② Method of determining long-term expected rates of return on plan assets

In order to determine the long-term expected rates of return on plan assets, the Company considers the present and anticipated allocation of plan assets and the present and expected long-term rates of return on plan assets in the future from various assets that constitute the plan assets.

(9) Actuarial assumptions

Major actuarial assumptions

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Discount rates	0.2 % ~ 0.9 %	0.05 % ~ 0.5 %
Long-term expected rates of return on plan assets	2.0 %	2.0 %

3. Defined contribution pension plans

Required contributions by the Company and its consolidated subsidiaries to defined contribution pension plans were 337 million yen for the prior fiscal year and 335 million yen for the current fiscal year.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Deferred tax assets		
Net operating loss carryforwards	240 million yen	178 million yen
Net defined benefit liability	405 million yen	486 million yen
Allowance for doubtful accounts	160 million yen	138 million yen
Provision for bonuses	52 million yen	56 million yen
Enterprise tax payable	51 million yen	72 million yen
Loss on valuation of securities	31 million yen	31 million yen
Loss on valuation of inventories	121 million yen	170 million yen
Revaluation reserve for land	1,083 million yen	1,083 million yen
Others	797 million yen	957 million yen
Deferred tax assets: Sub total	2,944 million yen	3,174 million yen
Valuation allowance for net operating loss carry forwards (Note2)	–	(169) million yen
Valuation allowance for deductible temporary differences	–	(1,914) million yen
Valuation allowance (Note1)	(2,130) million yen	(2,083) million yen
Deferred tax assets: Total	814 million yen	1,090 million yen
Deferred tax liabilities		
Balance of investments (valuation difference of noncurrent assets)	(216) million yen	(219) million yen
Revaluation reserve for land	(416) million yen	(327) million yen
Valuation differences on assets received by merger	(133) million yen	(133) million yen
Valuation difference on available-for-sale securities	(532) million yen	(757) million yen
Retained earnings of overseas subsidiaries	(130) million yen	(135) million yen
Net defined benefit assets	(205) million yen	(389) million yen
Other	–	(76) million yen
Deferred tax liabilities: Total	(1,634) million yen	(2,039) million yen
Net deferred tax liabilities	(820) million yen	(948) million yen

(Notes) 1. Valuation allowance decreased by 46 million yen. This decrease was mainly due to the decrease in 64 million yen in the valuation allowance for net operating loss carryforwards of consolidated subsidiaries.

2. Net operating loss carryforwards and related deferred tax assets expire as follows:

Current fiscal year (As of December 31, 2019)

	Within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	10	3	11	1	1	150	178 million yen
Valuation allowance	(10)	(3)	(11)	(1)	(1)	(141)	(169) million yen
Deferred tax assets	–	–	–	–	–	8	8 million yen (b)

(a) Net operating loss carryforwards is the amount obtained by multiplying by the statutory tax rate.

(b) Valuation allowance is not recognized for the portion of net operating loss carryforwards deemed recoverable based on estimated future taxable income.

2. The reconciliation between the effective tax rate reflected in the consolidated statements of income and the statutory tax rate is as follows:

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Statutory effective tax rate in Japan	30.9 %	–
(Reconciliation)		
Permanently non-deductible entertainment and other expenses	0.3 %	–
Permanently non-taxable dividends and other income	(0.3)%	–
Per-capita inhabitant tax	5.1 %	–
Equity in earnings of affiliates	(1.3)%	–
Valuation allowance	21.1%	–
Effect of tax deduction	(5.7)%	–
Amortization of goodwill	1.3%	–
Effect of enacted changes in tax laws and rate	0.0%	–
Others	7.3%	–
Effective tax rates	58.7%	–

(Note) The reconciliation between the effective tax rate reflected in the consolidated statement of income and the statutory tax rate for the current fiscal year was omitted as the difference is less than 5% of the statutory tax rate.

(Business combinations)

(Business combination due to acquisition)

Following the acquisition of shares of two Singaporean companies (Fong Consult Pte. Ltd. and FC Inspection. Pte. Ltd.) on January 11, 2019, based on the board meeting held on October 9, 2018, these two companies became subsidiaries.

(1) Summary of business combination

1. Name and business description of the acquired companies

Names of acquired companies	Fong Consult Pte. Ltd. (hereinafter referred as F)	FC Inspection. Pte. Ltd. (hereinafter referred as FCI)
Business description	Consulting business (design, design inspection,	Research business (inspection of construction)

2. Major reason for business combination

The business combination was undertaken for overseas expansion of the business, adding the infrastructure maintenance business owned by the group company to the civil engineering and construction market of Southeast Asia, where F and FCI are active. Furthermore, the two companies will have a synergistic effect on business development.

3. Date of business combination

January 11, 2019 (deemed acquisition date: January 1, 2019)

4. Legal form of business combination

Acquisition of shares for a cash consideration

5. Name of companies after business combination

Unchanged

6. Ratio of voting rights acquired

51% (for both companies)

7. Reasons for determining acquiring company

The Company acquired shares for a cash consideration thus acquiring 51% of the voting rights.

(2) Period for which sales results of the acquired company are included in the consolidated financial statements

From January 1, 2019 to December 31, 2019

(3) Breakdown of acquisition cost and types of consideration

Consideration	Cash	3,825 thousand Singaporean dollars
Acquisition cost		3,825 thousand Singaporean dollars

(Note) Acquisition cost does not include any contingent consideration.

(4) Breakdown of acquisition cost including contingent consideration provided in the acquisition agreement and its accounting treatment in the future.

Additional payments will be made based on the occurrence of certain milestone events in accordance with the share transfer agreement. Also, if the acquisition cost is revised, the consideration paid at acquisition and the acquisition price, amount of goodwill and amortization of goodwill will be adjusted retrospectively.

(5) Breakdown of main cost related to acquisition and amount

Advisory cost 75 million yen

(6) Amount of goodwill arising from business combination, reason for occurrence, amortization method and period

① Amount of goodwill recognized

1,351 thousand Singaporean dollars

② Reason for occurrence

Goodwill was recognized for future excess earning power expected from the future business development.

③ Amortization method and amortization period

Goodwill is amortized by the straight-line method over 10 years

(7) Assets acquired and liabilities assumed from business combination and main breakdown

Current assets: 562 million yen

Noncurrent assets: 126 million yen

Total assets: 689 million yen

Current liabilities: 237 million yen

Noncurrent liabilities: 59 million yen

Total liabilities: 297 million yen

(Asset retirement obligations)

The Company recognizes the obligations of properly restoration at the end of a tenancy agreement as asset retirement obligations.

For asset retirement obligations at the end of the current fiscal year, instead of calculating liabilities, the Company reasonably estimated the amount of deposits unlikely to be returned at the end of the tenancy agreements and has included this portion in the current fiscal year as an expense.

(Rental real estate)

The Company and certain of its consolidated subsidiaries own apartment buildings (including land) in Ibaraki Prefecture and other regions.

Income or loss from rental of these properties during the prior fiscal year totaled 33 million yen (Rental income has principally been included in non-operating income and rental expenses in non-operating expenses).

Income or loss from rental of these properties during the current fiscal year totaled 34 million yen (Rental income has principally been included in non-operating income and rental expenses in non-operating expenses).

The book value for this rental real estate as stated in the consolidated balance sheets, the amount of increase/decrease during the current fiscal year and fair value were as follows:

(Millions of yen)

		Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Book value in the consolidated balance sheets	Balance at the beginning of the fiscal year	602	591
	Increase/decrease during the fiscal year	(10)	(10)
	Balance at the end of the fiscal year	591	581
Fair value at the end of the year		570	543

- (Notes)
1. The book value in the consolidated balance sheets represented acquisition cost less accumulated depreciation.
 2. The amount of increase/decrease during the prior fiscal year was mainly due to depreciation (10 million yen).
The amount of increase/decrease during the current fiscal year was mainly due to depreciation (10 million yen).
 3. Each fair value at the end of the current fiscal year was calculated by the Company on the basis of the real estate appraisal standards by outside estate surveyors for main properties and on the indexes that were considered to be reflecting the market price such as land assessments for other properties.

(Segment information)

【Segment information】

1. Outline of reportable segments

The reportable segments of the Company are, among the Group's business units, those for which separate financial information can be obtained and that are regularly reviewed by the Board in order to decide the distribution of resources and to assess business performance.

<Infrastructure Maintenance, Management, and Renovation>

This segment mainly provides solution services to support the renovation and maintenance of social infrastructure. The main services include services related to surveying, diagnostics, and maintenance of social infrastructure managed by national and local governments, construction of maintenance and management systems, surveying and design services for maintenance for resilient infrastructure, development and sales of non-destructive inspection products and construction, installation, and renovation of monitoring systems.

<Natural Disaster Prevention and Mitigation>

This segment mainly provides solution services and systems that reinforce society and businesses against natural disasters (earthquakes/tsunami, volcanic disasters, heavy rainfall, landslides, and others). The main services include surveying and design for restoration of affected areas following natural disasters, damage simulations involving earthquakes, tsunami, fires, and others that are related to disaster prevention for national and local governments, surveys, damage projection, and countermeasure consulting for natural disaster risk related to business continuation plans for corporations, construction, installation, and renovation of monitoring services related to natural disasters such as seismometer networks and forest fire monitoring.

<Environment>

This segment provides solution services and systems to support conservation of the social environment and to reduce the burden on the earth's environment. The main services are consulting for surveys and measures to protect the social environment concerning waste treatment, soil and groundwater contamination and asbestos, surveying and consulting for the natural environment, such as measures against global warming and conservation of biodiversity, and construction, installation, and renovation of environment monitoring systems.

<Natural Resources and Energy>

This segment provides solution services to support development, conservation, and resource and energy efficiency. The main component is advanced geological survey consulting for constructing power plants, development and surveying of methane hydrate, support of renewable energy such as geothermal and earth thermal energy, development and sales of resource analysis, and 3D subsea exploration services and systems.

2. Calculation method of net sales, income and loss, assets and other items

The accounting method for reportable business segments is the same as is described in "Significant accounting policies." Income for reportable segments is based on operating income. Segment assets are not disclosed since they are not subject to a determination of management resource allocation or evaluation of business results. Inter-segment sales or transfers are based on actual market prices.

3. Information on net sales, income or loss, assets and other items per reportable segment

Prior fiscal year (From January 1, 2018 to December 31, 2018)

(Millions of yen)

	Reportable segments					Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Total		
Net sales							
Sales to third parties	19,216	9,217	8,512	8,287	45,232	-	45,232
Inter-segment sales or transfer	53	85	8	-	147	(147)	-
Total	19,269	9,302	8,521	8,287	45,380	(147)	45,232
Segment income (loss)	1,104	391	528	(543)	1,480	1	1,481
Other items							
Depreciation and amortization	373	200	242	290	1,107	-	1,107
Amortization of goodwill	-	-	-	77	77	-	77
Equity in earnings of affiliates	3	12	-	62	78	-	78

- (Notes) 1. An adjustment of 1 million yen in the segment income (loss) was due to the elimination of inter-segment revenues.
2. Segment income was adjusted by the amount of operating income as stated on the consolidated statements of income.
3. Segment assets are not disclosed since they are not subject to a determination of management resource allocation or evaluation of business results. However, depreciation is allocated to each business segment based on a reasonable distribution basis.

Current fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Reportable segments					Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Total		
Net sales							
Sales to third parties	22,923	11,727	8,962	10,269	53,883	-	53,883
Inter-segment sales or transfer	600	63	34	8	707	(707)	-
Total	23,524	11,790	8,997	10,277	54,591	(707)	53,883
Segment income (loss)	1,250	806	649	(121)	2,584	(2)	2,581
Other items							
Depreciation and amortization	462	205	238	252	1,159	-	1,159
Amortization of goodwill	37	-	-	17	54	-	54
Equity in earnings of affiliates	(8)	3	-	64	59	-	59

- (Notes) 1. An adjustment of (2) million yen in the segment income (loss) was due to the elimination of inter-segment revenues.
2. Segment income was adjusted by the amount of operating income as stated on the consolidated statements of income.

3. Segment assets are not disclosed since they are not subject to a determination of management resource allocation or evaluation of business results. However, depreciation is allocated to each business segment based on a reasonable distribution basis.

【Related information】

Prior fiscal year (From January 1, 2018 to December 31, 2018)

1. Breakdown by product and service

Details are omitted because identical information is disclosed in the segment information section.

2. Breakdown by area

(1) Net sales

(Millions of yen)

Japan	United States	Others	Total
35,913	3,537	5,781	45,232

(Note) Net sales are based on the location of customers and are classified by geographic proximity.

(2) Property, plant and equipment

(Millions of yen)

Japan	United States	Others	Total
11,159	1,333	75	12,568

(Change in presentation)

From the current fiscal year, the geographic area name "North America" was changed to "United States".

3. Breakdown by customer

(Millions of yen)

Name of customer	Net sales	Relevant segment
Ministry of Land, Infrastructure, Transport and Tourism	4,516	Infrastructure Maintenance, Management, and Renovation; Natural Disaster Prevention and Mitigation; Environment

Current fiscal year (From January 1, 2019 to December 31, 2019)

1. Breakdown by product and service

Details are omitted because identical information is disclosed in the segment information section.

2. Breakdown by area

(1) Net sales

(Millions of yen)

Japan	the United States	Others	Total
42,680	4,427	6,774	53,883

(Note) Net sales are based on the location of customers and are classified by geographic proximity.

(2) Property, plant and equipment

(Millions of yen)

Japan	the United States	Others	Total
11,194	1,317	85	12,597

3. Breakdown by customer

This information is omitted because there is no single external customer that accounts for 10% or more of net sales on the consolidated statements of income.

【Information about impairment loss of noncurrent assets per reportable segment】

Prior fiscal year (From January 1, 2018 to December 31, 2018)

(Millions of yen)

	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Eliminations or corporate	Total
Impairment loss	-	-	-	44	-	44

Current fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Eliminations or corporate	Total
Impairment loss	-	-	9	0	156	166

【Information about amortization of goodwill and unamortized balance per reportable segment】

Prior fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Eliminations or corporate	Total
Amortization during the year	-	-	-	77	-	77
Balance at the end of the year	-	-	-	142	-	142

Current fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Eliminations or corporate	Total
Amortization during the year	37	-	-	17	-	54
Balance at the end of the year	71	-	-	111	-	183

【Information about gain on negative goodwill per reportable segment】

Not applicable.

【Related-party information】

Related-party transactions

Transactions between the filing party of these consolidated financial statements and related parties

Not applicable.

(Per share information)

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Net assets per share	2,522.95 yen	2,595.07 yen
Earnings per share	30.73 yen	83.35 yen

(Notes) 1. Fully diluted net income per share is not stated as no residual securities exist.

2. With respect to the remaining shares of the Company held by the trust, which are recorded as treasury stock in shareholders' equity, the shares included in treasury stock are deducted in determining the average number of shares during the period in the calculation of net income per share. Also, the shares included in treasury stock are deducted from the total number of outstanding shares at the end of the fiscal year in the calculation of net assets per share.

The number of outstanding shares of treasury stock at the end of the fiscal year that were deducted in the calculation of net assets per share was 350,672 shares in the prior fiscal year and 349,482 shares in the current fiscal year. The average number of shares of the treasury stock during the period that were deducted in the calculation of net income per share was 301,936 shares in the prior fiscal year and 350,320 shares in the current fiscal year.

3. The basis for the calculation of net income per share is as follows:

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	804	2,176
Net income not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	804	2,176
Average number of shares outstanding (share)	26,182,903	26,113,248

(Significant subsequent events)

(Change in reportable segments)

In January 2020, the Company reviewed the following business divisions: Infrastructure Maintenance Business Division, the Sabo (Erosion Control Engineering and Disaster Engineering) Business Division, the Regional and the Global Aqua Engineering Business Division, and reorganized them into the Infrastructure Maintenance Business Division, the Water and Disaster Engineering Business Division, and the Infrastructure Development Business Division.

The Infrastructure Maintenance Business Division after the reorganization focuses on the maintenance and management of infrastructure. On the other hand, the Infrastructure Development Business Division focuses on the new infrastructure businesses. The Water and Disaster Engineering Business Division focuses on prevention and mitigation of increasingly severe natural disasters.

As a result of this reorganization, operations related to the Regional and Global Aqua Engineering Business, which were previously included in "Infrastructure Maintenance, Management, and Renovation," will be reclassified as "Natural Disaster Prevention and Mitigation" from the following fiscal year.

The amounts of net sales, segment income (loss), and other items for each of the reportable segments for the current fiscal year based on the revised segmentation are currently being calculated.

⑤ 【Consolidated supplementary schedules】

【Schedule of corporate bonds】

Not applicable.

【Schedule of borrowings】

Classification	Balance at January 1, 2018 (Millions of yen)	Balance at December 31, 2018 (Millions of yen)	Average interest rate (%)	Period of repayment
Short-term loans payable	-	104	5.46	-
Long-term loans due for repayment within one year	-	-	-	-
Lease obligations due for repayment within one year	1,041	1,266	1.92	-
Long term loans (excluding those due for repayment within one year)	-	-	-	-
Lease obligations (excluding those due for repayment within one year)	1,614	1,971	1.88	2021-2026
Other interest-bearing liabilities	-	-	-	-
Total	2,656	3,341	-	-

(Notes) 1. The average interest rate is calculated on the basis of year-end interest rate and balance.

2. The following table shows the aggregate amounts of scheduled repayment of lease obligations (excluding the ones due for repayment within one year) for 5 years subsequent to December 31, 2018.

	Due after 1 year but within 2 years (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)
Lease obligations	948	576	301	106

【Schedule of asset retirement obligations】

Not applicable.

(2) 【Other】

Quarterly information for the current fiscal year

Cumulative	1st quarter	2nd quarter	3rd quarter	Current fiscal year
Net sales (Millions of yen)	12,995	23,962	36,998	53,883
Profit before income taxes (Millions of yen)	1,090	1,258	2,095	3,142
Quarterly (current) profit attributable to owners of parent (Millions of yen)	693	804	1,374	2,176
Earnings per share (Yen)	26.54	30.83	52.64	83.35

Each quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly earnings (loss) per share (Yen)	26.54	4.29	21.81	30.71

2. 【Non-consolidated financial statements】
 (1) 【Non-consolidated financial statements】
 ① 【Non-consolidated balance sheets】

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	11,807	11,588
Notes receivable-trade	136	*142
Accounts receivable-completed operation	15,823	18,131
Accounts receivable-trade	312	271
Short-term investment securities	899	1,199
Costs on uncompleted services	2,081	415
Merchandise and finished goods	239	303
Work in process	92	75
Raw materials and supplies	258	263
Prepaid expenses	114	142
Other	1,116	518
Total current assets	32,884	32,953
Noncurrent assets		
Property, plant and equipment		
Buildings	3,458	3,243
Structures	49	79
Machinery and equipment	377	509
Vehicles	10	5
Tools, furniture and fixtures	27	24
Land	4,584	4,266
Lease assets	60	76
Construction in progress	-	49
Total property, plant and equipment	8,567	8,255
Intangible assets		
Software	959	929
Software in progress	46	-
Other	8	8
Total intangible assets	1,014	938
Investments and other assets		
Investment securities	5,211	5,479
Stocks of subsidiaries and affiliates	12,515	12,821
Long-term loans receivable	215	107
Other	2,324	2,408
Allowance for doubtful accounts	(109)	(41)
Total investments and other assets	20,157	20,775
Total noncurrent assets	29,739	29,968
Total assets	62,623	62,922

(Millions of yen)

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-operating	1,097	1,276
Accounts payable-trade	149	25
Accounts payable-other	1,781	2,190
Income taxes payable	163	446
Accrued expenses	294	302
Advances received on uncompleted contracts	1,506	148
Deposits payable	272	314
Provision for bonuses	101	104
Provision for loss on orders received	161	161
Provision for product warranties	13	14
Other	45	54
Total current liabilities	5,585	5,038
Noncurrent liabilities		
Provision for retirement benefits	1,848	1,818
Provision for stock benefits	57	208
Deferred tax liabilities	160	321
Deferred tax liabilities for land revaluation	416	327
Other	52	72
Total noncurrent liabilities	2,535	2,748
Total liabilities	8,120	7,786
Net assets		
Shareholders' equity		
Capital stock	16,174	16,174
Capital surplus		
Legal capital surplus	4,043	4,043
Other capital surplus	10,422	10,422
Total capital surplus	14,465	14,465
Retained earnings		
Legal retained earnings	488	488
Other retained earnings		
General reserve	23,307	23,307
Retained earnings brought forward	3,247	3,572
Total retained earnings	27,042	27,367
Treasury stock	(1,828)	(1,826)
Total shareholders' equity	55,854	56,180
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,243	1,752
Revaluation reserve for land	(2,594)	(2,797)
Total valuation and translation adjustments	(1,351)	(1,044)
Total net assets	54,502	55,136
Total liabilities and net assets	62,623	62,922

② 【Non-consolidated statements of income】

(Millions of yen)

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Net sales	24,718	30,203
Cost of sales	18,182	22,877
Gross profit	6,536	7,325
Selling, general and administrative expenses	*1 6,209	*1 6,713
Operating income	326	611
Non-operating income		
Interest and dividends income	*2 662	*2 396
Insurance and dividends income	94	77
Rent of real estate	*2 101	*2 86
Other	*2 43	*2 44
Total non-operating income	902	604
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	2	4
Provision of allowance for doubtful accounts	-	1
Rent cost of real estate	33	26
Other	2	2
Total non-operating expenses	39	36
Ordinary income	1,189	1,180
Extraordinary income		
Gain on sales of affiliate's stocks	-	0
Gain on sales of investment securities	9	275
Total extraordinary income	9	275
Extraordinary loss		
Loss on valuation of affiliates' stock	-	75
Impairment loss	-	156
Loss on sales of investment securities	-	53
Total extraordinary loss	-	285
Profit before income taxes	1,198	1,170
Income taxes-current	216	459
Income taxes-deferred	49	(152)
Total income taxes	265	307
Profit	932	863

【Breakdown of cost of sales】

A. Cost of sales for completed geo-engineering services

Classification	Notes	Prior fiscal year (From January 1, 2018 to December 31, 2018)		Current fiscal year (From January 1, 2019 to December 31, 2019)			
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		
Materials cost			663	3.9	880	4.3	
Labor cost			5,810	34.1	5,425	26.7	
Subcontract cost			7,796	45.7	10,448	51.5	
Overhead cost							
Transportation expenses		1,022			1,147		
Report preparation cost		55			50		
Depreciation		284			349		
Other		1,408	2,772	16.3	2,008	3,555	17.5
Total cost for geo-engineering services			17,042	100.0		20,310	100.0
Costs on uncompleted services at beginning of the year			2,084			1,915	
Total			19,127			22,225	
Costs on uncompleted services at the end of the year			1,915			249	
Cost of sales for completed geo- engineering services			17,211			21,976	
Provision for loss on orders received			1			-	
Reversal of provision for loss on orders received			-			-	
Cost of sales for completed geo- engineering services during the year			17,212			21,976	

(Note) Method of cost accounting is Job order cost accounting.

B. Cost of sales for measuring instruments

Classification	Note	Prior fiscal year (From January 1, 2018 to December 31, 2018)		Current fiscal year (From January 1, 2019 to December 31, 2019)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Finished goods at beginning of the year			241		239
Cost of purchased goods during the year			678		533
Cost of products manufactured during the year					
Materials cost		313	51.1	317	52.6
Labor cost		222	36.4	192	31.9
Overhead cost		76	12.5	93	15.5
Total manufacturing costs		612	100.0	603	100.0
Work in process at the beginning of the year		76		92	
Total		689		696	
Transfer to other accounts	※2	158		89	
Work in process at the end of the year		92	437	75	532
Total			1,357		1,305
Transfer to other accounts	※3		148		101
Finished goods at the end of the year			239		303
Cost of sales for measuring instruments during the year			969		900

(Notes) 1. Method of cost accounting is group process costing

※ 2. Transfer to other accounts	Prior fiscal year	Current fiscal year
Research and development expenses	44 million yen	41 million yen
(Selling, general and administrative expenses)		
※ 3. Transfer to other accounts	Prior fiscal year	Current fiscal year
Transfer to cost of geo-engineering services	147 million yen	101 million yen
Other	0 million yen	0 million yen

C. Reconciliation of cost of sales for completed geo-engineering services, cost of sales for measuring instruments and cost of sales

Classification	Note	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
		Amount (Millions of yen)	Amount (Millions of yen)
Cost of sales for completed geo-engineering services		17,212	21,976
Cost of sales for measuring instruments		969	900
Cost of sales		18,182	22,877

③ 【Non-consolidated statements of changes in net assets】
Prior fiscal year (From January 1, 2018 to December 31, 2018)

(Millions of yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	
Balance at the beginning of the	16,174	4,043	11,862	15,905	488	23,307	3,066	26,861
Changes during the year								
Dividends from surplus							(752)	(752)
Net income							932	932
Purchase of treasury stock								
Disposal of treasury stock			75	75				
Cancellation of treasury stock			(1,515)	(1,515)				
Reversal of revaluation reserve for land								
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	(1,440)	(1,440)	-	-	180	180
Balance at the end of year	16,174	4,043	10,422	14,465	488	23,307	3,247	27,042

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Shareholders' equity total	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the	(1,903)	57,038	1,931	(2,594)	(663)	56,374
Changes during the year						
Dividends from surplus		(752)				(752)
Net income		932				932
Purchase of treasury stock	(1,703)	(1,703)				(1,703)
Disposal of treasury stock	263	338				338
Cancellation of treasury stock	1,515	-				-
Reversal of revaluation reserve for land		-				-
Net changes in items other than shareholders' equity			(687)	-	(687)	(687)
Total changes during the year	75	(1,184)	(687)	-	(687)	(1,872)
Balance at the end of year	(1,828)	55,854	1,243	(2,594)	(1,351)	54,502

Current fiscal year (From January 1, 2019 to December 31, 2019)

(Millions of yen)

Shareholders' equity

	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at the beginning of the	16,174	4,043	10,422	14,465	488	23,307	3,247	27,042
Changes during the year								
Dividends from surplus							(740)	(740)
Net income							863	863
Purchase of treasury stock								
Disposal of treasury stock			(0)	(0)				
Cancellation of treasury stock								
Reversal of revaluation reserve for land							202	202
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	(0)	(0)	-	-	324	324
Balance at the end of year	16,174	4,043	10,422	14,465	488	23,307	3,572	27,367

(Millions of yen)

Shareholders' equity

Valuation and translation adjustments

	Treasury stock	Shareholders' equity total	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
Changes during the year						
Dividends from surplus		(740)				(740)
Net income		863				863
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock	1	1				1
Cancellation of treasury stock		-				-
Reversal of revaluation reserve for land		202				202
Net changes in items other than shareholders' equity			509	(202)	307	307
Total changes during the year	1	326	509	(202)	307	633
Balance at the end of year	(1,826)	56,180	1,752	(2,797)	(1,044)	55,136

【Notes】

(Significant accounting policies)

1. Valuation method and standards for securities

(a) Stocks of subsidiaries and affiliates

Stated at cost determined by the moving average method.

(b) Available-for-sale securities

Securities with fair market value

Stated at fair value based on the quoted market price as of the year-end closing date with any changes in unrealized gains or losses, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method.

Securities without fair market value

Stated at cost determined by the moving average method.

2. Valuation method and standards for derivatives

Stated at fair value.

3. Valuation method and standards for inventories

(a) Costs on uncompleted services

Stated at cost using the specific identification method (balance sheet amounts are determined by writing down the book values based on decrease in profitability).

(b) Merchandise/products/raw materials/work in process

Stated at cost using weighted-average method (balance sheet amounts are determined by writing down the book values based on decrease in profitability).

(c) Supplies

Last cost method (balance sheet amounts are determined by writing down the book values based on decreased profitability).

4. Depreciation method of noncurrent assets

(a) Property, plant and equipment (excluding lease assets) and real estate for investment

The straight-line method is used for buildings (except structures attached to buildings), and the declining balance method is used for other property, plant and equipment.

Major useful lives are defined as follows:

Buildings: 2 – 50 years

Machinery and equipment: 2 – 7 years

(b) Intangible assets (excluding lease assets)

Straight-line method

Software for internal use is amortized over the expected available period (5 -10 years).

(c) Lease assets

The straight-line method is adopted mainly with a residual value of zero and the lease period deemed equal to the service life of the asset.

(d) Long-term prepaid expenses

Straight-line method

5. Accounting standards for provisions

(a) Allowance for doubtful accounts

To prepare for expected losses from bad debts, the Company estimates uncollectible amounts for normal receivables based on the historical experience and for certain specific receivables, such as doubtful accounts receivables, based on the individual probability of recovery.

(b) Provision for bonuses

To prepare for the payment of bonuses to employees, a provision for bonuses is provided based on the expected amount of payment.

(c) Provision for retirement benefits

To prepare for payment of employees' retirement allowances, a provision is provided based on the anticipated projected benefit obligation and pension assets at the end of the current fiscal year.

Actuarial gain or loss is amortized in the fiscal year following the year in which the gain or loss is incurred by the straight-line method over periods (5 years) which are shorter than the average remaining period of the employees.

(d) Provision for loss on orders received

To prepare for future losses on contracts for orders received, a provision for loss on orders received is provided based on the future losses anticipated at the end of the current fiscal year and the amount of foreseeable losses that can reasonably be estimated.

(e) Provision for product warranties

To prepare for estimated warranty costs, a provision for product warranties is provided based on historical experience of free-of-charge repairs of products.

(f) Provision for stock benefits

In order to provide for grant of shares of the company to employees according to the stock benefits regulations, it is provided based on the estimated stock benefit obligations as of the end of the current fiscal year.

6. Accounting standards for revenue and expenses

(a) Individual contracts from which the outcome can be estimated reliably through the end of the current fiscal year:

The percentage-of-completion method is adopted (The percentage of completion is measured by the proportion of the cost incurred relative to the estimated total cost).

(b) Other contracts:

The completed-contract method is adopted.

7. Hedge accounting method

(a) Hedge accounting method

Deferral hedge accounting is adopted.

(b) Hedging instruments and hedged items

Hedging instruments: forward-exchange contracts

Hedged items: accounts payable-trade

(c) Hedging policy

In order to reduce risks of exchange rate fluctuations, hedges are used to cover liabilities.

(d) Method of assessing hedge effectiveness

An assessment of hedge effectiveness is omitted because the relationship between the hedging instruments and hedged items is direct.

8. Other significant accounting policies

Accounting of consumption tax

All figures exclude consumption tax.

(Change in presentation)

(Non-consolidated statements of income)

“Foreign exchange losses”, which were previously included in “Other” under “Non-operating expenses” in the prior fiscal year, have been presented separately from the current fiscal year due to an increase in materiality. In order to reflect this change in presentation, the Company reclassified the non-consolidated statement of income for the prior fiscal year. As a result, 5 million yen of “Other” under “Non-operating expenses” in the non-consolidated statement of income for the prior fiscal year has been reclassified as “Foreign exchange losses” in the amount of 2 million yen and “Other” in the amount of 2 million yen.

(Change due to the application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been applied effective from the beginning of the current fiscal year with deferred tax assets included in investments and other assets and deferred tax liabilities classified as noncurrent liabilities.

As a result, 256 million yen of “Deferred tax assets” under “Current assets” was included in “Deferred tax liabilities” under “Noncurrent liabilities” of 160 million yen in the non-consolidated balance sheet for the prior fiscal year.

(Items related to balance sheet)

- ※ 1 Trade notes maturing at the end of the fiscal year are settled on the clearance date. The following outstanding notes maturing at the end of the fiscal year were included in the corresponding accounts as the maturity date fell on a business holiday for financial institutions.

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Notes receivable-trade	- million yen	2 million yen

2. Guarantee obligation

A performance bond from a financial institution for a sales order of “Tianjin Smart Sensor Technology Co., LTD.” and a consolidated subsidiary's loans payable is guaranteed as follows.

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Tianjin Smart Sensor Technology Co., LTD.	26 million yen	25 million yen
FONG CONSULT PTE. LTD.	- million yen	97 million yen

(Non-consolidated statements of income)

- ※ 1. Among selling expenses and general and administrative expenses, major cost items, amounts and their approximate ratios are as follows.

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Salaries and allowances	2,921 million yen	3,090 million yen
Provision for bonuses	40 million yen	42 million yen
Retirement benefit expenses	62million yen	153 million yen
Depreciation	180million yen	182 million yen
Approximate ratio		
Selling expenses	59 %	58 %
General and administrative expenses	41 %	42 %

※ 2. Income or loss related to transactions with subsidiaries and affiliates

	Prior fiscal year (From January 1, 2018 to December 31, 2018)	Current fiscal year (From January 1, 2019 to December 31, 2019)
Dividends income	563 million yen	289 million yen
Other non-operating income including real estate rent	73 million yen	57 million yen

(Securities)

Prior fiscal year (As of December 31, 2018)

Stocks of subsidiaries or affiliates (12,466 million yen of subsidiary stocks and 49 million yen of affiliate stocks on the balance sheets) do not have market prices, and it is extremely difficult to determine fair value. Accordingly, their fair values were not disclosed.

Current fiscal year (As of December 31, 2019)

Stocks of subsidiaries or affiliates (12,771 million yen of subsidiary stocks and 49 million yen of affiliate stocks on the balance sheets) do not have market prices, and it is extremely difficult to determine fair value. Accordingly, their fair values were not disclosed.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Deferred tax assets		
Provision for bonuses	35 million yen	36 million yen
Enterprise tax payable	35 million yen	45 million yen
Loss on valuation of securities	13 million yen	13 million yen
Provision for retirement benefits	377 million yen	471 million yen
Revaluation reserve for land	1,082 million yen	1,082 million yen
Valuation differences on assets received by merger	53 million yen	52 million yen
Other	465 million yen	569 million yen
Deferred tax assets : Sub total	2,064 million yen	2,272 million yen
Valuation provision	(1,367) million yen	(1,325) million yen
Deferred tax assets: Total	696 million yen	946 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale	(530) million yen	(754) million yen
Prepaid pension cost	(194) million yen	(319) million yen
Revaluation reserve for land	(416) million yen	(327) million yen
Valuation differences on assets received by merger	(133) million yen	(133) million yen
Other	- million yen	(60) million yen
Deferred tax liabilities: Total	(1,274) million yen	(1,595) million yen
Net deferred tax liabilities	(577) million yen	(648) million yen

2. The reconciliation between the effective tax rate reflected in the non-consolidated statements of income and the statutory tax rate is as follows:

	Prior fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Statutory effective tax rate in Japan	30.9 %	30.6 %
(Reconciliation)		
Permanently non-deductible entertainment and other expenses	0.4 %	0.5 %
Dividends and other income permanently included in gross profit	(15.0)%	(8.1)%
Per-capita inhabitants tax	6.3 %	6.5 %
Valuation provision	(0.7) %	(3.5) %
Other	0.2%	0.3%
Effective tax rate	22.2 %	26.2 %

(Significant subsequent events)

(Business combination due to share acquisition)

As the same information has been described in "Notes" (Business combinations) in the consolidated financial statements, this note has been omitted.

④ 【Non-consolidated supplementary schedules】
 【Schedule of tangible non-current assets】

Type of assets	Balance at January 1, 2019 (Millions of yen)	Increase in the current fiscal year (Millions of yen)	Decrease in the current fiscal year (Millions of yen)	Depreciation / amortization for the current fiscal year (Millions of yen)	Balance at December 31, 2019 (Millions of yen)	Accumulated depreciation or amortization for the current fiscal year (Millions of yen)
Property, plant and equipment						
Buildings	3,458	80	125 (62)	169	3,243	7,265
Structures	49	38	0(0)	7	79	718
Machinery and equipment	377	314	0	182	509	2,671
Vehicles	10	-	-	4	5	106
Tools, furniture and fixtures	27	11	0	14	24	295
Land	4,584 [(2,178)]	-	317 (93) [291]	-	4,266 [(2,470)]	-
Lease assets	60	35	1	18	76	46
Construction in progress	-	49	-	-	49	-
Total Property, plant and equipment	8,567	529	444 (156)	396	8,255	11,104
Intangible assets						
Software	959	164	0	193	929	728
Software in progress	46	24	71	-	-	-
Other	8	-	-	-	8	-
Total intangible assets	1,014	188	71	193	938	728

(Notes) 1 The figures shown in parentheses are internal figures and represent impairment losses.

2 From current fiscal year, figures in square brackets in the "Balance at January 1, 2019," "Decrease in the current fiscal year" and "Balance at December 31, 2019" columns indicate amounts outstanding as a revaluation reserve for land (before tax).

【Schedule of provisions】

Classification	Balance at January 1, 2018 (Millions of yen)	Increase in the current fiscal year (Millions of yen)	Decrease in the current fiscal year (Millions of yen)	Balance at December 31, 2018 (Millions of yen)
Allowance for doubtful accounts	109	1	70	41
Provision for bonuses	101	104	101	104
Provision for loss on orders received	161	-	-	161
Provision for product warranties	13	14	13	14
Provision for stock benefits	57	156	4	208

(2) 【Details of major assets and liabilities】

Statement has been omitted since consolidated financial statements are prepared.

(3) **【Other】**

- ① Events arising after the balance sheet date
Not applicable.
- ② Lawsuits
Not applicable.



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Independent Auditor's Report

The Board of Directors
OYO Corporation

We have audited the accompanying consolidated financial statements of OYO Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OYO Corporation and its consolidated subsidiaries as at December 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

March 27, 2020
Tokyo, Japan

Independent Auditor's Report

The Board of Directors
OYO Corporation

We have audited the accompanying non-consolidated financial statements of OYO Corporation, which comprise the non-consolidated balance sheet as at December 31, 2019, and the non-consolidated statements of income, and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of OYO Corporation as at December 31, 2019, and their non-consolidated financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.



March 27, 2020
Tokyo, Japan