

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

**OYO Corporation  
and Consolidated Subsidiaries**

*Year ended December 31, 2022  
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 Non-Consolidated Financial Statements.

### 2. Audit certification

The consolidated financial statements for the current fiscal year (From January 1, 2022 to December 31, 2022) and non-consolidated financial statements for the current fiscal year (From January 1, 2022 to December 31, 2022) 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 sheet】

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	29,851	22,293
Notes and accounts receivable-trade	*1,21,534	*1,2 2,892
Accounts receivable-completed operations and contract assets	*1 22,647	*1 29,351
Lease receivables and investment assets	3,858	3,900
Short-term investment securities	1,649	989
Merchandise and finished goods	924	1,094
Work in process	1,035	1,356
Raw materials and supplies	2,594	3,591
Other	699	1,672
Allowance for doubtful accounts	(26)	(26)
<b>Total current assets</b>	<b>64,768</b>	<b>67,114</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	13,936	14,282
Accumulated depreciation	(9,489)	(9,797)
Accumulated impairment loss	(7)	(8)
<b>Buildings and structures, net</b>	<b>4,439</b>	<b>4,476</b>
Machinery, equipment and vehicles	7,419	7,769
Accumulated depreciation	(6,037)	(6,024)
Accumulated impairment loss	(236)	(11)
<b>Machinery, equipment and vehicles, net</b>	<b>1,145</b>	<b>1,733</b>
Tools, furniture and fixtures	1,723	1,788
Accumulated depreciation	(1,593)	(1,641)
Accumulated impairment loss	(15)	(18)
<b>Tools, furniture and fixtures, net</b>	<b>113</b>	<b>128</b>
Land	*4 5,825	*4 5,883
Lease assets	409	858
Accumulated depreciation	(218)	(333)
<b>Lease assets, net</b>	<b>190</b>	<b>525</b>
Construction in progress	177	343
<b>Total property, plant and equipment</b>	<b>11,892</b>	<b>13,092</b>
<b>Intangible assets</b>		
Software	800	846
Software in progress	165	26
Goodwill	-	199
Other	35	25
<b>Total intangible assets</b>	<b>1,001</b>	<b>1,097</b>

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Investments and other assets</b>		
Investment securities	* <sup>5</sup> 4,723	* <sup>5</sup> 4,541
Long-term loans receivable	26	27
Net defined benefit asset	1,913	1,749
Deferred tax assets	81	88
Real estate for investment	534	534
Accumulated depreciation	(241)	(251)
Real estate for investment, net	292	282
Other	* <sup>3</sup> 1,440	* <sup>3</sup> 1,707
Allowance for doubtful accounts	(478)	(422)
<b>Total investments and other assets</b>	<b>7,998</b>	<b>7,974</b>
<b>Total noncurrent assets</b>	<b>20,892</b>	<b>22,164</b>
<b>Total assets</b>	<b>85,661</b>	<b>89,278</b>

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	*2 539	*2 870
Accounts payable-operating	1,652	2,686
Short-term loans payable	171	198
Lease obligations	1,372	1,545
Provision for product warranties	121	139
Income taxes payable	673	690
Advances received on uncompleted contracts	346	386
Provision for bonuses	147	157
Provision for loss on orders received	3	1
Other	4,973	5,932
<b>Total current liabilities</b>	<b>10,001</b>	<b>12,608</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	-	50
Lease obligations	2,653	2,828
Net defined benefit liability	1,857	1,799
Provision for stock benefits	224	265
Deferred tax liabilities	653	683
Deferred tax liabilities for land revaluation	*4 262	*4 262
Other	202	273
<b>Total noncurrent liabilities</b>	<b>5,855</b>	<b>6,163</b>
<b>Total liabilities</b>	<b>15,856</b>	<b>18,771</b>

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	16,174	16,174
Capital surplus	13,863	12,159
Retained earnings	42,204	42,685
Treasury stock	(2,049)	(2,547)
<b>Total shareholders' equity</b>	<b>70,192</b>	<b>68,472</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,120	1,178
Revaluation reserve for land	* <sup>4</sup> (2,942)	* <sup>4</sup> (2,942)
Foreign currency translation adjustment	864	3,156
Remeasurements of defined benefit plans	161	82
<b>Total accumulated other comprehensive income</b>	<b>(795)</b>	<b>1,474</b>
<b>Non-controlling interests</b>	<b>407</b>	<b>560</b>
<b>Total net assets</b>	<b>69,804</b>	<b>70,507</b>
<b>Total liabilities and net assets</b>	<b>85,661</b>	<b>89,278</b>

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

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	*1 51,675	*1 59,011
Cost of sales	*2, *3 34,573	*2, *3 41,197
Gross profit	17,102	17,813
<b>Selling, general and administrative expenses</b>		
Directors' compensations	798	776
Salaries and allowances	5,525	5,830
Provision for bonuses	51	54
Provision for stock benefits	80	21
Legal welfare expenses	845	884
Retirement benefit expenses	183	221
Traveling and transportation expenses	289	404
Rent expenses	501	535
Depreciation	378	430
Research and development expenses	*4 1,454	*4 2,135
Amortization of goodwill	16	21
Provision of allowance for doubtful accounts	2	1
Other	3,308	3,977
Total selling, general and administrative expenses	13,435	15,295
Operating income	3,666	2,518
<b>Non-operating income</b>		
Interest income	32	132
Dividends income	92	114
Equity in earnings of affiliates	55	-
Foreign exchange gains	-	4
Insurance and dividends income	78	97
Rent of real estate	51	45
Reversal of allowance for doubtful accounts	60	60
Other	204	122
Total non-operating income	574	578

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
<b>Non-operating expenses</b>		
Interest expenses	9	17
Equity in losses of affiliates	-	2
Foreign exchange losses	9	-
Provision of allowance for doubtful accounts	3	1
Rent cost of real estate	13	14
Loss on retirement of noncurrent assets	12	7
Loss on cancellation of leases	11	-
Other	2	18
<b>Total non-operating expenses</b>	<b>61</b>	<b>62</b>
<b>Ordinary income</b>	<b>4,179</b>	<b>3,033</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	* <sup>5</sup> 97	-
Gain on sale of shares of subsidiaries and affiliates	-	83
Gain on liquidation of subsidiaries and affiliates	-	30
Gain on sales of investment securities	23	80
<b>Total extraordinary income</b>	<b>120</b>	<b>193</b>
<b>Extraordinary loss</b>		
Impairment loss	* <sup>6</sup> 138	-
<b>Total extraordinary loss</b>	<b>138</b>	<b>-</b>
<b>Profit before income taxes</b>	<b>4,161</b>	<b>3,227</b>
Income taxes-current	1,170	1,344
Income taxes-deferred	107	15
<b>Total income taxes</b>	<b>1,277</b>	<b>1,359</b>
<b>Profit</b>	<b>2,883</b>	<b>1,868</b>
Profit attributable to non-controlling interests	17	4
<b>Profit attributable to owners of parent</b>	<b>2,866</b>	<b>1,864</b>



【Consolidated statement of comprehensive income】

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
<b>Profit</b>	2,883	1,868
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(182)	57
Foreign currency translation adjustment	1,501	2,314
Remeasurements of defined benefit plans	(31)	(79)
<b>Total other comprehensive income (loss)</b>	* <sup>1</sup> 1,287	* <sup>1</sup> 2,293
<b>Comprehensive income</b>	4,171	4,161
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	4,138	4,133
Comprehensive income attributable to non-controlling interests	32	27

③ 【Consolidated statement of changes in net assets】  
Prior fiscal year (From January 1, 2021 to December 31, 2021)

(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	40,136	(1,820)	69,567
Changes during the year					
Dividends from surplus			(838)		(838)
Profit attributable to owners of parent			2,866		2,866
Purchase of treasury stock				(2,096)	(2,096)
Disposal of treasury stock		22		739	761
Cancellation of treasury stock		(1,128)		1,128	-
Reversal of revaluation reserve for land			39		39
Change in ownership interest of parent due to transactions with non-controlling interests		(108)	(0)		(108)
Net changes in items other than shareholders' equity					
Total changes during the year	-	(1,214)	2,067	(228)	625
Balance at the end of year	16,174	13,863	42,204	(2,049)	70,192

(Millions of yen)

Accumulated other comprehensive income

	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	1,303	(2,902)	(621)	193	(2,027)	282	67,822
Changes during the year							
Dividends from surplus							(838)
Profit attributable to owners of parent							2,866
Purchase of treasury stock							(2,096)
Disposal of treasury stock							761
Cancellation of treasury stock							-
Reversal of revaluation reserve for land							39
Change in ownership interest of parent due to transactions with non-controlling interests							(108)
Net changes in items other than shareholders' equity	(182)	(39)	1,486	(31)	1,232	124	1,357
Total changes during the year	(182)	(39)	1,486	(31)	1,232	124	1,982
Balance at the end of year	1,120	(2,942)	864	161	(795)	407	69,804

Current fiscal year (From January 1, 2022 to December 31, 2022)

(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	13,863	42,204	(2,049)	70,192
Changes during the year					
Dividends from surplus			(1,382)		(1,382)
Profit attributable to owners of parent			1,864		1,864
Purchase of treasury stock				(2,209)	(2,209)
Disposal of treasury stock				7	7
Cancellation of treasury stock		(1,703)		1,703	-
Reversal of revaluation reserve for land					-
Change in ownership interest of parent due to transactions with non-controlling interests		0	(0)		0
Net changes in items other than shareholders' equity					
Total changes during the year	-	(1,703)	481	(498)	(1,720)
Balance at the end of year	16,174	12,159	42,685	(2,547)	68,472

(Millions of yen)

Accumulated other comprehensive income

	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	Non-controlling interests	Total net assets
	Balance at the beginning of the year	1,120	(2,942)	864	161	(795)	407
Changes during the year							
Dividends from surplus							(1,382)
Profit attributable to owners of parent							1,864
Purchase of treasury stock							(2,209)
Disposal of treasury stock							7
Cancellation of treasury stock							-
Reversal of revaluation reserve for land							-
Change in ownership interest of parent due to transactions with non-controlling interests							0
Net changes in items other than shareholders' equity	57	-	2,291	(79)	2,269	153	2,422
Total changes during the year	57	-	2,291	(79)	2,269	153	702
Balance at the end of year	1,178	(2,942)	3,156	82	1,474	560	70,507

## ④ 【Consolidated statement of cash flows】

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,161	3,227
Depreciation and amortization	1,118	1,274
Impairment loss	138	-
Amortization of goodwill	16	21
Increase (decrease) in provision for bonuses	4	9
Interest and dividend income	(125)	(246)
Interest expenses	9	17
Equity in (earnings) losses of affiliates	(55)	2
Loss (gain) on sale of investment securities	(23)	(80)
Loss (gain) on sale of shares of subsidiaries and affiliates	-	(83)
Decrease (increase) in notes and accounts receivable-trade	(516)	(7,417)
Decrease (increase) in inventories	(636)	(899)
Increase (decrease) in notes and accounts payable- trade	(87)	1,129
Loss (gain) on liquidation of subsidiaries and affiliates	-	(30)
Increase (decrease) in advances received on uncompleted contracts	(59)	22
Other	(569)	(55)
<b>Subtotal</b>	<b>3,376</b>	<b>(3,107)</b>
Interest and dividend income received	144	275
Interest expenses paid	(9)	(17)
Income taxes paid	(1,204)	(1,286)
<b>Net cash provided by (used in) operating activities</b>	<b>2,307</b>	<b>(4,136)</b>
<b>Cash flows from investment activities</b>		
Payments into time deposits	(5,486)	(6,632)
Proceeds from withdrawal of time deposits	5,472	6,303
Proceeds from sales of short-term investment securities	23	750
Purchase of property, plant and equipment and intangible assets	(1,101)	(1,631)
Proceeds from sales of property, plant and equipment and intangible assets	212	21
Purchase of investment securities	(94)	(9)
Proceeds from sale of investment securities	58	285
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (424)
Contingent consideration payments of shares of subsidiaries	(29)	(18)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	179
Proceeds from liquidation of non-consolidated subsidiaries	-	38
Collection of loans receivable	4	129
Other	51	(13)
<b>Net cash provided by (used in) investing activities</b>	<b>(888)</b>	<b>(1,020)</b>

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	163	1
Repayments of short-term loans payable	(101)	(20)
Repayments of long-term loans payable	-	(151)
Repayments of lease obligations	(114)	(135)
Proceeds from sales of treasury stock	0	7
Purchase of treasury stock	(1,604)	(2,209)
Cash dividends paid	(838)	(1,382)
Dividends paid to non-controlling interests	(9)	(5)
Other	(0)	(10)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,504)</b>	<b>(3,907)</b>
Effect of exchange rate change on cash and cash equivalents	399	559
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(685)</b>	<b>(8,505)</b>
Cash and cash equivalents at beginning of the year	24,285	23,599
Cash and cash equivalents at end of the year	<sup>*1</sup> 23,599	<sup>*1</sup> 15,094

## 【Notes】

(Significant accounting policies to the consolidated financial statements)

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 25

Names of major consolidated subsidiaries:

OYO CORPORATION U.S.A.  
KINEMATRICS, INC.  
GEOMETRICS, INC.  
GEOPHYSICAL SURVEY SYSTEMS, INC.  
ROBERTSON GEOLOGGING LTD.  
FONG CONSULT PTE.LTD.  
FC INSPECTION PTE.LTD.  
GEOSMART INTERNATIONAL 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 GEO-MONITORING SERVICE CORPORATION  
NANKYU GEO TECHNICS CORPORATION  
OYO GEOTECHNICAL SERVICE CORPORATION  
KCS CO., LTD.  
OYO RMS CORPORATION

(Note) In the current fiscal year, shares of GEOSMART INTERNATIONAL PTE.LTD. were acquired and GEOSMART INTERNATIONAL PTE.LTD. was newly included in the scope of consolidation due to purchase of its shares. Also, NCS Subsea, Inc. was excluded from the scope of consolidation due to the sale of its shares on June 1, 2022.

(2) Names of major non-consolidated subsidiaries

Not applicable.

In the current fiscal year, SIGMA KOGYO CO., LTD. was excluded from non-consolidated subsidiaries due to the completion of liquidation procedures.

### 2. Application of the equity method

(1) Number of affiliates accounted for under the equity method: 4

Names of major affiliates

IRIS INSTRUMENTS SAS  
ENGINEERING & RISK SERVICES CORPORATION

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

Not applicable.

In the current fiscal year, SIGMA KOGYO CO., LTD. was excluded from non-consolidated subsidiaries not accounted for under the equity method due to the completion of liquidation procedures.

### 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 other than stocks, etc. without market price

Stated at fair value (unrealized gains or losses are included directly in net assets, net of the applicable taxes.

Cost of securities sold is determined by the moving average method).

Stocks, etc. without market price

Stated at cost determined by the moving average method.

- (b) Derivatives  
Stated at fair value.
  - (c) Inventory assets  
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

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (Implementation Guidance No. 30, March 26, 2021) have been applied.

The following summarizes the major performance obligations of the Group’s principal businesses and the time at which revenue is recognized. For any businesses, the Company allocates the transaction price to performance obligations based on the independent sales price calculated using an adjusted market valuation approach, an approach that adds margins to expected costs, and other factors. Consideration for the transaction does not include a significant financing component as it is primarily received by within one year after satisfaction of performance obligations. In addition, there are no material variable consideration for which amount of consideration could change.

Details of major performance obligations in major businesses and the time at which revenue is recognized are as follows.

(a) Revenue Recognition for Geo-engineering Services Contracts

In Geo-engineering Service Contracts, the Company conducts data collection/analysis/design/consulting, such as machine boring, road facilities inspection (tunnels, etc.), slope observation, landslide countermeasure design, analysis of water quality, soil and odor, marine surveys such as offshore boring associated with the installation of offshore windfarms. The Company has identified these services that it provides in this area as performance obligations.

Geo-engineering Services are based on a method in which revenue is recognized over time as the Company satisfies the performance obligations to transfer the goods or services to the customer, as the Company recognizes the certainty of the outcome with respect to the portion of progress and control over the goods or services is transferred to the customer over a period of time.

The method used to estimate the degree of progress related to the satisfaction of performance obligations is primarily based on the cost-based input method.

In addition, if the Company is unable to reasonably estimate the degree of progress related to the satisfaction of performance obligations, the Company applies the cost-recovery method.

(b) Revenue Recognition for Merchandise Sales (Mainly Measuring Instrument Sales)

In merchandise sales, the Company manufactures, sells, and provides maintenance services for geophysical survey equipment such as seismic observation and monitoring equipment and non-destructive inspection equipment, as well as monitoring systems using equipment. The Company has identified the operations that it provides with respect to these operations as performance obligations.

Of merchandise sales, domestic sales are recognized at the time of delivery because control over the goods is transferred to the customer at the time of delivery.

In addition, revenue from overseas sales is recognized at a point in time when performance obligations are satisfied.

(c) Revenue recognition for license sales

In license sales, the Company sells licenses for land information systems, operational management systems, various analysis software, and other products, and conducts consignment sales of systems. The Group has identified the operations it provides as performance obligations.

Revenue from license sales is recognized over a certain period of time when the nature of the license, such as cloud services, represents access rights, and revenue is recognized upon delivery, if the nature of the license, such as software delivery, is a right of use.

(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  
Not applicable.

(Significant Accounting Estimates)

(Revenue Recognition by estimating the degree of progress related to the satisfaction of performance obligations of Geo-engineering Services Contracts of the Company)

- (1) Amount recorded in the consolidated financial statements for the current fiscal year

	(Millions of yen)	
	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Net sales	13,601	20,228

(Note) The above amount includes the Geo-engineering Service Contracts for which the degree of progress related to the satisfaction of performance obligations of the Geo-engineering Service Contracts can be reasonably estimated, and for which the full performance obligation has not been satisfied as of the end of the current fiscal year.

- (2) Other information to help users of the consolidated financial statements understand the contents of accounting estimates

- (a) Calculation methods for amount recorded in the consolidated financial statements for the current fiscal year

Net sales related to Geo-engineering Service Contracts is calculated in a manner that recognizes revenue over time as performance obligations are satisfied.

The method used to estimate the degree of progress related to the satisfaction of performance obligations is primarily based on the cost-based input method, which is the ratio of incurred costs to total estimated costs.

In addition, if the Company is unable to reasonably estimate the degree of progress related to the satisfaction of performance obligations, revenue is recognized to the extent related costs are incurred.

- (b) Major assumptions used in the calculation of amount in the consolidated financial statements for the current fiscal year

Estimates of the total costs of Geo-engineering Services are calculated by accumulating detailed information with objective prices, such as quotes obtained from subcontractors and internally approved standard unit prices; however, estimates of the total costs of Geo-engineering Services are key assumptions because they involve judgments based on expert knowledge and experience in Geo-engineering Services.

- (c) Effect on the consolidated financial statements for the following fiscal year

Geo-engineering Services are highly individual in nature and carried out in accordance with fundamental specifications and work details instructed by customers.

In some cases, the contract content of Geo-engineering Services is changed from the original contract based on the agreement with the customer during the work period, or changes in the estimated person-hours and subcontract cost due to the facts that become known after the work starts. In such cases, due to changes in the estimate of the total cost of the work, changes in the degree of progress related to the satisfaction of the performance obligations may affect amount of revenue recognized in the consolidated financial statements for the following fiscal year.

(Change in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Accounting Standard”) has been applied from the beginning of the current fiscal year, and in accordance with Paragraph 19 of the Fair Value Accounting Standard and following the transitional treatment prescribed in Paragraph 44-2 of “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Fair Value Accounting Standard will be applied prospectively. The application has no impact on the consolidated financial statements for the current fiscal year.

Moreover, in the notes, “Financial Instruments,” the Company has decided to provide notes on items, such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), such notes for the previous fiscal year are omitted.

(Application of U.S. GAAP ASU No. 2016-02 “Leases”)

The consolidated subsidiaries in the United States have applied ASU No. 2016-02 “Leases” (hereinafter referred to as the “Standard”) effective from the current fiscal year. In applying this accounting standard, the Company uses a method of recognizing the cumulative effect of adopting this accounting standard on the commencement date in accordance with its transitional treatment.

As a result, in principle, all leases of lessees are accounted for as leased assets, net and lease obligations. As a result of the application of the Standard, “Leased assets (net)” under “Property, plant and equipment”, “Lease liabilities” under “Current liabilities”, and “Lease liabilities” under “Non-current Liabilities” increased by 230 million yen, 172 million yen, and 70 million yen, respectively, in the consolidated balance sheet for the current fiscal year.

The impact of this change on profit or loss for the current fiscal year is immaterial.

(Unapplied accounting standards)

Not applicable.

(Change in presentation)

(Consolidated balance sheet)

“Accounts receivable-completed operations” under “Current assets” presented in the prior fiscal year, has been changed to “Accounts receivable-completed operations and contract assets” from the current fiscal year to provide a clearer presentation in line with actual conditions.

(Consolidated statement of income)

In the prior fiscal year, “Grant income” under “Non-operating income” was presented separately. 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, “Grant income” under “Non-operating income” in the amount of 142 million yen, “Other” in the amount of 61 million yen in the consolidated statement of income for the prior fiscal year were reclassified as 204 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 and March 26, 2021, 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 sheet based on their book value (excluding associated expenses). The book value and the corresponding number of shares of the Company totaled 738 million yen and 544,944 shares, respectively, as of the end of the prior fiscal year, and 730 million yen and 539,459 shares, respectively, as of the end of the current fiscal year.

(Consolidated balance sheet)

※1. Information on “Notes and accounts receivable-trade” and “Accounts receivable-completed operations and contract assets” arising from contracts with customers is as follows:

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Notes receivable-trade	120 million yen	95 million yen
Accounts receivable-trade	1,413 million yen	2,796 million yen
Accounts receivable-completed operations	4,611 million yen	4,071 million yen
Contract assets	18,036 million yen	25,279 million yen

※2. 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, 2021)	Current fiscal year (As of December 31, 2022)
Notes receivable-trade	8 million yen	1 million yen
Notes payable-trade	8 million yen	3 million yen

※3. Pledged assets and secured liabilities

Pledged assets as collateral for secured liabilities were as follows:

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Investments and other assets' Other	187 million yen	494 million yen
Total	187 million yen	494 million yen

(Prior fiscal year)

Within the limit of the letter of credit (2,530 million yen), the Company provides the restricted deposits of its US consolidated subsidiaries in the amount of 172 million yen as securities under the asset-based loan system of the United States of America. Furthermore, within the issuance of the letter of credit from the subsidiary of its US consolidated subsidiaries to outside the U.S., the Company also provides the restricted deposits of its US consolidated subsidiaries in the amount of 15 million yen as securities.

(Current fiscal year)

Within the limit of the letter of credit (2,919 million yen), the Company provides the restricted deposits of its US consolidated subsidiaries in the amount of 399 million yen as securities under the asset-based loan system of the United States of America. Furthermore, within the issuance of the letter of credit from the subsidiary of its US consolidated subsidiaries to outside the U.S., the Company also provides the restricted deposits of its US consolidated subsidiaries in the amount of 95 million yen as securities.

※4. 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, 2021)	Current fiscal year (As of December 31, 2022)
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:	(256) million yen	(253) million yen
The difference related to real estate for rent out of this:	(57) million yen	(55) million yen

※5. Non-consolidated subsidiaries and affiliates

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Investment securities (stock)	836 million yen	857 million yen

The amounts of investment in joint ventures included above were 821 million yen in the prior fiscal year and 857 million yen in the current fiscal year.

(Consolidated statement of income)

※1. Revenue from contracts with customers

In "Net sales," revenues from contracts with customers and other revenues are not presented separately.

"Revenue from Contracts with Customers" is presented in the "Notes to Consolidated Financial Statements (Revenue Recognition) (1) Disaggregation of Revenue from Contracts with Customers."

※2. 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cost of sales	64 million yen	78 million yen

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

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cost of sales	6 million yen	- million yen

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

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
General and administrative expenses	1,454 million yen	2,135 million yen

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

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Land	97 million yen	- million yen

※6. Impairment loss

Prior fiscal year (From January 1, 2021 to December 31, 2021)

The Group recognized impairment loss on the following assets.

Location	Use	Type	Impairment loss
Singapore	For research projects	Vehicles, etc.	14 million yen
	Other	Goodwill	100 million yen
		Intangible assets (Other)	23 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.

Goodwill arising from the acquisition of shares of FONG CONSULT PTE.LTD., a consolidated subsidiary, was written down to the recoverable amount because estimated cash flows were less than initially projected and the difference, amounting to 138 million yen (1,696 thousand Singapore dollars), was recognized as an impairment loss under extraordinary loss. The recoverable amount is estimated at value in use, which is the amount calculated based on future cash flow discounted at a rate of 11.5%.

Current fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

## (Consolidated statement of comprehensive income)

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

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Valuation difference on available-for-sale securities:		
Amount arising during the current fiscal Year	(239) million yen	163 million yen
Reclassification adjustment	(23) million yen	(80) million yen
Amount before tax effect	(262) million yen	82 million yen
Tax effect	80 million yen	(25) million yen
Valuation difference on available-for-sale securities	(182) million yen	57 million yen
Foreign currency translation adjustment:		
Amount arising during the current fiscal year	1,516 million yen	2,299 million yen
Reclassification adjustment	- million yen	- million yen
Amount before tax effect	1,516 million yen	2,299 million yen
Tax effect	(15) million yen	15 million yen
Foreign currency translation adjustment:	1,501 million yen	2,314 million yen
Remeasurements of defined benefit plans:		
Amount arising during the current fiscal Year	46 million yen	(13) million yen
Reclassification adjustment	(92) million yen	(100) million yen
Amount before tax effect	(45) million yen	(114) million yen
Tax effect	14 million yen	35 million yen
Remeasurements of defined benefit plans	(31) million yen	(79) million yen
Total other comprehensive income	1,287 million yen	2,293 million yen

(Consolidated statement of changes in net assets)

Prior fiscal year (From January 1, 2021 to December 31, 2021)

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

	Number of shares at January 1, 2021	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, 2021
Issued shares				
Common stock (Notes)1	27,582,573	-	918,200	26,664,373
Total	27,582,573	-	918,200	26,664,373
Treasury stock				
Common stock (Notes)2,3	1,464,501	1,507,550	1,482,476	1,489,575
Total	1,464,501	1,507,550	1,482,476	1,489,575

(Notes) 1 As a result of a resolution of the Board of Directors' meeting held on February 12, 2021, 918,200 shares of treasury stock were cancelled based on Article 178 of the Companies Act on February 26, 2021.

2 The number of shares of common treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes 345,086 shares and 544,944 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account), respectively.

3 Outline of reasons for the change

Breakdown of increase in the number is as follows.

Increase due to purchase under Board meeting Resolution	1,123,000 shares
Increase due to purchase by Custody Bank of Japan, Ltd. (Trust Account)	382,000 shares
Increase due to purchase of less than standard unit	2,550 shares

Breakdown of decrease in the number is as follows.

Decrease due to cancellation of treasury stock	918,200 shares
Decrease due to contribution to Custody Bank of Japan, Ltd. (Trust Account)	382,000 shares
Decrease due to demand for sale by Custody Bank of Japan, Ltd. (Trust Account)	182,142 shares
Decrease due to demand for sale of less than standard unit	134 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 26, 2021 General meeting of shareholders	Common stock	423	16.00	December 31, 2020	March 29, 2021
August 11, 2021 Board meeting	Common stock	414	16.00	June 30, 2021	September 21, 2021

(Notes) 1 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).

2 The total amount of dividends resolved by the Board of Directors of August 11, 2021 includes 8 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 25, 2022 General meeting of shareholders	Common stock	771	Retained earnings	30.00	December 31, 2021	March 28, 2022

(Note) The total amount of dividends resolved by the General Meeting of Shareholders of March 25, 2022 includes 16 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, Ltd. (Trust Account).

Current fiscal year (From January 1, 2022 to December 31, 2022)

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

	Number of shares at January 1, 2022	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, 2022
Issued shares				
Common stock (Notes)1	26,664,373	-	1,000,000	25,664,373
Total	26,664,373	-	1,000,000	25,664,373
Treasury stock				
Common stock (Notes)2,3	1,489,575	1,071,611	1,005,485	1,555,701
Total	1,489,575	1,071,611	1,005,485	1,555,701

(Notes) 1 As a result of a resolution of the Board of Directors' meeting held on November 11, 2022, 1,000,000 shares of treasury stock were cancelled based on Article 178 of the Companies Act on November 25, 2022.

2 The number of shares of common treasury stock at the beginning of the current fiscal year and at the end of the current fiscal year includes 544,944 shares and 539,459 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account), respectively.

## 3 Outline of reasons for the change

Breakdown of increase in the number is as follows.

Increase due to purchase under Board meeting Resolution 1,070,800 shares

Increase due to purchase of less than standard unit 811 shares

Breakdown of decrease in the number is as follows.

Decrease due to cancellation of treasury stock 1,000,000 shares

Decrease due to demand for sale by Custody Bank of Japan, Ltd. (Trust Account) 5,485 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 25, 2022 General meeting of shareholders	Common stock	771	30.00	December 31, 2021	March 28, 2022
August 10, 2022 Board meeting	Common stock	610	24.00	June 30, 2022	September 20, 2022

(Notes) 1 The total amount of dividends resolved by the General Meeting of Shareholders of March 25, 2022 includes 16 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, Ltd. (Trust Account).

2 The total amount of dividends resolved by the Board of Directors of August 10, 2022 includes 12 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 24, 2023 General meeting of shareholders	Common stock	591	Retained earnings	24.00	December 31, 2022	March 27, 2023

(Note) The total amount of dividends resolved by the General Meeting of Shareholders of March 24, 2023 includes 12 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, Ltd. (Trust Account).

(Consolidated statement 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cash and deposits	29,851 million yen	22,293 million yen
Short-term investment securities	1,649 million yen	989 million yen
Total	31,501 million yen	23,283 million yen
Time deposits with maturities of more than 3 months	(6,251) million yen	(7,198) million yen
Stock and debt securities with redemption period exceeding 3 months	(1,649) million yen	(989) million yen
Cash and cash equivalents	23,599 million yen	15,094 million yen

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

Assets and liabilities of GEOSMART INTERNATIONAL PTE.LTD. on the date of acquisition as well as the relationship between the acquisition cost and net disbursement for the acquisition are presented below:

Current assets	623 million yen
Noncurrent assets	328 million yen
Goodwill	210 million yen
Current liabilities	(352) million yen
Noncurrent liabilities	(242) million yen
Non-controlling interests	(143) million yen
Acquisition cost of shares	424 million yen
Cash and cash equivalents	(0) million yen
Difference: Net disbursement for the acquisition	424 million yen

3. Significant noncash transactions

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

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Amount of assets and liabilities related to finance lease transactions	89 million yen	145 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, 2021)	Current fiscal year (As of December 31, 2022)
Due in 1 year or less	152	-
Due after 1 year	206	-
Total	358	-

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, 2021)	Current fiscal year (As of December 31, 2022)
Current assets	3,858	3,900

(2) Lease obligations

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Current liabilities	1,289	1,282
Noncurrent liabilities	2,534	2,588

(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 and contract assets, 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 values of financial instruments may fluctuate when different assumptions are adopted because variable factors are taken into account in determining the values.

## 2. Fair value of financial instruments

The book values on the consolidated balance sheet, fair value and the difference between them are shown in the following table.

Prior fiscal year (As of December 31, 2021)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Short-term investment securities and investment securities			
Available-for-sale securities	5,238	5,238	-
Total assets	5,238	5,238	-

(Note)1 "Cash and deposits", "Notes and accounts receivable-trade", "Accounts receivable-completed operations and contract assets" are omitted, and Deposits, Notes, Accounts receivable, Accounts receivable-completed operations and contract assets are also omitted because their fair values approximate their carrying amounts due to short-term maturities.

2 "Notes and accounts payable-trade", "Accounts payable-operating", "Income taxes payable"

Notes, accounts payable-trade, Accounts payable-operating and Income taxes payable are omitted because their fair values approximate their carrying amounts due to their cash-based nature and short-term maturities.

3 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, 2021
Investments in a limited partnership	0
Unlisted stocks	297
Stocks of subsidiaries and affiliates	836

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

Current fiscal year (As of December 31, 2022)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Short-term investment securities and investment securities			
Available-for-sale securities	4,375	4,375	-
Total assets	4,375	4,375	-

(Note)1 "Cash and deposits", "Notes and accounts receivable-trade", "Accounts receivable-completed operations and contract assets" are omitted, and Deposits, Notes, Account receivable, Accounts receivable-completed operations and contract assets are also omitted because their fair values approximate their carrying amounts due to short-term maturities.

2 "Notes and accounts payable-trade", "Accounts payable-operating", "Income taxes payable"

Notes, accounts payable-trade, Accounts payable-operating and Income taxes payable are omitted because their fair values approximate their carrying amounts due to their cash-based nature and short-term maturities.

3 Stocks, etc. without market price are not included in "Available-for-sale securities". Amount of such financial instruments on the consolidated balance sheet is as follows.

(Millions of yen)

Classifications	December 31, 2022
Investments in a limited partnership	0
Unlisted stocks	297
Stocks of subsidiaries and affiliates	857

### 3. Redemption schedule of receivables and securities with maturities

Prior fiscal year (As of December 31, 2021)

	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	29,839	-	-	-
Notes and accounts receivable-trade	1,534	-	-	-
Accounts receivable-completed operations and contract assets	22,647	-	-	-
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	-	-	-	-
2. Others	1,650	-	-	-
	0	82	-	-
<b>Total</b>	<b>55,671</b>	<b>82</b>	<b>-</b>	<b>-</b>

Current fiscal year (As of December 31, 2022)

	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	22,283	-	-	-
Notes and accounts receivable-trade	2,892	-	-	-
Accounts receivable-completed operations and contract assets	29,351	-	-	-
Short-term investment securities and investment securities Available-for-sale securities with maturities				
1. Bonds				
(1) Government bonds/local authority bonds, etc.	-	-	-	-
(2) Corporate bonds	-	-	-	-
(3) Others	900	-	-	-
2. Others	89	-	-	-
<b>Total</b>	<b>55,516</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Prior fiscal year (As of December 31, 2021)

	Due within 1 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	1,372	1,050	783	551	251	17

Current fiscal year (As of December 31, 2022)

	Due within 1 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	1,545	1,181	879	559	181	26

5. Matters concerning the breakdown of the fair value of financial instruments by level

The fair values of financial instruments are classified into the following three levels according to the observability and significance of inputs used in the calculation of fair values.

Level 1 fair value: Fair value calculated using market prices, on an active market, of assets or liabilities whose fair value is calculated of the observable inputs related to the calculation of fair value

Level 2 fair value: Fair value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of market value

Level 3 fair value: Fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs whose priority is lowest in the calculation of fair value.

(a) Financial instruments recorded on the consolidated balance sheet at fair value

Current fiscal year (As of December 31, 2022)

Classifications	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	合計
Short-term investment securities and investment securities Available-for-sale securities				
Stocks	3,246	-	-	3,246
Others	-	1,129	-	1,129
Total assets	3,246	1,129	-	4,375

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value.

Short-term investment securities and investment securities

Listed stocks are valued using quoted prices. Listed stocks are traded in an active market and, therefore, their fair values are classified as Level 1 fair values. Available-for-sale securities other than stocks are calculated based on prices quoted by the financial institutions with which the securities are traded and are classified as Level 2 fair values.

(Securities)

1. Available-for-sale securities

Prior fiscal year (As of December 31, 2021)

	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	3,362	1,744	1,618
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	200	200	0
	(3) Others	-	-	-
	Sub total	3,562	1,944	1,618
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	1,449	1,450	(0)
	(3) Others	227	248	(21)
	Sub total	1,676	1,698	(21)
	Total	5,238	3,642	1,596

(Note) Unlisted stocks (book value on the consolidated balance sheet: 297 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, 2022)

	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	3,246	1,548	1,697
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	-	-	-
	(3) Others	-	-	-
	Sub total	3,246	1,548	1,697
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	899	900	(0)
	(3) Others	229	247	(18)
	Sub total	1,129	1,147	(18)
	Total	4,375	2,696	1,679



(Note)Unlisted stocks (book value on the consolidated balance sheet: 297 million yen) are Stocks, etc. without market price. 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, 2021 to December 31, 2021)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	58	23	-
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	-	-	-
Total	58	23	-

Current fiscal year (From January 1, 2022 to December 31, 2022)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	285	80	-
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	-	-	-
Total	285	80	-

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Retirement benefit obligations at beginning of the year	5,902	5,912
Service cost	276	290
Interest cost	20	16
Actuarial gain or loss	96	(679)
Retirement benefits paid	(382)	(226)
Prior service costs incurred	-	201
Retirement benefit obligations at end of the year	5,912	5,514

### (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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Plan assets at beginning of the year	5,799	5,941
Expected return on plan assets	115	118
Actuarial gain or loss	142	(521)
Contribution by the Company	139	126
Retirement benefits paid	(257)	(192)
Plan assets at end of the year	5,941	5,473

### (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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net defined benefit liability at beginning of the year (net)	(23)	(28)
Retirement benefits expenses	27	54
Retirement benefits paid	(17)	(2)
Contribution to the system	(14)	(15)
Net defined benefit liability at end of the year (net)	(28)	9

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Funded projected benefit obligations	4,205	3,892
Plan assets	(6,119)	(5,642)
	(1,913)	(1,749)
Unfunded projected benefit obligations	1,857	1,799
Net liability/asset for projected benefit obligations in the consolidated balance sheets	(56)	50
Net defined benefit liability	1,857	1,799
Net defined benefit asset	(1,913)	(1,749)
Net liability/asset for projected benefit obligations in the consolidated balance sheets	(56)	50

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

(5) Retirement benefit expenses

	(Millions of yen)	
	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Service cost	276	290
Interest cost	20	16
Expected return on plan assets	(115)	(118)
Amortization of actuarial gain or loss	(92)	(100)
Amortization of prior service cost	-	30
Other	2	-
Retirement benefit expenses calculated by compendium method	27	54
Retirement benefit expenses related to defined benefit plans	118	172

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Actuarial gain or loss	(92)	(100)
Prior service cost	-	30
Total	(92)	(70)

(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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Unrecognized actuarial gain or loss	(233)	(290)
Unrecognized prior service cost	-	171
Total	(233)	(118)

(8) Matters related to plan assets

(a) 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Bonds	56 %	61 %
Stocks	24 %	26 %
General accounts	3 %	2 %
Others	17 %	11 %
Total	100 %	100 %

(b) 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Discount rates	0.3 % ~ 0.6 %	0.1 % ~ 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 354 million yen for the prior fiscal year and 380 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, 2021)	Current fiscal year (As of December 31, 2022)
Deferred tax assets		
Net operating loss carryforwards (Note)1	100 million yen	115 million yen
Net defined benefit liability	523 million yen	505 million yen
Allowance for doubtful accounts	103 million yen	135 million yen
Provision for bonuses	54 million yen	62 million yen
Enterprise tax payable	66 million yen	67 million yen
Loss on valuation of securities	12 million yen	12 million yen
Loss on valuation of inventories	242 million yen	261 million yen
Revaluation reserve for land	1,082 million yen	1,082 million yen
Others	1,172 million yen	2,071 million yen
Deferred tax assets: Sub total	3,358 million yen	4,315 million yen
Valuation allowance for net operating loss carry forwards (Note2)	(76) million yen	(105) million yen
Valuation allowance for deductible temporary differences	(2,261) million yen	(3,207) million yen
Valuation allowance (Note1)	(2,338) million yen	(3,312) million yen
Deferred tax assets: Total	1,020 million yen	1,002 million yen
Deferred tax liabilities		
Balance of investments (valuation difference of noncurrent assets)	(230) million yen	(210) million yen
Revaluation reserve for land	(262) million yen	(262) million yen
Valuation differences on assets received by merger	(133) million yen	(133) million yen
Valuation difference on available-for-sale securities	(476) million yen	(504) million yen
Retained earnings of overseas subsidiaries	(134) million yen	(151) million yen
Net defined benefit assets	(535) million yen	(485) million yen
Other	(83) million yen	(112) million yen
Deferred tax liabilities: Total	(1,856) million yen	(1,860) million yen
Net deferred tax liabilities	(835) million yen	(857) million yen

(Note)1. Net operating loss carryforwards and related deferred tax assets expire as follows:

Prior fiscal year (As of December 31, 2021)

	Due 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)	3	1	0	3	3	87	100 million yen
Valuation allowance	(3)	(1)	0	(3)	(3)	(64)	(76) million yen
Deferred tax assets	-	-	-	-	-	23	23 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, 2022)

	Due 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)	-	-	2	3	3	105	115 million yen
Valuation allowance	-	-	(2)	(3)	(3)	(95)	(105) million yen
Deferred tax assets	-	-	-	-	-	10	10 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, 2021)	Current fiscal year (As of December 31, 2022)
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	- %	(0.3) %
Per-capita inhabitant tax	- %	3.1 %
Equity in earnings and losses of affiliates	- %	0.0 %
Valuation allowance	- %	24.6 %
Effect of tax deduction	- %	(5.1) %
Amortization of goodwill	- %	0.2 %
Effect for sale of shares of subsidiary	- %	(14.9) %
Others	- %	3.3 %
Effective tax rates after adoption of tax-effect accounting	- %	42.1 %

(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.

(Business combinations)

(Business combination due to acquisition)

Due to the acquisition of shares GEOSMART INTERNATIONAL PTE.LTD. on October 3, 2022 based on the board meeting held on August 10, 2022, it became subsidiary.

(1) Outline of the business combination

(a) Name of the acquired company and description of its business

Name of the acquired company

GEOSMART INTERNATIONAL PTE.LTD. (hereinafter referred as GEOSMART)

Description of businesses

Infrastructure monitoring, and Instrumentation of monitoring equipment, Soil Investigation, Recharge and Relief Wells, Ground Stabilization.

(b) Main reasons of the business combination

GEOSMART, which was established in 2010, is a company whose main businesses are provision of services in construction of infrastructure and its related projects including instrumentation/monitoring, soil investigation, recharge/relief wells, ground stabilization. By the acquisition of shares of Geosmart, OYO aims to provide a one-stop service in the Singapore construction market in collaboration with OYO's subsidiaries which are engaged in design, construction supervision and infrastructure inspection. Also, OYO seeks the possibilities to provide the ground three dimensional services and enhance the infrastructure monitoring services by utilizing of OYO's technologies.

(c) Date of business combination

October 3, 2022 (deemed acquisition date: October 1, 2022)

- (d) Legal form of business consolidation  
Acquisition of shares
- (e) Name of companies after business combination  
Unchanged
- (f) Ratio of voting rights acquired  
60%
- (g) Reasons for determining acquiring company  
The Company acquired shares for a cash consideration.
- (2) Period for which financial results of the acquired company are included in the consolidated financial statements  
From October 1, 2022 to December 31, 2022
- (3) Acquisition cost and breakdown of types of consideration  
Based on the Confidential Clause in the Share Purchase Agreement, the acquisition cost is not disclosed. Adequate due diligence by third-party advisors and sufficient procedures are performed to verify the appropriateness of prices.
- (4) Breakdown of acquisition cost including contingent consideration provided in the acquisition agreement and its accounting treatment in the future.  
Additional payments will be made based on the occurrence of certain milestone events in accordance with the share transfer agreement. Also, if the acquisition cost is revised, the consideration paid at acquisition and the acquisition price, amount of goodwill and amortization of goodwill will be adjusted retrospectively.
- (5) Breakdown of main cost related to acquisition and amount  
Advisory cost, etc. 68 million yen
- (6) Amount of goodwill arising from business combination, reason for occurrence, amortization method and period
- (a) Amount of goodwill recognized: 210 million yen  
As examining identifiable assets and liabilities on the date of business combination and the calculation of their fair value was incomplete and the purchase price allocation was not finalized at the end of the current fiscal year under review, provisional accounting treatment was performed for the amount of goodwill based on the reasonable information available at that time.
- (b) Reason for occurrence  
Goodwill was recognized for future excess earning power expected from the future business development.
- (c) Amortization method and amortization period  
Goodwill is amortized by the straight-line method over 10 years
- (7) Assets acquired and liabilities assumed from business combination and main breakdown
- |                        |                 |
|------------------------|-----------------|
| Current assets         | 623 million yen |
| Noncurrent assets      | 328 million yen |
| Total assets           | 952 million yen |
| Current liabilities    | 352 million yen |
| Noncurrent liabilities | 242 million yen |
| Total liabilities      | 594 million yen |



- (8) Estimated impact on consolidated profit and loss statement for the current fiscal year if the business combination is assumed to have been completed at the beginning of the fiscal year, and the calculation method  
The information is omitted because it is immaterial.

(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 32 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 28 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Book value in the consolidated balance sheets	Balance at the beginning of the fiscal year	571	479
	Increase/decrease during the fiscal year	(92)	(9)
	Balance at the end of the fiscal year	479	470
Fair value at the end of the year		459	462

- (Notes)
1. The book value in the consolidated balance sheets represented acquisition cost less accumulated depreciation.
  2. The amount of decrease during the prior fiscal year was mainly due to sales (82 million yen) and depreciation (9 million yen). The amounts of decrease during the current fiscal year were 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.

(Revenue Recognition)

Prior fiscal year (As of December 31, 2021)

(1) Disaggregation of revenue from contracts with customers

The Group consists of four reportable segments: "Infrastructure Maintenance, Management, and Renovation", "Natural Disaster Prevention and Mitigation", "Environment," and "Natural Resources and Energy."

Revenue of the Group is divided into and recognized within four categories; "Government," "Local government," and "Private and other" for each customer classification in Japan, and "Overseas" for sales outside Japan.

The relationship between revenues from goods or services broken down by classification of customers in Japan and overseas sales and the four reportable segments is as follows:

(Millions of yen)

Revenue from contracts with customers	50,275
Other revenue	1,400
Total	51,675

(Millions of yen)

		Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Internal elimination	Total
Japan	Government	4,192	4,263	2,507	257	-	11,220
	Local government	3,186	2,487	2,808	2	-	8,484
	Private and other	6,189	3,168	4,674	6,717	(762)	19,987
Overseas		4,019	2,506	4	4,053	-	10,583
Total		17,587	12,425	9,995	11,029	(762)	50,275

(2) Information to understand revenues

As the same information has been described in "Significant accounting policies, 4. Accounting policies, (5) Accounting for significant revenues and expenses," this note has been omitted.

(3) Information to understand the amount of revenues for the current and following fiscal year.

(a) Balance of Contract Assets and Contract Liabilities

The beginning and ending balances of trade receivables, contract assets and contract liabilities recorded from contracts with customers of the Company and its consolidated subsidiaries for the current fiscal year are as follows:

In the consolidated balance sheet, trade receivables are included in "Notes and accounts receivable-trade" and "Accounts receivable-completed operations and contract assets", contract assets are included in "Accounts receivable-completed operations and contract assets," and contract liabilities are included in "Advances received on uncompleted contracts" and "Other."

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Accounts receivable-trade	5,622	6,145
Contract assets	17,849	18,036
Contract liabilities	569	653

The change in contract assets was primarily due to revenue recognition (increase in contract assets) and reclassification to trade receivables (decrease in contract assets).

The change in contract liabilities was primarily due to advances received (an increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

Of the revenue recognized during the current fiscal year, the amount, which was included in contract liabilities as of the beginning of the current fiscal year, was 587 million yen and the amount related to performance obligations satisfied in prior periods was not material.

(b) Transaction price allocated to the remaining performance obligations

Outstanding performance obligations as of the end of the fiscal year are as follows:

(Millions of yen)

	Due in 1 year or less	Due after 1 year	Total
Current fiscal year	18,911	6,594	25,506

Current fiscal year (As of December 31, 2022)

(1) Disaggregation of revenue from contracts with customers

The Group consists of four reportable segments: "Infrastructure Maintenance, Management, and Renovation," "Natural Disaster Prevention and Mitigation," "Environment," and "Natural Resources and Energy."

Revenue of the Group is divided into and recognized within four categories; "Government," "Local government," and "Private and other" for each customer classification in Japan, and "Overseas" for sales outside Japan.

The relationship between revenues from goods or services broken down by classification of customers in Japan and overseas sales and the four reportable segments is as follows:

(Millions of yen)

Revenue from contracts with customers	57,562
Other revenue	1,449
Total	59,011

(Millions of yen)

		Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Internal elimination	Total
Japan	Government	3,718	4,494	2,420	2,739	-	13,372
	Local government	3,117	2,411	3,279	0	-	8,809
	Private and other	9,067	3,269	4,258	8,736	(1,027)	24,305
Overseas		3,371	3,471	10	4,220	-	11,074
Total		19,275	13,646	9,968	15,697	(1,027)	57,562

(2) Information to understand revenues

As the same information has been described in "Significant accounting policies, 4. Accounting policies, (5) Accounting for significant revenues and expenses," this note has been omitted.

(3) Information to understand the amount of revenues for the current and following fiscal year.

(a) Balance of Contract Assets and Contract Liabilities

The beginning and ending balances of trade receivables, contract assets and contract liabilities recorded from contracts with customers of the Company and its consolidated subsidiaries for the current fiscal year are as follows:

In the consolidated balance sheet, trade receivables are included in “Notes and accounts receivable-trade” and “Accounts receivable-completed operations and contract assets”, contract assets are included in “Accounts receivable-completed operations and contract assets,” and contract liabilities are included in “Advances received on uncompleted contracts” and “Other.”

(Millions of yen)

	Current fiscal year (From January 1, 2022 to December 31, 2022)	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Accounts receivable-trade	6,145	6,964
Contract assets	18,036	25,279
Contract liabilities	653	745

The change in contract assets was primarily due to revenue recognition (increase in contract assets) and reclassification to trade receivables (decrease in contract assets).

The change in contract liabilities was primarily due to advances received (an increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

Of the revenue recognized during the current fiscal year, the amount, which was included in contract liabilities as of the beginning of the current fiscal year, was 647 million yen and the amount related to performance obligations satisfied in prior periods was not material.

(b) Transaction price allocated to the remaining performance obligations

Outstanding performance obligations as of the end of the fiscal year are as follows:

(Millions of yen)

	Due in 1 year or less	Due after 1 year	Total
Current fiscal year	18,735	9,340	28,075

(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.

An outline of the 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, 2021 to December 31, 2021)

(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	18,359	12,366	9,932	11,017	51,675	-	51,675
Inter-segment sales or transfer	628	58	62	12	762	(762)	-
Total	18,988	12,425	9,995	11,029	52,438	(762)	51,675
Segment income	1,026	540	981	1,118	3,667	(0)	3,666
Other items							
Depreciation and amortization	427	222	231	238	1,119	(0)	1,118
Amortization of goodwill	16	-	-	-	16	-	16
Equity in earnings of affiliates	14	-	-	41	55	-	55

- (Notes) 1. An adjustment of (0) million yen in the segment income 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, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segments					Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Total		
Net sales							
Sales to third parties	19,847	13,545	9,923	15,694	59,011	-	59,011
Inter-segment sales or transfer	876	101	45	3	1,027	(1,027)	-
Total	20,724	13,646	9,968	15,697	60,038	(1,027)	59,011
Segment income	404	474	1,064	567	2,510	8	2,518
Other items							
Depreciation and amortization	510	206	243	314	1,275	(0)	1,274
Amortization of goodwill	21	-	-	-	21	-	21
Equity in earnings (losses) of affiliates	5	-	-	(7)	(2)	-	(2)

- (Notes) 1. An adjustment of 8 million yen in the segment income was due to the elimination of inter-segment revenues.  
2. Segment income was adjusted by the amount of operating income as stated on the consolidated statements of income.  
3. Segment assets are not disclosed since they are not subject to a determination of management resource allocation or evaluation of business results. However, depreciation is allocated to each business segment based on a reasonable distribution basis.

**【Related information】**

Prior fiscal year (From January 1, 2021 to December 31, 2021)

1. Breakdown by product and service

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

2. Breakdown by geographic area

(1) Net sales

(Millions of yen)

Japan	United States	Others	Total
41,092	4,664	5,919	51,675

(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
10,664	1,107	120	11,892

3. Breakdown by customer

(Millions of yen)

Name of the customer	Net sales	Relevant segment
Ministry of Land, Infrastructure, Transport and Tourism	6,976	Infrastructure Maintenance, Management, and Renovation; Natural Disaster Prevention and Mitigation; Environment; and Natural Resources and Energy

Current fiscal year (From January 1, 2022 to December 31, 2022)

1. Breakdown by product and service

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

2. Breakdown by geographic area

(1) Net sales

(Millions of yen)

Japan	the United States	Others	Total
46,390	3,911	8,709	59,011

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

(2) Property, plant and equipment

(Millions of yen)

Japan	the United States	Others	Total
11,492	1,457	142	13,092

3. Breakdown by customer

(Millions of yen)

Name of the customer	Net sales	Relevant segment
Ministry of Land, Infrastructure, Transport and Tourism	6,080	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, 2021 to December 31, 2021)

(Millions of yen)

	Infrastructure Maintenance, Management, and Renovation	Natural Disaster Prevention and Mitigation	Environment	Natural Resources and Energy	Eliminations or corporate	Total
Impairment loss	138	-	-	-	-	138

Current fiscal year (From January 1, 2022 to December 31, 2022)

(Millions of yen)

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

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

Prior fiscal year (From January 1, 2021 to December 31, 2021)

(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	16	-	-	-	-	16
Balance at the end of the year	-	-	-	-	-	-

Current fiscal year (From January 1, 2022 to December 31, 2022)

(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	21	-	-	-	-	21
Balance at the end of the year	199	-	-	-	-	199

**【Information about gain on negative goodwill per reportable segment】**

Not applicable.

**【Related-party information】**

## Related-party transactions

Prior fiscal year (From January 1, 2021 to December 31, 2021)

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

Type	Name	Location	Common stocks or equity contributions	Business description	Percentage of ownership (%)	Relationship with related-parties	Transaction	Amount (Millions of yen)	Account name	Balance at the end of year (Millions of yen)
Major shareholder	Fukada Geological Institute, a public foundation	Bunkyo-ku, Tokyo	-	Research projects	9.88	-	Purchase of treasury stock	1,199	-	-

(Notes) 1. The shares of treasury stocks were purchased in accordance with a resolution of the Board of Directors' meeting dated February 12, 2021 through Tokyo Stock Exchange Off-Auction Own Share Repurchase Trading (ToSTNeT-3). The transaction prices are based on the closing price on February 12, 2021.

2. Due to the above transactions, Fukada Geological Institute, a public foundation, is no longer a related party.

Current fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

(Per share information)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net assets per share	2,756.63 yen	2,901.31 yen
Earnings per share	112.92 yen	75.33 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 544,944 shares in the prior fiscal year and 539,459 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 434,624 shares in the prior fiscal year and 541,067 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	2,866	1,864
Net income not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	2,866	1,864
Average number of shares outstanding (share)	25,384,765	24,745,999

(Significant subsequent events)

(Acquisition of Shares)

The board meeting held on June 15, 2023, it has resolved to acquire the shares of NIHON ZITAN CO, LTD. (hereinafter referred as NIHON ZITAN), and make it a subsidiary of the Company.

1. Reason of the acquisition of the shares

Under the current medium-term business plan “OYO Advance 2023”, we are committed to maximize the three values of “social value”, “environmental value” and “customer value” through our business activities based on the basic policy of “Sustainable Management” (ESG management and achievement of SDGs goals). In order to achieve this, we are actively developing offshore wind power generation support services as one of our core businesses.

NIHON ZITAN has been engaged in marine surveying, geological surveys, and consulting business for 50 years since its establishment, contributing to port infrastructure development and marine development in Japan. This company's services, which are centered on marine magnetic surveys, are also in high demand in the offshore wind power generation business. With the addition of NIHON ZITAN to our group, we will be able to expand the resources of the group's business, and we can expect to further enhance the group's market superiority in the offshore wind power generation market.

2. Outline of NIHON ZITAN

(a) Name	NIHON ZITAN CO, LTD.
(b) Location	4-1-24 Kyomachi, Kita Ward, Kitakyushu City, Fukuoka Prefecture
(c) Description of business	Magnetic exploration, marine survey, surveying, geological survey, etc.
(d) Share capital	60 million yen

3. Number of acquiring shares, acquisition costs, and shareholding before and after acquisition

(a) Number of shares held before the change	0 shares (Number of voting rights: 0 units) (Ratio of voting rights: 0%)
(b) Number of shares to be acquired	120,000 shares (Number of voting rights: 120,000 units)
(c) Acquisition costs	The acquisition cost is not disclosed based on the confidentiality obligation with the other party (calculated under DCF method).
(d) Number of shares held after the change	120,000 shares (Number of voting rights:120,000 units) (Ratio of voting rights: 100%)

4. Schedule

(a) Date of resolution at the meeting of the Board of Directors	June 15, 2023
(b) Date of conclusion of the agreement	June 21, 2023
(c) Date of commencement of share transfer	July 2023 (scheduled)

⑤ 【Consolidated supplementary schedules】

【Schedule of corporate bonds】

Not applicable.

【Schedule of borrowings】

Classification	Balance at January 1, 2022 (Millions of yen)	Balance at December 31, 2022 (Millions of yen)	Average interest rate (%)	Period of repayment
Short-term loans payable	171	198	7.66	-
Long-term loans due for repayment within one year	-	-	-	-
Lease obligations due for repayment within one year	1,372	1,545	2.27	-
Long term loans (excluding those due for repayment within one year)	-	50	2.75	-
Lease obligations (excluding those due for repayment within one year)	2,653	2,828	1.81	2024-2029
Other interest-bearing liabilities	-	-	-	-
Total	4,197	4,622	-	-

(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, 2022.

	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	1,181	879	559	181

【Schedule of asset retirement obligations】

Disclosure is omitted because the amount of asset retirement obligations is immaterial.

(2) 【Other】

Quarterly information for the current fiscal year

Cumulative	1st quarter	2nd quarter	3rd quarter	Current fiscal year
Net sales (Millions of yen)	14,338	26,658	41,881	59,011
Profit before income taxes (Millions of yen)	1,404	1,191	1,879	3,227
Quarterly (current) profit attributable to owners of parent (Millions of yen)	799	623	1,030	1,864
Earnings per share (Yen)	32.00	24.97	41.40	75.33

Each quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly earnings per share or Quarterly losses per share (Yen)	32.00	(7.09)	16.45	34.31

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

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,062	6,603
Notes receivable-trade	*162	37
Accounts receivable-completed operations and contract assets	18,128	24,153
Accounts receivable-trade	199	220
Short-term investment securities	1,649	989
Merchandise and finished goods	334	477
Work in process	80	147
Raw materials and supplies	278	320
Prepaid expenses	175	219
Other	160	1,068
<b>Total current assets</b>	<b>35,131</b>	<b>34,239</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	3,046	2,912
Structures	67	80
Machinery and equipment	549	860
Vehicles	2	1
Tools, furniture and fixtures	42	44
Land	3,951	3,951
Lease assets	30	38
Construction in progress	116	7
<b>Total property, plant and equipment</b>	<b>7,809</b>	<b>7,895</b>
<b>Intangible assets</b>		
Software	724	702
Software in progress	85	-
Other	8	8
<b>Total intangible assets</b>	<b>818</b>	<b>710</b>
<b>Investments and other assets</b>		
Investment securities	3,886	3,682
Stocks of subsidiaries and affiliates	12,786	13,131
Long-term loans receivable	32	27
Other	2,515	2,670
Allowance for doubtful accounts	(203)	(201)
<b>Total investments and other assets</b>	<b>19,016</b>	<b>19,310</b>
<b>Total noncurrent assets</b>	<b>27,643</b>	<b>27,917</b>
<b>Total assets</b>	<b>62,775</b>	<b>62,156</b>

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-operating	1,193	1,992
Accounts payable-trade	33	45
Accounts payable-other	2,501	3,122
Income taxes payable	400	282
Accrued expenses	359	339
Advances received on uncompleted contracts	202	274
Deposits payable	368	373
Provision for bonuses	112	120
Provision for loss on orders received	3	-
Provision for product warranties	18	17
Other	36	41
<b>Total current liabilities</b>	<b>5,228</b>	<b>6,610</b>
<b>Noncurrent liabilities</b>		
Provision for retirement benefits	1,781	1,862
Provision for stock benefits	224	265
Provision for loss on business of subsidiaries and affiliates	-	22
Deferred tax liabilities	264	315
Deferred tax liabilities for land revaluation	262	262
Other	73	100
<b>Total noncurrent liabilities</b>	<b>2,607</b>	<b>2,829</b>
<b>Total liabilities</b>	<b>7,836</b>	<b>9,439</b>

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Net assets</b>		
<b>Shareholders' equity</b>		
<b>Capital stock</b>	16,174	16,174
<b>Capital surplus</b>		
Legal capital surplus	4,043	4,043
Other capital surplus	9,316	7,612
<b>Total capital surplus</b>	13,359	11,656
<b>Retained earnings</b>		
Legal retained earnings	488	488
<b>Other retained earnings</b>		
General reserve	23,307	23,307
Retained earnings brought forward	5,480	5,402
<b>Total retained earnings</b>	29,275	29,197
<b>Treasury stock</b>	(2,049)	(2,547)
<b>Total shareholders' equity</b>	56,760	54,480
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	1,120	1,178
Revaluation reserve for land	(2,942)	(2,942)
<b>Total valuation and translation adjustments</b>	(1,821)	(1,764)
<b>Total net assets</b>	54,938	52,716
<b>Total liabilities and net assets</b>	62,775	62,156



## ② 【Non-consolidated statement of income】

(Millions of yen)

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	29,417	34,092
Cost of sales	20,202	24,930
Gross profit	9,214	9,161
Selling, general and administrative expenses	* <sup>1</sup> 7,350	* <sup>1</sup> 7,861
Operating income	1,864	1,300
Non-operating income		
Interest and dividends income	* <sup>2</sup> 478	* <sup>2</sup> 503
Insurance and dividends income	71	76
Rent of real estate	* <sup>2</sup> 73	* <sup>2</sup> 69
Other	* <sup>2</sup> 30	* <sup>2</sup> 37
Total non-operating income	652	687
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	-	10
Provision of allowance for doubtful accounts	3	-
Provision of allowance for loss on business of subsidiaries and affiliates	-	22
Rent cost of real estate	23	26
Loss on cancellation of leases	11	-
Commission fee for purchase of treasury stock	0	11
Other	0	3
Total non-operating expenses	40	75
Ordinary income	2,476	1,912
Extraordinary income		
Gain on sales of noncurrent assets	* <sup>3</sup> 97	-
Gain on sales of affiliate's stocks	10	-
Gain on sales of investment securities	23	80
Other	10	-
Total extraordinary income	141	80
Extraordinary loss		
Loss on valuation of stock of subsidiaries and affiliates	-	140
Total extraordinary loss	-	140
Profit before income taxes	2,618	1,852
Income taxes-current	602	523
Income taxes-deferred	95	25
Total income taxes	697	548
Profit	1,920	1,304

【Breakdown of cost of sales】

A. Cost of sales for geo-engineering services

Classification	Notes	Prior fiscal year (From January 1, 2021 to December 31, 2021)		Current fiscal year (From January 1, 2022 to December 31, 2022)			
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		
Materials cost			521	2.7	482	2.0	
Labor cost			6,379	32.9	6,439	26.8	
Subcontract cost			9,309	48.2	13,802	57.4	
Overhead cost							
Transportation expenses		899			1,015		
Report preparation cost		56			40		
Depreciation		372			372		
Other		1,795	3,124	16.2	1,907	3,336	13.9
Total cost for geo-engineering services			19,334	100.0	24,060	100.0	
Total			19,334		24,060		
Cost of sales for geo-engineering services			19,334		24,060		
Provision for loss on orders received			6		-		
Reversal of provision for loss on orders received			20		3		
Cost of sales for geo-engineering services during the year			19,320		24,057		

(Notes) 1. Method of cost accounting is Job order cost accounting.

B. Cost of sales for measuring instruments

Classification	Note	Prior fiscal year (From January 1, 2021 to December 31, 2021)		Current fiscal year (From January 1, 2022 to December 31, 2022)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Finished goods at beginning of the year			298		334
Cost of purchased goods during the year			518		661
Cost of products manufactured during the year					
Materials cost		308	53.3	371	57.0
Labor cost		183	31.7	194	29.8
Overhead cost		86	15.0	85	13.1
Total manufacturing costs		578	100.0	650	100.0
Work in process at the beginning of the year		104		80	
Total		683		731	
Transfer to other accounts	※2	72		99	
Work in process at the end of the year		80	530	147	484
Total			1,347		1,480
Transfer to other accounts	※3		131		129
Finished goods at the end of the year			334		477
Cost of sales for measuring instruments during the year			881		873

(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<br>(Selling, general and administrative expenses) | 13 million yen    | 14 million yen      |
| ※ 3. Transfer to other accounts   | Prior fiscal year | Current fiscal year |
| Transfer to cost of geo-engineering services  | 72 million yen    | 99 million yen      |

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

Classification	Note	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
		Amount (Millions of yen)	Amount (Millions of yen)
Cost of sales for geo- engineering services		19,320	24,057
Cost of sales for measuring instruments		881	873
Cost of sales		20,202	24,930

③ 【Non-consolidated statement of changes in net assets】  
Prior fiscal year (From January 1, 2021 to December 31, 2021)

(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	4,358	28,153
Changes during the year								
Dividends from surplus							(838)	(838)
Net income							1,920	1,920
Purchase of treasury stock								
Disposal of treasury stock			22	22				
Cancellation of treasury stock			(1,128)	(1,128)				
Reversal of revaluation reserve for land							39	39
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	(1,105)	(1,105)	-	-	1,122	1,122
Balance at the end of year	16,174	4,043	9,316	13,359	488	23,307	5,480	29,275

(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	(1,820)	56,973	1,303	(2,902)	(1,599)	55,373
Changes during the year						
Dividends from surplus		(838)				(838)
Net income		1,920				1,920
Purchase of treasury stock	(2,096)	(2,096)				(2,096)
Disposal of treasury stock	739	761				761
Cancellation of treasury stock	1,128	-				-
Reversal of revaluation reserve for land		39				39
Net changes in items other than shareholders' equity			(182)	(39)	(222)	(222)
Total changes during the year	(228)	(212)	(182)	(39)	(222)	(434)
Balance at the end of year	(2,049)	56,760	1,120	(2,942)	(1,821)	54,938

Current fiscal year (From January 1, 2022 to December 31, 2022)

(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	9,316	13,359	488	23,307	5,480	29,275
Changes during the year								
Dividends from surplus							(1,382)	(1,382)
Net income							1,304	1,304
Purchase of treasury stock								
Disposal of treasury stock								
Cancellation of treasury stock			(1,703)	(1,703)				
Reversal of revaluation reserve for land								
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	(1,703)	(1,703)	-	-	(78)	(78)
Balance at the end of year	16,174	4,043	7,612	11,656	488	23,307	5,402	29,197

(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	(2,049)	56,760	1,120	(2,942)	(1,821)	54,938
Changes during the year						
Dividends from surplus		(1,382)				(1,382)
Net income		1,304				1,304
Purchase of treasury stock	(2,209)	(2,209)				(2,209)
Disposal of treasury stock	7	7				7
Cancellation of treasury stock	1,703	-				-
Reversal of revaluation reserve for land		-				-
Net changes in items other than shareholders' equity			57	-	57	57
Total changes during the year	(498)	(2,280)	57	-	57	(2,222)
Balance at the end of year	(2,547)	54,480	1,178	(2,942)	(1,764)	52,716

## 【Notes】

(Significant accounting policies)

### 1. Valuation method and standards for securities

#### (1) Stocks of subsidiaries and affiliates

Stated at cost determined by the moving average method.

#### (2) Available-for-sale securities

Securities other than stocks, etc. without market price

Stated at fair value (unrealized gains or losses are included directly in net assets, net of the applicable taxes. Cost of securities sold is determined by the moving average method).

Stocks, etc. without market price

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

#### (1) 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).

#### (2) 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

#### (1) 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

#### (2) Intangible assets (excluding lease assets)

Straight-line method

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

#### (3) 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.

#### (4) Long-term prepaid expenses

Straight-line method

### 5. Accounting standards for provisions

#### (1) 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.

#### (2) 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.

#### (3) 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.

Prior service cost 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.

(4) 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.

(5) 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.

(6) 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.

(7) Provision for loss on business of subsidiaries and affiliates

To prepare for potential loss on business in subsidiaries and affiliates, we record a provision for loss on business in consideration of their financial position.

6. Accounting standards for revenue and expenses

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (Implementation Guidance No. 30, March 26, 2021) have been applied.

The following summarizes the major performance obligations of the Group's principal businesses and the time at which revenue is recognized. For any businesses, the Company allocates the transaction price to performance obligations based on the independent sales price calculated using an adjusted market valuation approach, an approach that adds margins to expected costs, and other factors. Consideration for the transaction does not include a significant financing component as it is primarily received by within one year after satisfaction of performance obligations. In addition, there is no material variable consideration for which the amount of consideration could change.

Details of major performance obligations in major businesses and the time at which revenue is recognized are as follows.

(1) Revenue Recognition for Geo-engineering Services Contracts

In Geo-engineering Service Contracts, the Company conducts machine boring, road facilities inspection (tunnels, etc.), slope observation, landslide countermeasure design, analysis of water quality, soil and odor, marine surveys such as offshore boring associated with the installation of offshore wind power plant, data collection, analysis, design, consulting. The Company has identified these services provided by the Company in this area as performance obligations.

Geo-engineering Services are based on a method in which revenue is recognized over time as the Company satisfies the performance obligations to transfer the goods or services to the customer, as the Company recognizes certainty of outcome with respect to the portion of progress and transfers control over the goods or services to the customer over a period of time.

The method used to estimate the degree of progress related to the satisfaction of performance obligations is primarily based on the cost-based input method.

In addition, if the Company is unable to reasonably estimate the degree of progress related to the satisfaction of performance obligations, the Company applies the cost-recovery method.

(2) Revenue Recognition for Merchandise Sales (Mainly Measuring Instrument Sales)

In merchandise sales, the Company manufactures, sells, and provides maintenance services for geophysical survey equipment such as seismic observation and monitoring equipment and non-destructive inspection equipment, as well as monitoring systems using equipment. The Company has identified the operations provided by the Company with respect to these operations as performance obligations.

Of merchandise sales, domestic sales are recognized at the time of delivery because control over the goods is transferred to the customer at the time of delivery.

In addition, revenue from overseas sales is recognized at a point in time when performance obligations are satisfied.

(3) Revenue recognition for license sales

In license sales, the Company sells licenses for land information systems, operational management systems, various analysis software, and other products, and conducts consignment sales of systems. The Group has identified the operations it provides as performance obligations.

Revenue from license sales is recognized over a certain period of time when the nature of the license, such as cloud services, represents access rights, and revenue is recognized upon delivery, if the nature of the license, such as software delivery, is a right of use.

7. Hedge accounting method

(1) Hedge accounting method

Deferral hedge accounting is adopted.

(2) Hedging instruments and hedged items

Hedging instruments: forward-exchange contracts

Hedged items: accounts payable-trade

(3) Hedging policy

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

(4) 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

Not applicable.

(Significant Accounting Estimates)

(Revenue Recognition by estimating the degree of progress related to the satisfaction of performance obligations of Geo-engineering Services Contracts)

(1) Amount recorded in financial statements for the current fiscal year

(Millions of yen)

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Net sales	13,635	20,262

(Note)The above amount includes the Geo-engineering Service Contracts for which the degree of progress related to the satisfaction of performance obligations of the Geo-engineering Service Contracts can be reasonably estimated, and for which the full performance obligation has not been satisfied as of the end of the current fiscal year.

(2) Other information that helps users of the financial statements understand the contents of accounting estimates

As the same information has been described in “5. Financial information, 1. Consolidated Financial Statements,

(1) Consolidated financial statements, Notes (Significant Accounting Estimates) (Revenue Recognition by estimating the degree of progress related to the satisfaction of performance obligations of Geo-engineering Services Contracts of the Company) (2) Other information to help users of the consolidated financial statements understand the contents of accounting estimates”, this note has been omitted.

(Change in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Accounting Standard”) has been applied from the beginning of the current fiscal year, and in accordance with Paragraph 19 of the Fair Value Calculation Accounting Standard and following the transitional treatment prescribed in Paragraph 44-2 of “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Fair Value Accounting Standard will be applied prospectively. The application has no impact on the financial statements for the current fiscal year.



(Change in presentation)

(Non-consolidated balance sheet)

“Accounts receivable-completed operations” under “Current assets” presented in the prior fiscal year, has been changed to “Accounts receivable-completed operations and contract assets” from the current fiscal year to provide a clearer presentation in line with actual conditions.

(Additional information)

As the same information has been described in “5. Financial information, 1. Consolidated Financial Statements, (1) Consolidated financial statements, Notes (Business Combinations, etc.)”, this note has been omitted.

(Non-consolidated 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, 2021)	Current fiscal year (As of December 31, 2022)
Notes receivable-trade	8 million yen	- million yen

2. Guarantee obligation

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

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
FONG CONSULT PTE. LTD.	171 million yen	198 million yen

(Non-consolidated statement 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Salaries and allowances	3,523 million yen	3,631 million yen
Provision for bonuses	40 million yen	44 million yen
Retirement benefit expenses	106 million yen	136 million yen
Depreciation	240 million yen	268 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, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Dividends income	380 million yen	386 million yen
Other non-operating income including real estate rent	42 million yen	45 million yen

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

	Prior fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Land	97 million yen	- million yen

(Securities)

Prior fiscal year (As of December 31, 2021)

Stocks of subsidiaries or affiliates (12,737 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, 2022)

Stocks of subsidiaries or affiliates (13,082 million yen of subsidiary stocks and 49 million yen of affiliate stocks on the balance sheets) are Stocks, etc. without market price. Therefore, there are not disclosed.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	Prior fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Deferred tax assets		
Provision for bonuses	39 million yen	42 million yen
Enterprise tax payable	47 million yen	40 million yen
Loss on valuation of securities	12 million yen	12 million yen
Provision for retirement benefits	500 million yen	525 million yen
Revaluation reserve for land	1,082 million yen	1,082 million yen
Valuation differences on assets received by merger	49 million yen	48 million yen
Other	449 million yen	515 million yen
Deferred tax assets: Sub total	2,182 million yen	2,268 million yen
Valuation provision	(1,326) million yen	(1,396) million yen
Deferred tax assets: Total	856 million yen	871 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale	(476) million yen	(504) million yen
Prepaid pension cost	(451) million yen	(488) million yen
Revaluation reserve for land	(262) million yen	(262) 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	(1,384) million yen	(1,450) million yen
Net deferred tax liabilities	(527) million yen	(578) 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, 2021)	Current fiscal year (As of December 31, 2022)
Statutory effective tax rate in Japan (Reconciliation)	30.6 %	- %
Permanently non-deductible entertainment and other expenses	0.3 %	- %
Dividends and other income permanently included in gross profit	(4.7) %	- %
Per-capita inhabitants tax	2.9 %	- %
Valuation provision	(0.8) %	- %
Tax deduction	(0.8) %	- %
Effect on merger of a consolidated subsidiary	(1.2) %	- %
Other	0.4 %	- %
Effective tax rates after adoption of tax-effect accounting	26.7 %	- %

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

(Business combinations)

As the same information has been described in “5. Financial information, 1. Consolidated Financial Statements, (1) Consolidated financial statements, Notes (Business Combinations, etc.)”, this note has been omitted.

(Revenue Recognition)

Notes are omitted because the basis for understanding revenue from contracts with customers are the same as that presented in (Revenue recognition) in the notes to the 5. 【Financial information】 (1) consolidated financial statements.

(Significant subsequent events)

As the same information has been described in “5. Financial information, 1. Consolidated Financial Statements, (1) Consolidated financial statements, Notes (Significant subsequent events)”, this note has been omitted.

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

Type of assets	Balance at January 1, 2022 (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, 2022 (Millions of yen)	Accumulated depreciation or amortization for the current fiscal year (Millions of yen)
Property, plant and equipment						
Buildings	3,046	33	2	164	2,912	7,106
Structures	67	22	0	8	80	712
Machinery and equipment	549	592	0	281	860	2,948
Vehicles	2	-	-	1	1	87
Tools, furniture and fixtures	42	20	0	18	44	308
Land	3,951 [(2,750)]	-	-	-	3,951 [(2,750)]	-
Lease assets	30	24	-	17	38	48
Construction in progress	116	7	116	-	7	-
Total Property, plant and equipment	7,809	699	120	492	7,895	11,210
Intangible assets						
Software	724	167	-	189	702	1,320
Software in progress	85	-	85	-	-	-
Other	8	-	-	-	8	-
Total intangible assets	818	167	85	189	710	1,320

(Note) From current fiscal year, figures in square brackets in the "Balance at January 1, 2022" "Decrease in the current fiscal year" and "Balance at December 31, 2022" columns indicate amounts outstanding as a revaluation reserve for land (before tax).

【Schedule of provisions】

Classification	Balance at January 1, 2022 (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, 2022 (Millions of yen)
Allowance for doubtful accounts	203	4	7	201
Provision for bonuses	112	119	111	120
Provision for loss on orders received	3	-	3	-
Provision for product warranties	18	17	18	17
Provision for stock benefits	224	51	10	265
Provision for loss on business of subsidiaries and affiliates	-	22	-	22

(2) 【Details of major assets and liabilities】

Statement has been omitted since consolidated financial statements are prepared.

(3) **【Other】**

(a) Events arising after the balance sheet date  
Not applicable.

(b) 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 (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, 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, 2022, 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.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized over time as performance obligations are satisfied for Geo-engineering Services in OYO Corporation	
Description of Key Audit Matter	Auditor's Response
As described in Significant accounting policies to the consolidated financial statements in the notes to the consolidated financial statements, 4. Accounting policies, (5) Accounting for significant revenues and expenses, the Company and its consolidated subsidiaries apply a method of recognizing revenue over time as performance obligations are satisfied for Geo-engineering Services. The cost-based input method is primarily	We mainly performed the following audit procedures in considering the adequacy of estimates of the total cost of Geo-engineering Services using the method of recognizing revenue over time as performance obligations are satisfied for Geo-engineering Services in OYO Corporation.  (1) Evaluation of internal controls We evaluated the Company's following

used as the method for estimating progress towards satisfaction of a performance obligation.

In addition, as described in Significant accounting estimates in the notes to the consolidated financial statements, among the Geo-engineering Services contracts in which progress towards the satisfaction of performance obligations under such contracts can be reasonably estimated, OYO Corporation's Net sales related to Geo-engineering Services Contracts wherein performance obligations were not completely satisfied as of the end of the current fiscal year were 20,228 million yen, accounting for 34% of Net sales of 59,011 million yen for the current fiscal year.

Among revenue recognized using the method of recognizing revenue over time as performance obligations are satisfied, revenue from Geo-engineering Services contracts for which progress towards the satisfaction of performance obligations under such contracts can be reasonably estimated is measured based on the progress towards the satisfaction of the performance obligation, and such progress is determined based on the ratio of actual costs incurred to the estimated total costs of Geo-engineering Services up to the end of the fiscal year.

Geo-engineering Services are highly individual in nature and carried out in accordance with fundamental specifications and work details instructed by customers. Estimates of the total cost of Geo-engineering Services require judgment based on specialized knowledge of and experience in Geo-engineering Services, and involve uncertainty.

Further, the content of Geo-engineering Services Contracts may potentially be modified based on agreement with the customer throughout the work period and there may be changes in work-hour estimates and fluctuations in components such as subcontract costs due to certain facts coming to light after the start of implementation, thus making timely and appropriate revisions of the total cost of Geo-engineering Services highly complex.

Based on the above, we determined the estimates of the total cost of Geo-engineering Services in calculating Net sales and progress towards the satisfaction of performance obligations are of most significance for the fiscal year ended December 31, 2022 and, accordingly, that this is a key audit matter.

internal controls related to estimates of the total cost of Geo-engineering Services.

- Control to ensure reliability of profit plans by requiring that profit plans (plan to manage profits of each contract) upon which estimates of the total cost of Geo-engineering Services are based are prepared by personnel in charge with specialized knowledge, and that necessary approvals have been obtained for the profit plans

- System to confirm that each of the elements of the total cost of Geo-engineering Services is accumulated and calculated in detail based on objective prices such as third party quotations and internally approved standard unit prices

- System for revising estimates of the total cost of Geo-engineering Services in a timely manner in accordance with factors such as the status of implementation of the Geo-engineering Services and actual costs incurred, or changes in specifications as instructed by customers

- System through which the personnel in charge of profit management, who are responsible for the reliability of costs, can monitor both the management of profit and loss on Geo-engineering Services and progress towards completion in a timely and appropriate manner

(2) Evaluation of the adequacy of estimates of the total cost of Geo-engineering Services

We identified Geo-engineering Services involving a relatively high degree of uncertainty over estimates of the total cost of Geo-engineering Services in light of factors such as Net sales of Geo-engineering Services and the status of implementation, and performed the following procedures.

- We agreed estimates of the total cost of Geo-engineering Services to the profit plan upon which the estimates are based, and considered whether the total cost of Geo-engineering Services was calculated by accumulating each of the elements of the total cost and whether the profit plan includes unclear reconciling items.

	<ul style="list-style-type: none"> <li>• We considered whether the impact of changes to the content of the Geo-engineering Services were reflected in estimates of the total cost of Geo-engineering Services in a timely manner by inspecting profit plans and documents that could confirm whether there were changes to the content of the Geo-engineering Services and making inquiries of relevant personnel as necessary.</li> <li>• We evaluated the process for estimating the total cost of Geo-engineering Services by comparing advance estimates of the total cost of Geo-engineering Services with the actual amounts or revised estimates.</li> </ul>
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### **Other Information**

Other information comprises the information included in disclosure documents that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

### **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 consolidated 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.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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

June 30, 2023

/s/ Kyoji Ito  
Designated Engagement Partner  
Certified Public Accountant

/s/ Makie Suzuki  
Designated Engagement Partner  
Certified Public Accountant

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(Notes) 1. The original copy of the above Independent Auditor's Report is in the custody of the Company—the submitter of this Securities Report.  
2. The XBRL data is not included in the scope of 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, 2022, 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, 2022, 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.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized over time as performance obligations are satisfied for Geo-engineering Services

Description is omitted because it is the same as the description of key audit matter stated in the auditor's report of the consolidated financial statements.

## **Other Information**

Other information comprises the information included in disclosure documents that contains audited non-consolidated financial statements, but does not include the non-consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

## **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 non-consolidated 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.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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

June 30, 2023

/s/ Kyoji Ito  
Designated Engagement Partner  
Certified Public Accountant

/s/ Makie Suzuki  
Designated Engagement Partner  
Certified Public Accountant

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- (Notes) 1. The original copy of the above Independent Auditor's Report is in the custody of the Company—the submitter of this Securities Report.  
2. The XBRL data is not included in the scope of Audit.