

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

**OYO Corporation
and Consolidated Subsidiaries**

*Year ended December 31, 2020
with Independent Auditor's Report*

5. 【Financial information】

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).

- (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.

2. Audit certification

The consolidated financial statements for the current fiscal year (from January 1, 2020 to December 31, 2020) and non-consolidated financial statements for the current fiscal year (from January 1, 2020 to December 31, 2020) 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, 2019)	Current fiscal year (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	26,352	29,970
Notes and accounts receivable-trade	*1 1,781	*1 1,517
Accounts receivable-completed operation	22,911	21,415
Lease receivables and investment assets	2,934	3,822
Short-term investment securities	1,199	922
Costs on uncompleted services	755	713
Merchandise and finished goods	785	776
Work in process	765	841
Raw materials and supplies	1,780	1,999
Other	**2864	**2597
Allowance for doubtful accounts	(26)	(26)
Total current assets	60,105	62,549
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	14,359	13,654
Accumulated depreciation	(9,612)	(9,171)
Accumulated impairment loss	(62)	(2)
Buildings and structures, net	4,684	4,480
Machinery, equipment and vehicles	6,833	6,943
Accumulated depreciation	(5,544)	(5,650)
Accumulated impairment loss	-	(220)
Machinery, equipment and vehicles, net	1,288	1,072
Tools, furniture and fixtures	1,680	1,656
Accumulated depreciation	(1,549)	(1,544)
Accumulated impairment loss	-	(6)
Tools, furniture and fixtures, net	130	105
Land	**3 6,146	**3 5,886
Lease assets	533	531
Accumulated depreciation	(243)	(312)
Lease assets, net	290	219
Construction in progress	56	32
Total property, plant and equipment	12,597	11,797
Intangible assets		
Software	1,013	851
Software in progress	-	25
Goodwill	183	83
Other	155	66
Total intangible assets	1,351	1,026

(Millions of yen)

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Investments and other assets		
Investment securities	*4 6,297	*4 5,627
Long-term loans receivable	23	23
Net defined benefit asset	1,569	1,766
Deferred tax assets	54	49
Real estate for investment	534	534
Accumulated depreciation	(222)	(232)
Real estate for investment, net	311	301
Other	*21,656	*21,275
Allowance for doubtful accounts	(408)	(370)
Total investments and other assets	9,504	8,671
Total noncurrent assets	23,453	21,496
Total assets	83,559	84,045

(Millions of yen)

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*1 636	*1573
Accounts payable-operating	1,831	1,662
Short-term loans payable	104	93
Lease obligations	1,266	1,420
Provision for product warranties	125	106
Provision for stock benefits	-	325
Income taxes payable	864	718
Advances received on uncompleted contracts	475	397
Provision for bonuses	141	142
Provision for loss on orders received	161	182
Other	4,595	5,014
Total current liabilities	10,201	10,638
Noncurrent liabilities		
Lease obligations	1,971	2,637
Net defined benefit liability	1,866	1,845
Provision for stock benefits	208	49
Deferred tax liabilities	676	576
Deferred tax liabilities for land revaluation	*3 327	*3280
Other	151	195
Total noncurrent liabilities	5,200	5,584
Total liabilities	15,402	16,223

(Millions of yen)

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	16,174	16,174
Capital surplus	15,077	15,077
Retained earnings	39,096	40,136
Treasury stock	(1,826)	(1,820)
Total shareholders' equity	68,521	69,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,760	1,303
Revaluation reserve for land	^{*3} (2,797)	^{*3} (2,902)
Foreign currency translation adjustment	107	(621)
Remeasurements of defined benefit plans	175	193
Total accumulated other comprehensive income	(753)	(2,027)
Non-controlling interests	389	282
Total net assets	68,157	67,822
Total liabilities and net assets	83,559	84,045

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

(Millions of yen)

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net sales	53,883	49,608
Cost of sales	*1, *2 38,000	*1, *2 33,972
Gross profit	15,883	15,635
Selling, general and administrative expenses		
Directors' compensations	786	786
Salaries and allowances	5,201	5,144
Provision for bonuses	52	55
Provision for stock benefits	78	73
Legal welfare expenses	796	809
Retirement benefit expenses	218	163
Traveling and transportation expenses	518	290
Rent expenses	396	473
Depreciation	318	357
Research and development expenses	*3 1,612	*3 1,427
Amortization of goodwill	54	125
Provision of allowance for doubtful accounts	-	125
Other	3,266	3,280
Total selling, general and administrative expenses	13,301	13,112
Operating income	2,581	2,522
Non-operating income		
Interest income	191	106
Dividends income	96	87
Equity in earnings of affiliates	59	29
Grant income	—	178
Insurance and dividends income	88	84
Rent of real estate	57	53
Other	102	139
Total non-operating income	596	680

(Millions of yen)

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Non-operating expenses		
Interest expenses	7	11
Foreign exchange losses	37	9
Provision of allowance for doubtful accounts	12	7
Rent cost of real estate	14	14
Loss on retirement of noncurrent assets	22	5
Other	25	6
Total non-operating expenses	119	55
Ordinary income	3,058	3,147
Extraordinary income		
Gain on sales of noncurrent assets	-	*425
Gain on sales of investment securities	278	7
Gain on sales of affiliate's stocks	25	-
Total extraordinary income	303	33
Extraordinary loss		
Loss on sales of investment securities	53	1
Impairment loss	*5 166	*5 350
Total extraordinary loss	219	352
Profit before income taxes	3,142	2,828
Income taxes-current	1,116	1,084
Income taxes-deferred	(163)	48
Total income taxes	952	1,133
Profit	2,189	1,694
Profit (Loss) attributable to non-controlling interests	13	(86)
Profit attributable to owners of parent	2,176	1,781

【Consolidated statements of comprehensive income】

(Millions of yen)

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Profit	2,189	1,694
Other comprehensive income		
Valuation difference on available-for-sale securities	511	(456)
Foreign currency translation adjustment	(196)	(737)
Remeasurements of defined benefit plans	133	18
Total other comprehensive income	*1 448	*1(1,175)
Comprehensive income	2,638	519
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	2,625	612
Comprehensive income (loss) attributable to non-controlling interests	13	(93)

③ 【Consolidated statements of changes in net assets】
Prior 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
Reversal of revaluation reserve for land			202		202
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
Reversal of revaluation reserve for land							202
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

Current fiscal year (From January 1, 2020 to December 31, 2020)

(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	39,096	(1,826)	68,521
Changes during the year					
Dividends from surplus			(846)		(846)
Profit attributable to owners of parent			1,781		1,781
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				6	6
Reversal of revaluation reserve for land			105		105
Net changes in items other than shareholders' equity					
Total changes during the year	-	-	1,039	6	1,046
Balance at the end of year	16,174	15,077	40,136	(1,820)	69,567

(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	1,760	(2,797)	107	175	(753)	389	68,157
Changes during the year							
Dividends from surplus							(846)
Profit attributable to owners of parent							1,781
Purchase of treasury stock							(0)
Disposal of treasury stock							6
Reversal of revaluation reserve for land							105
Net changes in items other than shareholders' equity	(456)	(105)	(729)	18	(1,273)	(107)	(1,380)
Total changes during the year	(456)	(105)	(729)	18	(1,273)	(107)	(334)
Balance at the end of year	1,303	(2,902)	(621)	193	(2,027)	282	67,822

④ 【Consolidated statements of cash flows】

(Millions of yen)

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	3,142	2,828
Depreciation and amortization	1,159	1,192
Impairment loss	166	350
Amortization of goodwill	54	125
Increase (decrease) in provision for bonuses	3	1
Interest and dividend income	(288)	(193)
Interest expenses	7	11
Equity in (earnings) losses of affiliates	(59)	(29)
Loss (gain) on sales of investment securities	(225)	(6)
Loss (gain) on sales of affiliate's stocks	(25)	-
Decrease (increase) in notes and accounts receivable trade	(2,926)	1,643
Decrease (increase) in inventories	(100)	(426)
Decrease (increase) in costs on uncompleted services	1,639	39
Increase (decrease) in notes and accounts payable trade	133	(216)
Increase (decrease) in advances received on uncompleted contracts	(1,195)	(77)
Other	1,222	706
Subtotal	2,707	5,948
Interest and dividend income received	316	234
Interest expenses paid	(7)	(11)
Income taxes paid	(686)	(1,299)
Refund of income taxes	184	53
Net cash provided by (used in) operating activities	2,515	4,925
Cash flows from investment activities		
Payments into time deposits	(5,616)	(5,344)
Proceeds from withdrawal of time deposits	5,689	5,467
Purchase of short-term investment securities	(2,900)	(300)
Proceeds from sales of short-term investment securities	3,000	300
Purchase of property, plant and equipment and intangible assets	(1,151)	(893)
Proceeds from sales of property, plant and equipment and intangible assets	15	385
Purchase of investment securities	(13)	(13)
Proceeds from sales of investment securities	603	47
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (251)	-
Contingent consideration payments of shares of subsidiaries	-	(28)
Collection of loans receivable	0	1
Other	(1)	362
Net cash provided by (used in) investing activities	(624)	(15)

(Millions of yen)

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cash flows from financing activities		
Proceeds from short-term loans payable	103	-
Repayments of short-term loans payable	(2)	(7)
Repayments of lease obligations	(111)	(112)
Proceeds from sales of treasury stock	1	6
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(740)	(846)
Dividends paid to non-controlling interests	(6)	(18)
Net cash provided by (used in) financing activities	(756)	(979)
Effect of exchange rate change on cash and cash equivalents	32	(210)
Net increase (decrease) in cash and cash equivalents	1,166	3,719
Cash and cash equivalents at beginning of the year	19,399	20,565
Cash and cash equivalents at end of the year	*1 20,565	*1 24,285

【Notes】

(Significant accounting policies)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 26

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

During the current fiscal year, P-Cable 3D Seismic AS was 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 over 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 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (Implementation Guidance No. 30, issued on March 31, 2020)

(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

The accounting standards will be applied from the beginning of the fiscal year ending December 31, 2021.

(3) Effect of application

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

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

In order to improve the comparability with the provisions of international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (“Accounting Standards for Fair Value Measurement”) have been established. These standards were developed and provided guidance on how to calculate fair value. Accounting Standards for Fair Value Measurement are applied to the fair value of the following items:

- Financial instruments in the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes in “Accounting Standard for Valuation of Inventories”

In addition, the “Guidance on Disclosures about Fair Value of Financial Instruments” was revised to provide notes on the breakdown of fair value of financial instruments by level.

(2) Expected date of application

The accounting standards will be applied from the beginning of the fiscal year ending December 31, 2022.

(3) Effect of application

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

- Accounting Standard for Disclosure of Accounting Policies, Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Summary

The purpose of the accounting standards is to provide an overview of the accounting principles and procedures adopted in the event that the relevant accounting standards are not clearly defined.

(2) Expected date of application

The accounting standard will be applied from the end of the fiscal year ending December 31, 2021.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Summary

The purpose of the accounting standard is to disclose information that contributes to the understanding of financial statement users regarding the details of accounting estimates in the items for which amount recorded in the financial statements for the current fiscal year has a risk of significant impact on the financial statements for the following fiscal year.

(2) Expected date of application

The accounting standard will be applied from the end of the fiscal year ending December 31, 2021.

(Change in presentation)

(Consolidated statements of cash flows)

In the prior fiscal year, "Payments of short-term loans receivable" and "Payments of long-term loans receivable" in "Cash flows from investment activities" were presented separately from the current fiscal year. However, as the amount was immaterial for the current fiscal year, it was included in "Other." To reflect this change in presentation, the consolidated financial statements for the prior fiscal year were reclassified.

As a result, "Payments of short-term loans receivable" in "Cash flows from investment activities" in the amount of (1) million yen, "Payments of long-term loans receivable" in "Cash flows from investment activities" in the amount of (1) million yen, "Other" in "Cash flows from investment activities" in the amount of 0 million yen in the consolidated statements of cash flows for the prior fiscal year was reclassified as (1) million yen in "Other."

(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 522 million yen and 349,482 shares, respectively, as of the end of the prior fiscal year, and 515 million yen and 345,086 shares, respectively, as of the end of the current fiscal year.

(Assumption of the impact of the COVID-19 in development of accounting estimates)

COVID-19 is continuing to expand in Japan and other countries worldwide, and the outlook for the economy remains uncertain, while the oil and natural resource market remains sluggish. Net sales has declined, particularly among Group companies overseas. These and other factors have had an impact on the Group's performance.

Vaccines have been launched in some foreign countries, but given that it is expected that it will take some time before vaccinations are widely implemented in Japan, the Company has made accounting estimates such as recoverability of deferred tax assets and impairment of noncurrent assets based on the assumption that the impact of the COVID-19 on the global economy and the Japanese economy may continue until the second half of 2021. As the impact of the COVID-19 on economic activity is highly uncertain, changes in the above assumptions could affect the Company's financial position and results of operations in future periods.

(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, 2019)	Current fiscal year (As of December 31, 2020)
Notes receivable-trade	2 million yen	3 million yen
Notes payable-trade	3 million yen	9million yen

2. Pledged assets and secured liabilities

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Current assets' Other	1 million yen	1 million yen
Investments and other assets' Other	164 million yen	155 million yen
Total	165 million yen	156 million yen

(Prior fiscal year)

Within the limit of the letter of credit (2,410 million yen), the Company provides the restricted deposits 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 (2,277 million yen), the Company provides the restricted deposits 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, 2019)	Current fiscal year (As of December 31, 2020)
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:	(735) million yen	(251) million yen
The difference related to real estate for rent out of this:	(51) million yen	(47) million yen

※ 4. Non-consolidated subsidiaries and affiliates

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Investment securities (stock)	769 million yen	786 million yen

The amounts of investment in joint ventures included above were 754 million yen in the prior fiscal year and 771 million yen in the current fiscal year.

5. Guarantee obligation

The Company guarantees a performance bond from a financial institution related to sales order as follows.

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Tianjin Smart Sensor Technology Co., LTD.	25 million yen	- 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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cost of sales	154 million yen	147 million yen

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

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cost of sales	- million yen	21 million yen

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

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
General and administrative expenses	1,612 million yen	1,427 million yen

※ 4. The components of gain on sales of noncurrent assets are as follows

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Land	- million yen	25 million yen

※ 5 Impairment loss

Prior 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.

Current fiscal year (January 1, 2020 to December 31, 2020)

The Group recognized impairment loss on the following assets.

Location	Use	Type	Impairment loss
Texas, U.S.A.	For research projects	Machinery and equipment	217 million yen
		Intangible assets (Other)	62 million yen
California, U.S.A.	For equipment manufacturing and sales	Software, etc.	57 million yen
Singapore	For research projects	Vehicles, etc.	12 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, because of the decline of profitability due to the deterioration in the market, the book value was reduced to the recoverable amount and the write-down of 280 million yen (2,626 thousand US dollars), 57 million yen (539 thousand US dollars), and 12 million yen (161 thousand Singapore dollars) were recognized as impairment losses. For Machinery, etc., in Texas, U.S.A., the recoverable amount is calculated based on the net selling price, which is the appraised value by professionals. For vehicles, etc., in Singapore, the recoverable amount is calculated based on the net selling price, and the recoverable amount is the net selling price minus the expected disposal cost. For intangible assets (Other) in Texas, U.S.A., software, etc., in California, the recoverable amounts are measured as value in use, and the future cash flows are discounted at 17.0% and 14.5%, respectively.

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Valuation difference on available-for-sale securities:		
Amount arising during the current fiscal Year	957 million yen	(651) million yen
Reclassification adjustment	(219) million yen	(6) million yen
Amount before tax effect	737 million yen	(658) million yen
Tax effect	(225) million yen	201 million yen
Valuation difference on available-for-sale securities	511 million yen	(456) million yen
Foreign currency translation adjustment:		
Amount arising during the current fiscal year	(171) million yen	(737) million yen
Reclassification adjustment	(25) million yen	- million yen
Foreign currency translation adjustment:	(196) million yen	(737) million yen
Remeasurements of defined benefit plans:		
Amount arising during the current fiscal Year	178 million yen	133 million yen
Reclassification adjustment	14 million yen	(107) million yen
Amount before tax effect	192 million yen	26 million yen
Tax effect	(59) million yen	(8) million yen
Remeasurements of defined benefit plans	133 million yen	18 million yen
Total other comprehensive income	448 million yen	(1,175) million yen

(Consolidated statements of changes in net assets)

Prior 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 Trust & Custody Services Bank, Ltd. (Trust Account) (currently renamed; Custody Bank of Japan, 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 by Trust & Custody Services Bank, Ltd. (Trust Account) (currently renamed; Custody Bank of Japan, Ltd. (Trust Account)) 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 Trust & Custody Services Bank, Ltd. (Trust Account) (currently renamed; Custody Bank of Japan, 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 Trust & Custody Services Bank, Ltd. (Trust Account) (currently renamed; Custody Bank of Japan, 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 General Meeting of Shareholders of March 27, 2020 includes 5 million yen of dividends distributed to treasury stock held by Trust & Custody Services Bank, Ltd. (Trust Account) (currently renamed; Custody Bank of Japan, Ltd. (Trust Account)).

Current fiscal year (From January 1, 2020 to December 31, 2020)

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

	Number of shares at January 1, 2020	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, 2020
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	1,468,641	256	4,396	1,464,501
Total	1,468,641	256	4,396	1,464,501

(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 349,482 shares and 345,086 shares of the Company held by Custody Bank of Japan, 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 256 shares

Breakdown of decrease in the number is as follows.

Decrease due to demand for sale by Custody Bank of Japan, Ltd. (Trust Account) 4,396 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, 2020 General meeting of shareholders	Common stock	423	16.00	December 31, 2019	March 30, 2020
August 12, 2020 Board meeting	Common stock	423	16.00	June 30, 2020	September 23, 2020

(Notes) 1 The total amount of dividends resolved by the General Meeting of Shareholders of March 27, 2020 includes 5 million yen of dividends distributed to treasury stock held by Trust & Custody Services Bank, Ltd. (Trust Account) (currently renamed; Custody Bank of Japan, Ltd. (Trust Account)) .

2 The total amount of dividends resolved by the Board of Directors of August 12, 2020 includes 5 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, 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 26, 2021 General meeting of shareholders	Common stock	423	Retained earnings	16.00	December 31, 2020	March 29, 2021

(Note) The total amount of dividends resolved by the General Meeting of Shareholders of March 26, 2021 includes 5 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, 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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Cash and deposits	26,352 million yen	29,970 million yen
Short-term investment securities	1,199 million yen	922 million yen
Total	27,552 million yen	30,892 million yen
Time deposits with maturities of more than 3 months	(6,086) million yen	(5,684) million yen
Stock and debt securities with redemption period exceeding 3 months	(899) million yen	(922) million yen
Cash and cash equivalents	20,565 million yen	24,285 million yen

※ 2. Breakdown of assets acquired and liabilities assumed of newly consolidated subsidiary due share acquisition
Prior fiscal year (From January 1, 2019 to December 31, 2019)

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

Current fiscal year (From January 1, 2020 to December 31, 2020)

Not applicable.

3. Significant noncash transactions

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

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Amount of assets and liabilities related to finance lease transactions	119 million yen	46 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, 2019)	Current fiscal year (As of December 31, 2020)
Due in 1 year or less	128	125
Due after 1 year	426	307
Total	554	433

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, 2019)	Current fiscal year (As of December 31, 2020)
Current assets	2,934	3,822

(2) Lease obligations

(Millions of yen)

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Current liabilities	1,154	1,324
Noncurrent liabilities	1,779	2,494

(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, 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	-

Current fiscal year (As of December 31, 2020)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	29,970	29,970	-
(2) Notes and accounts receivable-trade	1,517	1,517	-
(3) Accounts receivable-completed operations	21,415	21,415	-
(4) Short-term investment securities and investment securities Available-for-sale securities	5,524	5,524	-
Total assets	58,427	58,427	-
(1) Notes and accounts payable-trade	573	573	-
(2) Accounts payable-operating	1,662	1,662	-
(3) Income taxes payable	718	718	-
Total liabilities	2,954	2,954	-

(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, 2019	December 31, 2020
Investments in a limited partnership	0	0
Unlisted bonds	-	22
Unlisted stocks	216	216
Stocks of subsidiaries and affiliates	769	786

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, 2019)

	Due within 1 year (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				
(3) Others	200	-	-	-
2. Others	1,000	750	-	-
	0	83	-	-
Total	52,230	833	-	-

Current fiscal year (As of December 31, 2020)

	Due within 1 year (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	29,956	-	-	-
Notes and accounts receivable-trade	1,517	-	-	-
Accounts receivable-completed operation	21,415	-	-	-
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	22	-	-	-
(3) Others	900	750	-	-
2. Others	0	81	-	-
Total	53,811	831	-	-

4. Repayment schedule of lease obligations due after the balance sheet date.
 Prior 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

Current fiscal year (As of December 31, 2020)

	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	1,420	1,053	732	501	281	68

(Securities)

1. Available-for-sale securities

Prior 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	-	-	-
	(3) Others	652	650	2
		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			
	(c) Others	199	200	(0)
	(3) Others	1,096	1,100	(3)
		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".

Current fiscal year (As of December 31, 2020)

	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	3,649	1,766	1,882
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds			
	(c) Others	-	-	-
	(3) Others	450	450	0
		-	-	-
	Sub total	4,099	2,216	1,882
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	-	-	-
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds			
	(c) Others	-	-	-
	(3) Others	1,198	1,200	(1)
		226	248	(22)
	Sub total	1,424	1,448	(23)
	Total	5,524	3,664	1,859

(Note) Unlisted stocks and unlisted bonds (book value on the consolidated balance sheet: 239 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, 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

Current fiscal year (From January 1, 2020 to December 31, 2020)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	8	0	1
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	37	7	0
Total	46	7	1

(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.

Defined contribution pension plans have been established by the Company and certain consolidated subsidiaries.

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.

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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Retirement benefit obligations at beginning of the year	6,281	6,106
Service cost	276	276
Interest cost	15	15
Actuarial gain or loss	33	(93)
Retirement benefits paid	(500)	(403)
Retirement benefit obligations at end of the year	6,106	5,902

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Plan assets at beginning of the year	5,655	5,793
Expected return on plan assets	113	115
Actuarial gain or loss	212	40
Contribution by the Company	128	133
Retirement benefits paid	(316)	(283)
Plan assets at end of the year	5,793	5,799

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net defined benefit liability at beginning of the year (net)	8	(16)
Retirement benefits expenses	14	24
Retirement benefits paid	(21)	(22)
Contribution to the system	(18)	(9)
Net defined benefit liability at end of the year (net)	(16)	(23)

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Funded projected benefit obligations	4,392	4,197
Plan assets	(5,961)	(5,963)
	(1,569)	(1,766)
Unfunded projected benefit obligations	1,866	1,845
Net liability for projected benefit obligations in the consolidated balance sheets	296	78
Net defined benefit liability	1,866	1,845
Net defined benefit asset	(1,569)	(1,766)
Net liability for projected benefit obligations in the consolidated balance sheets	296	78

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

(5) Retirement benefit expenses

	(Millions of yen)	
	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Service cost	276	276
Interest cost	15	15
Expected return on plan assets	(113)	(115)
Amortization of actuarial gain or loss	14	(107)
Other	3	5
Retirement benefit expenses calculated by compendium method	14	24
Retirement benefit expenses related to defined benefit plans	211	99

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Actuarial gain or loss	14	(107)
Total	14	(107)

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Unrecognized actuarial gain or loss	(252)	(279)
Total	(252)	(279)

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Bonds	60 %	58 %
Stocks	24 %	22 %
General accounts	3 %	2 %
Others	13 %	18 %
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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Discount rates	0.05 % ~ 0.5 %	0.05% ~ 0.6%
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 335 million yen for the prior fiscal year and 337 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, 2019)	Current fiscal year (As of December 31, 2020)
Deferred tax assets		
Net operating loss carryforwards	178 million yen	141 million yen
Net defined benefit liability	486 million yen	484 million yen
Allowance for doubtful accounts	138 million yen	153 million yen
Provision for bonuses	56 million yen	52 million yen
Enterprise tax payable	72 million yen	60 million yen
Loss on valuation of securities	31 million yen	12 million yen
Loss on valuation of inventories	170 million yen	189 million yen
Revaluation reserve for land	1,083 million yen	1,082 million yen
Others	957 million yen	1,083 million yen
Deferred tax assets: Sub total	3,174 million yen	3,261 million yen
Valuation allowance for net operating loss carry forwards (Note2)	(169) million yen	(133) million yen
Valuation allowance for deductible temporary differences	(1,914) million yen	(2,100) million yen
Valuation allowance (Note1)	(2,083) million yen	(2,233) million yen
Deferred tax assets: Total	1,090 million yen	1,027 million yen
Deferred tax liabilities		
Balance of investments (valuation difference of noncurrent assets)	(219) million yen	(221) million yen
Revaluation reserve for land	(327) million yen	(280) million yen
Valuation differences on assets received by merger	(133) million yen	(133) million yen
Valuation difference on available-for-sale securities	(757) million yen	(556) million yen
Retained earnings of overseas subsidiaries	(135) million yen	(116) million yen
Net defined benefit assets	(389) million yen	(454) million yen
Other	(76) million yen	(73) million yen
Deferred tax liabilities: Total	(2,039) million yen	(1,836) million yen
Net deferred tax liabilities	(948) million yen	(808) 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.

Prior 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.

Current fiscal year (As of December 31, 2020)

	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)	11	4	2	3	24	95	141 million yen
Valuation allowance	(11)	(4)	(2)	(3)	(24)	(87)	(133) 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, 2019)	Current fiscal year (As of December 31, 2020)
Statutory effective tax rate in Japan	-	30.6 %
(Reconciliation)		
Permanently non-deductible entertainment and other expenses	-	0.6 %
Permanently non-taxable dividends and other income	-	(1.3) %
Per-capita inhabitant tax	-	3.4 %
Equity in earnings of affiliates	-	(0.3) %
Valuation allowance	-	6.5 %
Effect of tax deduction	-	(3.0) %
Amortization of goodwill	-	1.4 %
Others	-	2.2 %
Effective tax rates	-	40.1 %

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

(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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Book value in the consolidated balance sheets	Balance at the beginning of the fiscal year	591	581
	Increase/decrease during the fiscal year	(10)	(9)
	Balance at the end of the fiscal year	581	571
Fair value at the end of the year		543	550

- (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 (9 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.

From the current fiscal year, the Company reviewed the scope of 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, certain operations related to the Regional and Global Aqua Engineering Business, which were previously included in "Infrastructure Maintenance, Management, and Renovation," have been reclassified as "Natural Disaster Prevention and Mitigation."

In addition, from the current fiscal year, the allocation of selling, general and administrative expenses has been changed in order to more appropriately evaluate the performance of individual segments.

Segment information for the prior fiscal year has been prepared based on the new classification for reportable segments and the revised allocation methods.

An outline of the new segments is as follows.

<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, 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	20,833	13,804	8,974	10,270	53,883	-	53,883
Inter-segment sales or transfer	600	63	34	8	707	(707)	-
Total	21,434	13,868	9,009	10,278	54,591	(707)	53,883
Segment income (loss)	871	900	704	109	2,584	(2)	2,581
Other items							
Depreciation and amortization	434	235	243	245	1,159	-	1,159
Amortization of goodwill	37	-	-	17	54	-	54
Equity in earnings (loss) 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.

Current fiscal year (From January 1, 2020 to December 31, 2020)

(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	18,734	13,225	9,347	8,301	49,608	-	49,608
Inter-segment sales or transfer	599	45	40	28	714	(714)	-
Total	19,333	13,271	9,387	8,329	50,322	(714)	49,608
Segment income (loss)	1,007	860	962	(335)	2,495	27	2,522
Other items							
Depreciation and amortization	417	216	231	327	1,192	-	1,192
Amortization of goodwill	13	-	-	111	125	-	125
Equity in earnings (loss) of affiliates	(0)	-	-	30	29	-	29

- (Notes) 1. An adjustment of 27 million yen in the segment income (loss) was due to the elimination of inter-segment revenues.
2. Segment income (loss) 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, 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	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	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.

Current fiscal year (From January 1, 2020 to December 31, 2020)

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
41,304	3,078	5,225	49,608

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

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Breakdown by customer

Name of the customer	Net sales	Relevant segment
Ministry of Land, Infrastructure, Transport and Tourism	6,672	Infrastructure Maintenance, Management, and Renovation; Natural Disaster Prevention and Mitigation; Environment; and Natural Resources and Energy

【Information about impairment loss of noncurrent assets 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
Impairment loss	-	-	9	0	156	166

Current fiscal year (From January 1, 2020 to December 31, 2020)

(Millions of yen)

	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Eliminations or corporate	Total
Impairment loss	12	-	-	338	-	350

【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	37	-	-	17	-	54
Balance at the end of the year	71	-	-	111	-	183

Current fiscal year (From January 1, 2020 to December 31, 2020) (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	13	-	-	111	-	125
Balance at the end of the year	83	-	-	-	-	83

【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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net assets per share	2,595.07 yen	2,585.94 yen
Earnings per share	83.35 yen	68.20 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 349,482 shares in the prior fiscal year and 345,086 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 350,320 shares in the prior fiscal year and 347,844 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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	2,176	1,781
Net income not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	2,176	1,781
Average number of shares outstanding (share)	26,113,248	26,115,389

(Significant subsequent events)

(Purchase and disposal of treasury stock)

At the Board of Directors' meeting held on February 12, 2021, it was resolved to purchase treasury stock based on Article 165 (3) of the Companies Act as applied to Article 156 of the Companies Act and subsequently dispose of treasury stock based on Article 178 of the Companies Act.

1. Reason for purchase and disposal of treasury stock

The objective is to implement a more flexible capital policy that corresponds to changes in the management environment and to improve capital efficiency.

2. Details on purchase of treasury stock

(1) Type of stock to be purchased	Common stock
(2) Number of shares to be purchased	1,200,000 shares (Maximum) (4.59% of total number of issued shares (excluding treasury stock))
(3) Total amount	1,567,200,000 yen (Maximum)
(4) Purchase date	February 15, 2021
(5) Purchase method	Purchase through Tokyo Stock Exchange Off-Auction Own Share Repurchase Trading (ToSTNeT-3)

3. Results of purchase of treasury stock

(1) Type of stock purchased	Common stock
(2) Number of shares purchased	918,200 shares
(3) Total amount	1,199,169,200 yen
(4) Purchase date	February 15, 2021
(5) Purchase method	Purchased through Tokyo Stock Exchange Off-Auction Own Share Repurchase Trading (ToSTNeT-3)

4. Disposal of treasury stock

(1) Type of stock disposed	Common stock
(2) Number of shares disposed	918,200 shares (3.32% of total number of issued stock)
(3) Total number of issued shares after disposal	26,664,373 shares
(4) Disposal date	February 26, 2021

(Absorption-type merger of a consolidated subsidiary)

At the Board of Directors' meeting held on December 17, 2020, it was resolved to absorb and merge (the "Merger") its consolidated subsidiary, OYO INTERNATIONAL CORPORATION.

1. Purpose of the merger

By absorbing and merging OYO INTERNATIONAL CORPORATION, the Company expects to integrate management and streamline its overseas business development.

2. Summary of the merger

(1) Schedule of the merger

Board of Directors' resolution to approve the merger agreement	December 17, 2020
Signing date of merger agreement	February 10, 2021
Date of merger (Effective date)	April 1, 2021 (planned)

※Since the "Merger" is a simple merger as stipulated in Paragraph 2 of Article 796 of the Corporate Law with respect to the Company and is a summary merger as stipulated in Paragraph 1 of Article 784 of the Corporate Law with respect to OYO INTERNATIONAL CORPORATION, the Company will not hold a general meeting of shareholders to approve the merger agreement.

(2) Merger method

OYO INTERNATIONAL CORPORATION will be dissolved through an absorption-type merger with the Company as the surviving entity.

(3) Consideration for Merger

There is no monetary consideration, etc. for shares and other in the Merger.

(4) Subscription rights to shares and bonds with subscription rights to shares in connection with the Merger

Not applicable.

3. Summary of the merged entity (December 31, 2020)

Name	OYO INTERNATIONAL CORPORATION
Description of Businesses	Overseas construction consulting services (Earthquake disaster prevention, Groundwater development, Infrastructure development, etc.)
Address	1-17, Koishikawa 1-chome, Bunkyo-ku, Tokyo
Job Title/Name of Representative	Ryo Miyazaki, President and Representative Director
Amount of Capital Stock	100 million yen

4. Post-merger status

There is no change in the company's name, address, position and name of the representative, description of businesses, capital stock and fiscal year-end as a result of the Merger.

5. Summary of accounting treatment to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction will be accounted for as a transaction under common control.

⑤ 【Consolidated supplementary schedules】

【Schedule of corporate bonds】

Not applicable.

【Schedule of borrowings】

Classification	Balance at January 1, 2020 (Millions of yen)	Balance at December 31, 2020 (Millions of yen)	Average interest rate (%)	Period of repayment
Short-term loans payable	104	93	4.00	-
Long-term loans due for repayment within one year	-	-	-	-
Lease obligations due for repayment within one year	1,266	1,420	1.89	-
Long term loans (excluding those due for repayment within one year)	-	-	-	-
Lease obligations (excluding those due for repayment within one year)	1,971	2,637	1.90	2022-2027
Other interest-bearing liabilities	-	-	-	-
Total	3,341	4,150	-	-

(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, 2020.

	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	1,053	732	501	281

【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)	14,383	24,403	36,310	49,608
Profit before income taxes (Millions of yen)	1,894	1,900	2,502	2,828
Quarterly (current) profit attributable to owners of parent (Millions of yen)	1,187	1,128	1,610	1,781
Earnings per share (Yen)	45.46	43.21	61.68	68.20

Each quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly earnings (loss) per share (Yen)	45.46	(2.26)	18.48	6.52

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, 2019)	Current fiscal year (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	11,588	15,030
Notes receivable-trade	*142	*186
Accounts receivable-completed operation	18,131	17,375
Accounts receivable-trade	271	225
Short-term investment securities	1,199	900
Costs on uncompleted services	415	542
Merchandise and finished goods	303	298
Work in process	75	104
Raw materials and supplies	263	271
Prepaid expenses	142	146
Other	518	282
Total current assets	32,953	35,263
Noncurrent assets		
Property, plant and equipment		
Buildings	3,243	3,145
Structures	79	71
Machinery and equipment	509	586
Vehicles	5	5
Tools, furniture and fixtures	24	31
Land	4,266	4,034
Lease assets	76	45
Construction in progress	49	18
Total property, plant and equipment	8,255	7,939
Intangible assets		
Software	929	820
Software in progress	-	5
Other	8	8
Total intangible assets	938	833
Investments and other assets		
Investment securities	5,479	4,840
Stocks of subsidiaries and affiliates	12,821	12,786
Long-term loans receivable	107	60
Other	2,408	2,204
Allowance for doubtful accounts	(41)	(42)
Total investments and other assets	20,775	19,848
Total noncurrent assets	29,968	28,622
Total assets	62,922	63,886

(Millions of yen)

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-operating	1,276	1,372
Accounts payable-trade	25	46
Accounts payable-other	2,190	2,686
Income taxes payable	446	377
Accrued expenses	302	369
Advances received on uncompleted contracts	148	201
Deposits payable	314	316
Provision for bonuses	104	107
Provision for loss on orders received	161	182
Provision for product warranties	14	14
Provision for stock benefits	-	325
Other	54	76
Total current liabilities	5,038	6,075
Noncurrent liabilities		
Provision for retirement benefits	1,818	1,803
Provision for stock benefits	208	49
Deferred tax liabilities	321	232
Deferred tax liabilities for land revaluation	327	280
Other	72	72
Total noncurrent liabilities	2,748	2,437
Total liabilities	7,786	8,512

(Millions of yen)

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
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	3,572	4,358
Total retained earnings	27,367	28,153
Treasury stock	(1,826)	(1,820)
Total shareholders' equity	56,180	56,973
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,752	1,303
Revaluation reserve for land	(2,797)	(2,902)
Total valuation and translation adjustments	(1,044)	(1,599)
Total net assets	55,136	55,373
Total liabilities and net assets	62,922	63,886

② 【Non-consolidated statements of income】

(Millions of yen)

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Net sales	30,203	28,591
Cost of sales	22,877	20,129
Gross profit	7,325	8,462
Selling, general and administrative expenses	^{*1} 6,713	^{*1} 6,924
Operating income	611	1,537
Non-operating income		
Interest and dividends income	^{*2} 396	^{*2} 456
Insurance and dividends income	77	77
Rent of real estate	^{*2} 86	^{*2} 76
Other	^{*2} 44	^{*2} 69
Total non-operating income	604	681
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	4	-
Provision of allowance for doubtful accounts	1	7
Rent cost of real estate	26	24
Other	2	2
Total non-operating expenses	36	36
Ordinary income	1,180	2,183
Extraordinary income		
Gain on sales of noncurrent assets	-	^{*3} 25
Gain on sales of affiliate's stocks	0	-
Gain on sales of investment securities	275	-
Total extraordinary income	275	25
Extraordinary loss		
Loss on valuation of affiliates' stock	75	63
Impairment loss	156	-
Loss on sales of investment securities	53	0
Total extraordinary loss	285	64
Profit before income taxes	1,170	2,144
Income taxes-current	459	554
Income taxes-deferred	(152)	62
Total income taxes	307	616
Profit	863	1,527

【Breakdown of cost of sales】

A. Cost of sales for completed geo-engineering services

Classification	Notes	Prior fiscal year (From January 1, 2019 to December 31, 2019)		Current fiscal year (From January 1, 2020 to December 31, 2020)			
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		
Materials cost			880	4.3	908	4.6	
Labor cost			5,425	26.7	6,084	31.3	
Subcontract cost			10,448	51.5	9,393	48.3	
Overhead cost							
Transportation expenses		1,147			912		
Report preparation cost		50			50		
Depreciation		349			360		
Other		2,008	3,555	17.5	1,743	3,067	15.8
Total cost for geo-engineering services			20,310	100.0	19,454	100.0	
Costs on uncompleted services at beginning of the year			1,915		249		
Total			22,225		19,703		
Costs on uncompleted services at the end of the year			249		376		
Cost of sales for completed geo-engineering services			21,976		19,327		
Provision for loss on orders received			-		21		
Reversal of provision for loss on orders received			-		-		
Cost of sales for completed geo-engineering services during the year			21,976		19,348		

(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, 2019 to December 31, 2019)		Current fiscal year (From January 1, 2020 to December 31, 2020)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Finished goods at beginning of the year			239		303
Cost of purchased goods during the year			533		420
Cost of products manufactured during the year					
Materials cost		317	52.6	335	53.5
Labor cost		192	31.9	197	31.6
Overhead cost		93	15.5	93	14.9
Total manufacturing costs		603	100.0	626	100.0
Work in process at the beginning of the year		92		75	
Total		696		701	
Transfer to other accounts	※2	89		103	
Work in process at the end of the year		75	532	104	494
Total			1,305		1,218
Transfer to other accounts	※3		101		138
Finished goods at the end of the year			303		298
Cost of sales for measuring instruments during the year			900		780

(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 (Selling, general and administrative expenses)	41 million yen	45 million yen
※ 3. Transfer to other accounts	Prior fiscal year	Current fiscal year
Transfer to cost of geo-engineering services	101 million yen	138 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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
		Amount (Millions of yen)	Amount (Millions of yen)
Cost of sales for completed geo-engineering services		21,976	19,348
Cost of sales for measuring instruments		900	780
Cost of sales		22,877	20,129

③ 【Non-consolidated statements of changes in net assets】
Prior fiscal year (From January 1, 2019 to December 31, 2019)

(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 year	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)				
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			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 year	(1,828)	55,854	1,243	(2,594)	(1,351)	54,502
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
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

Current fiscal year (From January 1, 2020 to December 31, 2020)

(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 year	16,174	4,043	10,422	14,465	488	23,307	3,572	27,367
Changes during the year								
Dividends from surplus							(846)	(846)
Net income							1,527	1,527
Purchase of treasury stock								
Disposal of treasury stock								
Reversal of revaluation reserve for land							105	105
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	-	-	-	-	786	786
Balance at the end of year	16,174	4,043	10,422	14,465	488	23,307	4,358	28,153

(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
Balance at the beginning of the year	(1,826)	56,180	1,752	(2,797)	(1,044)	55,136
Changes during the year						
Dividends from surplus		(846)				(846)
Net income		1,527				1,527
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock	6	6				6
Reversal of revaluation reserve for land		105				105
Net changes in items other than shareholders' equity			(449)	(105)	(555)	(555)
Total changes during the year	6	792	(449)	(105)	(555)	237
Balance at the end of year	(1,820)	56,973	1,303	(2,902)	(1,599)	55,373

【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.

(Additional information)

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

(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, 2019)	Current fiscal year (As of December 31, 2020)
Notes receivable-trade	2 million yen	1 million yen

2. Guarantee obligation

A consolidated subsidiary's loans payable is guaranteed as follows.

	Prior fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Tianjin Smart Sensor Technology Co., LTD.	25 million yen	- million yen
FONG CONSULT PTE. LTD.	97 million yen	93 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, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Salaries and allowances	3,090 million yen	3,178 million yen
Provision for bonuses	42 million yen	44 million yen
Retirement benefit expenses	153 million yen	95 million yen
Depreciation	182 million yen	234 million yen
Approximate ratio		
Selling expenses	58 %	57 %
General and administrative expenses	42 %	43 %

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

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Dividends income	289 million yen	362 million yen
Other non-operating income including real estate rent	57 million yen	45 million yen

- ※ 3. The components of gain on sales of noncurrent assets are as follows.

	Prior fiscal year (From January 1, 2019 to December 31, 2019)	Current fiscal year (From January 1, 2020 to December 31, 2020)
Land	- million yen	25 million yen

(Securities)

Prior 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.

Current fiscal year (As of December 31, 2020)

Stocks of subsidiaries or affiliates (12,736 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, 2019)	Current fiscal year (As of December 31, 2020)
Deferred tax assets		
Provision for bonuses	36 million yen	37 million yen
Enterprise tax payable	45 million yen	36 million yen
Loss on valuation of securities	13 million yen	12 million yen
Provision for retirement benefits	471 million yen	471 million yen
Revaluation reserve for land	1,082 million yen	1,082 million yen
Valuation differences on assets received by merger	52 million yen	51 million yen
Other	569 million yen	542 million yen
Deferred tax assets : Sub total	2,272 million yen	2,234 million yen
Valuation provision	(1,325) million yen	(1,345) million yen
Deferred tax assets: Total	946 million yen	889 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale	(754) million yen	(556) million yen
Prepaid pension cost	(319) million yen	(371) million yen
Revaluation reserve for land	(327) million yen	(280) million yen
Valuation differences on assets received by merger	(133) million yen	(133) million yen
Other	(60) million yen	(60) million yen
Deferred tax liabilities: Total	(1,595) million yen	(1,402) million yen
Net deferred tax liabilities	(648) million yen	(513) 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, 2019)	Current fiscal year (As of December 31, 2020)
Statutory effective tax rate in Japan (Reconciliation)	30.6 %	30.6 %
Permanently non-deductible entertainment and other expenses	0.5 %	0.1 %
Dividends and other income permanently included in gross profit	(8.1) %	(5.4) %
Per-capita inhabitants tax	6.5 %	3.5 %
Valuation provision	(3.5)%	0.9 %
Tax deduction	- %	(1.1) %
Other	0.3 %	0.2 %
Effective tax rate	26.2 %	28.8 %

(Significant subsequent events)

As the same information has been described in the "Notes" (Significant subsequent events) 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, 2020 (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, 2020 (Millions of yen)	Accumulated depreciation or amortization for the current fiscal year (Millions of yen)
Property, plant and equipment						
Buildings	3,243	136	73	160	3,145	6,792
Structures	79	-	0	8	71	700
Machinery and equipment	509	303	7	219	586	2,656
Vehicles	5	3	0	3	5	109
Tools, furniture and fixtures	24	21	0	13	31	297
Land	4,266 [(2,540)]	-	232 [152]	-	4,034 [(2,692)]	-
Lease assets	76	9	0	39	45	82
Construction in progress	49	18	49	-	18	-
Total Property, plant and equipment	8,255	492	362	445	7,939	10,638
Intangible assets						
Software	929	94	-	203	820	932
Software in progress	-	5	-	-	5	-
Other	8	-	-	-	8	-
Total intangible assets	938	99	-	203	833	932

(Notes) From current fiscal year, figures in square brackets in the "Balance at January 1, 2020," "Decrease in the current fiscal year" and "Balance at December 31, 2020" columns indicate amounts outstanding as a revaluation reserve for land (before tax).

【Schedule of provisions】

Classification	Balance at January 1, 2020 (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, 2020 (Millions of yen)
Allowance for doubtful accounts	41	7	6	42
Provision for bonuses	104	107	104	107
Provision for loss on orders received	161	21	0	182
Provision for product warranties	14	14	14	14
Provision for stock benefits	208	177	11	374

(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.

Independent Auditor's Report

The Board of Directors
OYO Corporation

Opinion

We have audited the accompanying consolidated financial statements of OYO Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

[March 26, 2021]

/s/Tomohisa Yura
Designated Engagement Partner
Certified Public Accountant

/s/Kenji Fujita
Designated Engagement Partner
Certified Public Accountant

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- (Notes) 1. The above is a digitization of the text contained in the original copy of the Independent Auditor's Report, which is in custody of the Company.
2. XBRL data is not included in the scope of the audit.

Independent Auditor's Report

The Board of Directors
OYO Corporation

Opinion

We have audited the accompanying non-consolidated financial statements of OYO Corporation, which comprise the non-consolidated balance sheet as at December 31, 2020, and the non-consolidated statements of income and changes in net assets for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of OYO Corporation as at December 31, 2020, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the entity

in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the entity's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the entity which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

[March 26, 2021]

/s/Tomohisa Yura
Designated Engagement Partner
Certified Public Accountant

/s/Kenji Fujita
Designated Engagement Partner
Certified Public Accountant

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