

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

**OYO Corporation
and Consolidated Subsidiaries**

*Year ended December 31, 2024
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, 2024 to December 31, 2024) and non-consolidated financial statements for the current fiscal year (From January 1, 2024 to December 31, 2024) 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, 2023)	Current fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	24,360	18,756
Notes and accounts receivable-trade	*1,2 2,576	*1,2 2,438
Accounts receivable-completed operations and contract assets	*1 34,268	*1 40,689
Lease receivables and investment assets	4,372	4,462
Merchandise and finished goods	1,591	1,877
Work in process	1,508	1,768
Raw materials and supplies	4,358	4,952
Other	1,525	1,603
Allowance for doubtful accounts	(55)	(82)
Total current assets	74,506	76,466
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	15,008	16,174
Accumulated depreciation	(10,215)	(10,924)
Accumulated impairment loss	(9)	(3)
Buildings and structures, net	*3,4 4,783	*3,4 5,246
Machinery, equipment and vehicles	9,228	10,864
Accumulated depreciation	(7,214)	(8,613)
Accumulated impairment loss	(12)	(11)
Machinery, equipment and vehicles, net	2,001	2,240
Tools, furniture and fixtures	1,923	2,086
Accumulated depreciation	(1,688)	(1,816)
Accumulated impairment loss	(19)	(4)
Tools, furniture and fixtures, net	214	265
Land	*4,5 6,081	*4,5 6,922
Lease assets	909	1,907
Accumulated depreciation	(396)	(481)
Lease assets, net	513	1,426
Construction in progress	117	248
Total property, plant and equipment	13,712	16,350
Intangible assets		
Software	812	773
Software in progress	35	22
Goodwill	1,116	1,552
Other	261	204
Total intangible assets	2,225	2,553

	(Millions of yen)	
	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Investments and other assets		
Investment securities	* ⁶ 5,056	* ⁶ 5,451
Long-term loans receivable	28	31
Net defined benefit asset	2,128	2,559
Deferred tax assets	1,139	1,472
Real estate for investment	534	534
Accumulated depreciation	(260)	(269)
Real estate for investment, net	273	264
Other	* ⁴ 1,981	* ⁴ 2,019
Allowance for doubtful accounts	(386)	(331)
Total investments and other assets	10,221	11,466
Total noncurrent assets	26,159	30,370
Total assets	100,666	106,837

(Millions of yen)

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable trade	* ² 936	* ² 999
Accounts payable operating	3,485	3,230
Short-term loans payable	* ⁴ 637	* ⁴ 739
Current portion of long-term loans payable	* ⁴ 737	* ⁴ 935
Lease obligations	1,691	1,945
Provision for product warranties	157	150
Income taxes payable	853	787
Advances received on uncompleted contracts	369	494
Provision for bonuses	165	180
Provision for loss on orders received	1	-
Other	6,736	7,965
Total current liabilities	15,772	17,428
Noncurrent liabilities		
Long-term loans payable	* ⁴ 2,882	* ⁴ 2,449
Lease obligations	3,156	3,863
Net defined benefit liability	1,911	2,010
Provision for stock benefits	318	336
Deferred tax liabilities	987	1,271
Deferred tax liabilities for land revaluation	* ⁵ 227	* ⁵ 227
Other	317	491
Total noncurrent liabilities	9,800	10,650
Total liabilities	25,572	28,078

(Millions of yen)

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Net assets		
Shareholders' equity		
Capital stock	16,174	16,174
Capital surplus	12,186	10,546
Retained earnings	45,514	48,020
Treasury stock	(2,860)	(3,018)
Total shareholders' equity	71,014	71,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,574	1,851
Revaluation reserve for land	* ⁵ (3,024)	* ⁵ (3,021)
Foreign currency translation adjustment	4,525	6,722
Remeasurements of defined benefit plans	308	524
Total accumulated other comprehensive income	3,384	6,077
Non-controlling interests	694	957
Total net assets	75,093	78,758
Total liabilities and net assets	100,666	106,837

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

(Millions of yen)

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net sales	* ¹ 65,602	* ¹ 74,085
Cost of sales	* ² 46,130	* ² 51,105
Gross profit	19,471	22,979
Selling, general and administrative expenses		
Directors' compensations	804	1,029
Salaries and allowances	6,306	6,903
Provision for bonuses	63	64
Provision for stock benefits	36	125
Legal welfare expenses	949	1,096
Retirement benefit expenses	249	200
Traveling and transportation expenses	504	577
Rent expenses	538	602
Depreciation	721	759
Research and development expenses	* ³ 2,251	* ³ 2,527
Amortization of goodwill	76	265
Provision of allowance for doubtful accounts	47	27
Other	4,079	4,420
Total selling, general and administrative expenses	16,629	18,599
Operating income	2,842	4,380
Non-operating income		
Interest income	380	329
Dividends income	113	134
Equity in earnings of affiliates	115	120
Foreign exchange gains	-	19
Insurance and dividends income	91	103
Rent of real estate	45	45
Reversal of allowance for doubtful accounts	60	61
Other	86	247
Total non-operating income	893	1,062

	(Millions of yen)	
	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Non-operating expenses		
Interest expenses	41	78
Foreign exchange losses	49	-
Provision of allowance for doubtful accounts	1	2
Rent cost of real estate	14	14
Loss on retirement of noncurrent assets	12	16
Other	19	13
Total non-operating expenses	139	125
Ordinary income	3,595	5,316
Extraordinary income		
Grant income	310	8
Gain on sales of noncurrent assets	^{*4} 1	^{*4} 0
Gain on sales of investment securities	585	78
Gain on step acquisitions	-	^{*6} 119
Total extraordinary income	897	207
Extraordinary loss		
Loss on sales of noncurrent assets	^{*5} 19	^{*5} 6
Loss on tax purpose reduction entry of noncurrent assets	309	-
Loss on sales of investment securities	0	-
Total extraordinary loss	328	6
Profit before income taxes	4,163	5,518
Income taxes-current	1,205	1,480
Income taxes-deferred	(1,098)	(74)
Total income taxes	106	1,405
Profit	4,056	4,112
Profit attributable to non-controlling interests	49	102
Profit attributable to owners of parent	4,006	4,010

【Consolidated statement of comprehensive income】

(Millions of yen)

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Profit	4,056	4,112
Other comprehensive income		
Valuation difference on available-for-sale securities	395	277
Foreign currency translation adjustment	1,401	2,239
Remeasurements of defined benefit plans	226	216
Total other comprehensive income (loss)	*1 2,023	*1 2,732
Comprehensive income	6,079	6,845
(Breakdown)		
Comprehensive income attributable to owners of parent	5,999	6,700
Comprehensive income attributable to non-controlling interests	80	145

③ 【Consolidated statement of changes in net assets】

Prior fiscal year (From January 1, 2023 to December 31, 2023)

(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	12,159	42,629	(2,547)	68,416
Changes during the year					
Dividends from surplus			(1,203)		(1,203)
Profit attributable to owners of parent			4,006		4,006
Purchase of treasury stock				(341)	(341)
Disposal of treasury stock				28	28
Cancellation of treasury stock					-
Reversal of revaluation reserve for land			81		81
Change in ownership interest of parent due to transactions with non-controlling interests		26	(0)		26
Net changes in items other than shareholders' equity					
Total changes during the year	-	26	2,884	(313)	2,598
Balance at the end of year	16,174	12,186	45,514	(2,860)	71,014

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,178	(2,942)	3,154	82	1,472	655	70,544
Changes during the year							
Dividends from surplus							(1,203)
Profit attributable to owners of parent							4,006
Purchase of treasury stock							(341)
Disposal of treasury stock							28
Cancellation of treasury stock							-
Reversal of revaluation reserve for land							81
Change in ownership interest of parent due to transactions with non-controlling interests							26
Net changes in items other than shareholders' equity	395	(81)	1,371	226	1,911	39	1,950
Total changes during the year	395	(81)	1,371	226	1,911	39	4,548
Balance at the end of year	1,574	(3,024)	4,525	308	3,384	694	75,093

Current fiscal year (From January 1, 2024 to December 31, 2024)

(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	12,186	45,514	(2,860)	71,014
Changes during the year					
Dividends from surplus			(1,501)		(1,501)
Profit attributable to owners of parent			4,010		4,010
Purchase of treasury stock				(2,365)	(2,365)
Disposal of treasury stock		50		517	567
Cancellation of treasury stock		(1,690)		1,690	-
Reversal of revaluation reserve for land			(2)		(2)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during the year	-	(1,639)	2,506	(157)	708
Balance at the end of year	16,174	10,546	48,020	(3,018)	71,723

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,574	(3,024)	4,525	308	3,384	694	75,093
Changes during the year							
Dividends from surplus							(1,501)
Profit attributable to owners of parent							4,010
Purchase of treasury stock							(2,365)
Disposal of treasury stock							567
Cancellation of treasury stock							-
Reversal of revaluation reserve for land							(2)
Change in ownership interest of parent due to transactions with non-controlling interests							-
Net changes in items other than shareholders' equity	277	2	2,196	216	2,692	263	2,956
Total changes during the year	277	2	2,196	216	2,692	263	3,664
Balance at the end of year	1,851	(3,021)	6,722	524	6,077	957	78,758

④ 【Consolidated statement of cash flows】

(Millions of yen)

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Profit before income taxes	4,163	5,518
Depreciation and amortization	1,585	1,787
Amortization of goodwill	76	265
Increase (decrease) in provision for bonuses	(15)	(21)
Interest and dividend income	(493)	(464)
Interest expenses	41	78
Equity in (earnings) losses of affiliates	(115)	(120)
Loss (gain) on sale of investment securities	(585)	(78)
Decrease (increase) in notes and accounts receivable-trade	(4,147)	(3,993)
Decrease (increase) in inventories	(1,042)	(413)
Decrease (increase) in costs on uncompleted services	66	-
Increase (decrease) in notes and accounts payable- trade	684	(507)
Increase (decrease) in advances received on uncompleted contracts	(30)	96
Loss (gain) on step acquisitions	-	(119)
Loss on tax purpose reduction entry of non-current assets	309	-
Grant income	(310)	(8)
Increase (decrease) in accrued consumption taxes	736	390
Other	514	(17)
Subtotal	1,436	2,390
Interest and dividend income received	501	513
Interest expenses paid	(41)	(78)
Income taxes paid	(1,247)	(1,528)
Proceeds from grant income	221	8
Net cash provided by (used in) operating activities	870	1,305

(Millions of yen)

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cash flows from investing activities		
Payments into time deposits	(4,919)	(5,592)
Proceeds from withdrawal of time deposits	6,923	5,503
Proceeds from sales of short-term investment securities	1,001	-
Purchase of property, plant and equipment and intangible assets	(1,690)	(1,558)
Proceeds from sales of property, plant and equipment and intangible assets	162	110
Purchase of investment securities	(9)	(5)
Proceeds from sale of investment securities	858	169
Purchase of shares of subsidiaries resulting in change in scope of consolidation	^{*2} (1,783)	^{*2} (798)
Contingent consideration payments of shares of subsidiaries	-	(514)
Collection of loans receivable	6	19
Other	49	4
Net cash provided by (used in) investing activities	598	(2,662)
Cash flows from financing activities		
Proceeds from short-term loans payable	465	300
Repayments of short-term loans payable	(210)	(789)
Proceeds from long-term loans payable	3,500	-
Repayments of long-term loans payable	(21)	(998)
Repayments of lease obligations	(197)	(225)
Proceeds from sales of treasury stock	28	-
Purchase of treasury stock	(341)	(2,001)
Cash dividends paid	(1,203)	(1,501)
Dividends paid to non-controlling interests	(7)	(70)
Other	(51)	-
Net cash provided by (used in) financing activities	1,961	(5,286)
Effect of exchange rate change on cash and cash equivalents	203	330
Net increase (decrease) in cash and cash equivalents	3,633	(6,313)
Cash and cash equivalents at beginning of the year	15,094	18,727
Cash and cash equivalents at end of the year	^{*1} 18,727	^{*1} 12,414

【Notes】

(Significant accounting policies to the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 26

Names of major consolidated subsidiaries:

OYO CORPORATION U.S.A.
KINEMATRICS, INC.
GEOMETRICS, INC.
GEOPHYSICAL SURVEY SYSTEMS, INC.
ROBERTSON GEOLOGGING LTD.
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.
NIHON ZITAN CO, LTD.
SANYO TECHNO MARINE CO, LTD.

(Note) In the current fiscal year, shares of SANYO TECHNO MARINE CO, LTD. were acquired and SANYO TECHNO MARINE CO, LTD. was newly included in the scope of consolidation due to purchase of its shares. Also, OYO RMS CORPORATION which was a consolidated subsidiary, was eliminated through an absorption-type merger with us as the surviving company on April 1, 2024, and has therefore been excluded from the scope of consolidation during the current fiscal year.

(2) Names of major non-consolidated subsidiaries

ABE BORING CO, LTD.

SANYO SURVEY & CONSULTANT INC.

(Reason for excluding from the scope of consolidation)

This unconsolidated subsidiary is small; and the total assets, net sales, net income or loss (commensurate with equity holdings) and retained earnings (commensurate with equity holdings) of the subsidiary have no significant impact on the consolidated financial statements.

2. Application of the equity method

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

ABE BORING CO, LTD.

SANYO SURVEY & CONSULTANT INC.

The Company excluded this non-consolidated subsidiary because it had an immaterial impact on the consolidated financial statements and had no impact overall, considering net income or loss for the year (commensurate with equity holdings) and retained earnings (commensurate with equity holdings).

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

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

The fiscal year end of the consolidated subsidiary, NIHON ZITAN CO, LTD. was March 31 and SANYO TECHNO MARINE CO, LTD. was June 30, however the fiscal year-ends of these companies were changed to December 31. The impact of this change on the consolidated financial statements is insignificant.

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.

The 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 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 business, 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 5 - 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	Current fiscal year
Net sales	22,507	22,119

(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 are 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.

(Unapplied accounting standards)

(Accounting Standard for Current Income Taxes, etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27 October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The above accounting standards determine the category in which income tax, etc. is recorded in cases where other comprehensive income is subject to tax, and the treatment of tax effects associated with the sale of shares, etc. of subsidiaries when a group corporate tax system is applied.

(2) Expected date of application

The accounting standards will be applied from the beginning of the fiscal year ending December 31, 2025.

(3) Effect of application of the said accounting standard, etc.

The effect of the application of the "Accounting Standard for Current Income Taxes, etc." and other related accounting standards on the consolidated financial statements is immaterial.

(Accounting Standard for Leases, etc.)

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024)

In addition, amendments to related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance

(1) Overview

The standards set forth treatment whereby lessees record assets and liabilities for all leases, etc. consistent with international accounting standards.

(2) Expected date of application

Applied from the beginning of the fiscal year ending December 31, 2028

(3) Effect of application of the said accounting standard, etc.

The effect on consolidated financial statements after applying accounting standards for leases has not been evaluated at the present time.

(Change in presentation)

(Consolidated balance sheets)

"Short-term investment securities" under "Current assets", which was presented separately in the prior fiscal year, has been included in "Other" from the current fiscal year due to its immateriality. To reflect this change in presentation, the consolidated financial statements for the prior fiscal year was reclassified. As a result, "Short-term investment securities" under "Current assets" in the amount of 0 million yen, "Other" in the amount of 1,525 million yen in the consolidated balance sheet for the prior fiscal year was reclassified as 1,525 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 transactions

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 702 million yen and 519,644 shares, respectively, as of the end of the prior fiscal year, and 862 million yen and 517,520 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, 2023)	Current fiscal year (As of December 31, 2024)
Notes receivable-trade	135 million yen	107 million yen
Accounts receivable trade	2,441 million yen	2,331 million yen
Accounts receivable-completed operations	5,152 million yen	4,380 million yen
Contract assets	29,115 million yen	36,308 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, 2023)	Current fiscal year (As of December 31, 2024)
Notes receivable-trade	1 million yen	4 million yen
Notes payable trade	0 million yen	4 million yen

※3. Reduction entry

The following provides the reduced amount from the cost of Non-current assets acquired with national subsidies and other grants.

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Buildings and structures	309 million yen	309 million yen

※4. Pledged assets and secured liabilities

Pledged assets as collateral for secured liabilities were as follows:

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Buildings and structures	101 million yen	194 million yen
Land	400 million yen	1,130 million yen
Investments and other assets' Other	647 million yen	699 million yen
Total	1,150 million yen	2,024 million yen

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Short-term loans payable	150 million yen	150 million yen
Long-term loans payable (including scheduled to be refunded within 1 year)	67 million yen	531 million yen
Total	217 million yen	681 million yen

(Prior fiscal year)

Within the limit of the letter of credit (2,269 million yen), the Company provides the restricted deposits of its US consolidated subsidiaries in the amount of 544 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 103 million yen as securities.

(Current 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 607 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 92 million yen as securities.

※5. 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, 2023)	Current fiscal year (As of December 31, 2024)
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:	(105) million yen	(318) million yen
The difference related to real estate for rent out of this:	(56) million yen	(57) million yen

※6. Non-consolidated subsidiaries and affiliates

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Investment securities (stock)	1,058 million yen	1,187 million yen

The amounts of investment in joint ventures included above were 1,044 million yen in the prior fiscal year and 1,172 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cost of sales	153 million yen	205 million yen

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

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
General and administrative expenses	2,251 million yen	2,527 million yen

※4. The components of gain on sales of non-current assets are as follows:

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Buildings and structures	1 million yen	0 million yen

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

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Land	19 million yen	6 million yen

※6. Gain on step acquisitions

Due to the acquisition of additional shares in SANYO TECHNO MARINE CO, LTD.

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Valuation difference on available-for-sale securities:		
Amount arising during the current fiscal Year	1,140 million yen	482 million yen
Reclassification adjustment	(570) million yen	(78) million yen
Amount before tax effect	570 million yen	404 million yen
Tax effect	(174) million yen	(127) million yen
Valuation difference on available-for-sale securities	395 million yen	277 million yen
Foreign currency translation adjustment:		
Amount arising during the current fiscal year	1,401 million yen	2,239 million yen
Reclassification adjustment	- million yen	- million yen
Amount before tax effect	- million yen	- million yen
Tax effect	- million yen	- million yen
Foreign currency translation adjustment:	1,401 million yen	2,239 million yen
Remeasurements of defined benefit plans:		
Amount arising during the current fiscal Year	342 million yen	442 million yen
Reclassification adjustment	(16) million yen	(131) million yen
Amount before tax effect	326 million yen	311 million yen
Tax effect	(99) million yen	(95) million yen
Remeasurements of defined benefit plans	226 million yen	216 million yen
Total other comprehensive income	2,023 million yen	2,732 million yen

(Consolidated statement of changes in net assets)

Prior fiscal year (From January 1, 2023, to December 31, 2023)

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

	Number of shares at January 1, 2023	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, 2023
Issued shares				
Common stock	25,664,373	-	-	25,664,373
Total	25,664,373	-	-	25,664,373
Treasury stock				
Common stock (Notes)1,2	1,555,701	158,183	19,952	1,693,932
Total	1,555,701	158,183	19,952	1,693,932

(Notes) 1 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 539,459 shares and 519,644 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account), respectively.

2 Outline of reasons for the change

Breakdown of increase in the number is as follows.

Increase due to purchase under Board meeting Resolution	157,300 shares
Increase due to purchase of less than standard unit	883 shares

Breakdown of decrease in the number is as follows.

Decrease due to demand for sale by Custody Bank of Japan, Ltd. (Trust Account)	19,815 shares
Decrease due to demand for sale of less than standard unit	137 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 24, 2023 General meeting of shareholders	Common stock	591	24.00	December 31, 2022	March 27, 2023
August 9, 2023 Board meeting	Common stock	612	25.00	June 30, 2023	September 19, 2023

(Notes) 1 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).

2 The total amount of dividends resolved by the Board of Directors of August 9, 2023 includes 13 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, Ltd. (Trust Account).

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

Resolution	Type of shares	Total dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 26, 2024 General meeting of shareholders	Common stock	808	Retained earnings	33.00	December 31, 2023	March 27, 2024

(Note) The total amount of dividends resolved by the General Meeting of Shareholders of March 26, 2024 includes 17 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, Ltd. (Trust Account).

Current fiscal year (From January 1, 2024 to December 31, 2024)

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

	Number of shares at January 1, 2024	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, 2024
Issued shares				
Common stock (Notes)2	25,664,373	-	804,373	24,860,000
Total	25,664,373	-	804,373	24,860,000
Treasury stock				
Common stock (Notes)1,2	1,693,932	953,577	1,104,497	1,543,012
Total	1,693,932	953,577	1,104,497	1,543,012

(Notes) 1 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 519,644 shares and 517,520 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account), respectively.

2 Outline of reasons for the change

Breakdown of increase in the number is as follows.

Increase due to purchase under Board meeting Resolution	804,000 shares
Increase due to purchase by Custody Bank of Japan, Ltd. (Trust Account)	149,000 shares
Increase due to purchase of less than standard unit	577 shares

Breakdown of decrease in the number is as follows.

Decrease due to cancellation of treasury stock	804,373 shares
Decrease due to contribution to Custody Bank of Japan, Ltd. (Trust Account)	149,000 shares
Decrease due to demand for sale by Custody Bank of Japan, Ltd. (Trust Account)	151,124 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, 2024 General meeting of shareholders	Common stock	808	33.00	December 31, 2023	March 27, 2024
August 9, 2024 Board meeting	Common stock	693	29.00	June 30, 2024	September 17, 2024

(Notes) 1 The total amount of dividends resolved by the General Meeting of Shareholders of March 26, 2024, includes 17 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 9, 2024, includes 10 million yen of dividends distributed to treasury stock held by Custody Bank of Japan, Ltd. (Trust Account).

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

Resolution	Type of shares	Total dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 26, 2025 General meeting of shareholders	Common stock	1,358	Retained earnings	57.00	December 31, 2024	March 27, 2025

(Note) The total amount of dividends resolved by the General Meeting of Shareholders of March 26, 2025, includes 29 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cash and deposits	24,360 million yen	18,756 million yen
Short-term investment securities	0 million yen	0 million yen
Total	24,360 million yen	18,756 million yen
Time deposits with maturities of more than 3 months	(5,633) million yen	(6,342) million yen
Stock and debt securities with redemption period exceeding 3 months	(0) million yen	(0) million yen
Cash and cash equivalents	18,727 million yen	12,414 million yen

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

Prior fiscal year (From January 1, 2023, to December 31, 2023)

Assets and liabilities of NIHON ZITAN CO, 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	1,053 million yen
Noncurrent assets	749 million yen
Goodwill	1,082 million yen
Current liabilities	(377) million yen
Noncurrent liabilities	(227) million yen
Acquisition cost of shares	2,280 million yen
Cash and cash equivalents	(676) million yen
Difference: Net disbursement for the acquisition	1,603 million yen

Current fiscal year (From January 1, 2024, to December 31, 2024)

Assets and liabilities of SANYO TECHNO MARINE CO, 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	2,328 million yen
Noncurrent assets	1,429 million yen
Goodwill	159 million yen
Current liabilities	(1,206) million yen
Noncurrent liabilities	(678) million yen
Non-controlling interests	(187) million yen
Subtotal	1,845 million yen
Acquisition cost of shares held before the change	(76) million yen
Gain on step acquisitions	(119) million yen
Acquisition cost of shares	1,649 million yen
Cash and cash equivalents	(850) million yen
Difference: Net disbursement for the acquisition	798 million yen

3. Significant non-cash transactions

The amount of assets and liabilities related to finance lease transactions

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Amount of assets and liabilities related to finance lease transactions	347 million yen	260 million yen

(Lease transactions)

1. Finance lease transactions (lessee)

Lease transactions without transfer of ownership

(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

Not applicable.

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, 2023)	Current fiscal year (As of December 31, 2024)
Current assets	4,372	4,462

(2) Lease obligations

(Millions of yen)

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Current liabilities	1,444	1,562
Noncurrent liabilities	2,892	2,813

(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. In the event funding using its own resources may be insufficient, the Group considers obtaining loans payable from banks. 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.

Loans payable include those raised for the purpose of securing long-term, related liquidity and those related to short-term working capital. They are exposed to the risk of fluctuations in interest rates.

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, 2023)

	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	3,700	3,700	-
Total assets	3,700	3,700	-
Long-term loans payable (including Long-term loans payable scheduled to be refunded within 1 year)	3,620	3,668	48
Total liabilities	3,620	3,668	48

(Notes) 1 "Cash and deposits", "Notes and accounts receivable-trade", "Accounts receivable-completed operations and contract assets"

Cash is 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". The amounts of such financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Classifications	December 31, 2023
Investments in a limited partnership	0
Unlisted stocks	297
Stocks of subsidiaries and affiliates	1,058

Current fiscal year (As of December 31, 2024)

	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	4,042	4,042	-
Total assets	4,042	4,042	-
Long-term loans payable (including Long-term loans payable scheduled to be refunded within 1 year)	3,385	3,452	67
Total liabilities	3,385	3,452	67

(Notes) 1 “Cash and deposits”, “Notes and accounts receivable-trade”, “Accounts receivable-completed operations and contract assets”

Cash is 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”. The amounts of such financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Classifications	December 31, 2024
Investments in a limited partnership	0
Unlisted stocks	221
Stocks of subsidiaries and affiliates	1,187

3. Redemption schedule of receivables and securities with maturities

Prior fiscal year (As of December 31, 2023)

	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	24,350	-	-	-
Notes and accounts receivable-trade	2,576	-	-	-
Accounts receivable-completed operations and contract assets	34,268	-	-	-
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	0	-	-	-
Total	61,195	-	-	-

Current fiscal year (As of December 31, 2024)

	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	18,745	-	-	-
Notes and accounts receivable-trade	2,438	-	-	-
Accounts receivable-completed operations and contract assets	40,689	-	-	-
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	0	-	-	-
Total	61,873	-	-	-

4. Repayment schedule of long-term loans payable and lease obligations due after the balance sheet date

Prior fiscal year (As of December 31, 2023)

	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)
Long-term loans payable	737	731	701	701	701	45
Lease obligations	1,691	1,354	978	542	255	25
Total	2,428	2,085	1,679	1,244	957	71

Current fiscal year (As of December 31, 2024)

	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)
Long-term loans payable	935	855	804	748	3	38
Lease obligations	1,945	1,584	1,149	855	239	34
Total	2,880	2,439	1,954	1,604	242	72

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.

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

Prior fiscal year (As of December 31, 2023)

Classifications	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities Available-for-sale securities				
Stocks	3,560	-	-	3,560
Others	-	139	-	139
Total assets	3,560	139	-	3,700

Current fiscal year (As of December 31, 2024)

Classifications	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities Available-for-sale securities				
Stocks	3,905	-	-	3,905
Others	-	137	-	137
Total assets	3,905	137	-	4,042

(2) Financial instruments other than recorded on the consolidated balance sheet at fair value

Prior fiscal year (As of December 31, 2023)

Classifications	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including Long-term loans payable scheduled to be refunded within 1 year)	-	3,668	-	3,668
Total liabilities	-	3,668	-	3,668

Current fiscal year (As of December 31, 2024)

Classifications	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including Long-term loans payable scheduled to be refunded within 1 year)	-	3,452	-	3,452
Total liabilities	-	3,452	-	3,452

(Notes) 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.

Long-term loans payable

Fair value of long-term loans payable is measured at present value determined by discounting total principal and interest at a rate likely to apply if a comparable new borrowing was made and is classified as Level 2.

(Securities)

1. Available-for-sale securities

Prior fiscal year (As of December 31, 2023)

	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	3,558	1,301	2,257
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	-	-	-
	(3) Others	-	-	-
	Sub total	3,558	1,301	2,257
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	1	1	-
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	-	-	-
	(3) Others	139	146	(6)
	Sub total	141	148	(6)
Total		3,700	1,449	2,250

(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".

Current fiscal year (As of December 31, 2024)

	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	3,852	1,171	2,680
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	50	50	0
	(3) Others	-	-	-
	Sub total	3,902	1,221	2,680
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	52	58	(5)
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	-	-	-
	(b) Corporate bonds	-	-	-
	(c) Others	-	-	-
	(3) Others	87	96	(8)
	Sub total	140	155	(14)
Total		4,042	1,376	2,665

(Note) Unlisted stocks (book value on the consolidated balance sheet: 221 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, 2023 to December 31, 2023)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	839	584	-
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	15	0	0
Total	855	585	0

Current fiscal year (From January 1, 2024 to December 31, 2024)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	169	78	-
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	-	-	-
(b) Corporate bonds	-	-	-
(c) Others	-	-	-
(3) Others	-	-	-
Total	169	78	-

3. Available-for-sale securities for which the holding purpose has been changed

During the current fiscal year, 76 million yen of available-for-sale-securities was reclassified to shares of subsidiaries following the consolidation of SANYO TECHNO MARINE CO, LTD.

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Retirement benefit obligations at beginning of the year	5,514	5,499
Service cost	251	247
Interest cost	66	71
Actuarial gain or loss	(29)	(266)
Retirement benefits paid	(258)	(264)
Transfer due to change from the principle method to the compendium method	(45)	-
Retirement benefit obligations at end of the year	5,499	5,287

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Plan assets at beginning of the year	5,473	5,817
Expected return on plan assets	109	116
Actuarial gain or loss	313	176
Contribution by the Company	126	125
Retirement benefits paid	(204)	(216)
Plan assets at end of the year	5,817	6,018

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net defined benefit liability at beginning of the year (net)	9	100
Retirement benefits expenses	15	31
Retirement benefits paid	(11)	(15)
Contribution to the system	(17)	(31)
Increase due to new consolidated subsidiary	59	97
Transfer due to change from the principle method to the compendium method	45	-
Net defined benefit liability at end of the year (net)	100	182

(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 (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Funded projected benefit obligations	3,870	3,658
Plan assets	(5,999)	(6,217)
	(2,128)	(2,559)
Unfunded projected benefit obligations	1,911	2,010
Net liability/asset for projected benefit obligations in the consolidated balance sheets	(217)	(548)
Net defined benefit liability	1,911	2,010
Net defined benefit asset	(2,128)	(2,559)
Net liability/asset for projected benefit obligations in the consolidated balance sheets	(217)	(548)

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

(5) Retirement benefit expenses

	(Millions of yen)	
	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Service cost	251	247
Interest cost	66	71
Expected return on plan assets	(109)	(116)
Amortization of actuarial gain or loss	(55)	(171)
Amortization of prior service cost	40	40
Retirement benefit expenses calculated by compendium method	15	31
Retirement benefit expenses related to defined benefit plans	208	102

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Actuarial gain or loss	(55)	270
Prior service cost	40	40
Total	(15)	311

(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 (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Unrecognized actuarial gain or loss	(576)	(847)
Unrecognized prior service cost	131	90
Total	(444)	(756)

(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 (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Bonds	60 %	62 %
Stocks	27 %	27 %
General accounts	3 %	1 %
Others	10 %	10 %
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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Discount rates	1.295 %	1.623 %
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 384 million yen for the prior fiscal year and 423 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, 2023)	Current fiscal year (As of December 31, 2024)
Deferred tax assets		
Net operating loss carryforwards (Note)1	140 million yen	134 million yen
Net defined benefit liability	542 million yen	572 million yen
Allowance for doubtful accounts	119 million yen	109 million yen
Provision for bonuses	59 million yen	63 million yen
Enterprise tax payable	76 million yen	69 million yen
Loss on valuation of securities	15 million yen	15 million yen
Loss on valuation of inventories	326 million yen	394 million yen
Revaluation reserve for land	1,082 million yen	1,082 million yen
Others	2,159 million yen	2,419 million yen
Deferred tax assets: Sub total	4,523 million yen	4,861 million yen
Valuation allowance for net operating loss carry forwards (Note)1	(78) million yen	(51) million yen
Valuation allowance for deductible temporary differences	(2,278) million yen	(2,275) million yen
Valuation allowance	(2,356) million yen	(2,326) million yen
Deferred tax assets: Total	2,166 million yen	2,535 million yen
Deferred tax liabilities		
Balance of investments (valuation difference of noncurrent assets)	(234) million yen	(267) million yen
Revaluation reserve for land	(227) million yen	(227) million yen
Valuation differences on assets received by merger	(133) million yen	(133) million yen
Valuation difference on available-for-sale securities	(675) million yen	(803) million yen
Retained earnings of overseas subsidiaries	(183) million yen	(188) million yen
Net defined benefit assets	(601) million yen	(733) million yen
Other	(187) million yen	(208) million yen
Deferred tax liabilities: Total	(2,242) million yen	(2,560) million yen
Net deferred tax liabilities	(75) million yen	(25) million yen

(Note)1. Net operating loss carryforwards and related deferred tax assets expire as follows:
Prior fiscal year (As of December 31, 2023)

	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)	-	0	3	3	3	129	140 million yen
Valuation allowance	-	(0)	(3)	(3)	(3)	(67)	(78) million yen
Deferred tax assets	-	-	-	-	-	62	62 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, 2024)

	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)	-	-	0	3	6	124	134 million yen
Valuation allowance	-	-	(0)	(3)	(6)	(40)	(51) million yen
Deferred tax assets	-	-	-	-	-	83	83 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, 2023)	Current fiscal year (As of December 31, 2024)
Statutory effective tax rate in Japan	30.6 %	30.6 %
(Reconciliation)		
Permanently non-deductible entertainment and other expenses	0.6 %	0.4 %
Permanently non-taxable dividends and other income	(0.2) %	(0.2) %
Per-capita inhabitant tax	2.4 %	2.0 %
Equity in earnings and losses of affiliates	(0.7) %	(0.6) %
Valuation allowance	(28.2) %	(2.9) %
Effect of tax deduction	(6.5) %	(6.3) %
Amortization of goodwill	0.6 %	1.5 %
Others	4.0 %	1.0 %
Effective tax rates after adoption of tax-effect accounting	2.6 %	25.5 %

(Business combinations)

(Business combination due to acquisition)

1. Outline of the business combination

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

Name of the acquired company

SANYO TECHNO MARINE CO, LTD.

Description of businesses

Environmental comprehensive consultant (surveying, geological surveys, environmental surveys, environmental consulting, construction consulting, and fisheries consulting).

(2) Main reasons of the business combination

SANYO TECHNO MARINE CO, LTD. was established as the first private company specializing in hydrographic surveying. Since then, it has expanded its business as a comprehensive marine consultant, covering a wide range of services from hydrographic surveying to marine surveys, such as marine environmental surveys for thermal and nuclear power plant construction, seabed topography and geological investigations for submarine cable installation, and marine surveys for coastal development such as ports. With the addition of SANYO TECHNO MARINE CO, LTD. to the Company's group, it can further enhance its group's market competitiveness in the offshore wind power generation market. In addition to the business of NIHON ZITAN CO, LTD., which the Company recently acquired, it will be able to cover almost all market areas related to marine surveys, from port infrastructure to fisheries promotion, coastal tourism, and marine biological and non-biological resources. The Company anticipates synergies in various areas, including expanding its group business and developing new services through intra-group collaboration.

(3) Date of business combination

February 14, 2024 (deemed acquisition date: January 1, 2024)

(4) Legal form of business consolidation

Acquisition of shares

(5) Name of companies after business combination

Unchanged

(6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination 9.55%

Ratio of voting rights acquired for a cash consideration 80.45%

Ratio of voting rights after the acquisition 90.00%

(7) Reasons for determining acquiring company

Acquisition of shares for a cash consideration

2. Period for which financial results of the acquired company are included in the consolidated financial statements

From January 1, 2024, to December 31, 2024

3. Acquisition cost and breakdown of types of consideration

Consideration	Fair value of shares held before the change	195 million yen
	Consideration for additional acquisition of Common stock (Cash)	1,649 million yen
Acquisition cost		1,845 million yen

4. Breakdown of main cost related to acquisition and amount

Advisory cost, etc. 12 million yen

5. Difference between the acquisition cost of the acquired company and the total acquisition cost related to transactions that led to the acquisition

Gain on step acquisitions 119 million yen

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

(1) Amount of goodwill

159 million yen

(2) Reason for occurrence

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

(3) Amortization method and amortization period

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

7. Assets acquired and liabilities assumed from business combination and main breakdown

Current assets	2,328 million yen
Noncurrent assets	1,429 million yen
Total assets	3,757 million yen
Current liabilities	1,206 million yen
Noncurrent liabilities	678 million yen
Total liabilities	1,884 million yen

8. Estimated impact on consolidated statement of income 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.

Not applicable, because the deemed date of acquisition is the beginning of the current fiscal year.

(Common control transactions, etc.)

Absorption-type merger of a consolidated subsidiary

On April 1, 2024, we merged with OYO RMS CORPORATION, our wholly owned subsidiary, in accordance with Board meeting Resolution held on September 8, 2023.

1. Outline of transaction

(1) Name and description of business of the company involved in the combination

Company name

OYO RMS CORPORATION

Business description

Natural disaster risk analysis services, such as earthquakes and typhoons

Advisory services related to corporate risk management

(2) Date of business combination

April 1, 2024

(3) Legal form of business combination

OYO RMS CORPORATION was dissolved through an absorption-type merger with the Company as the surviving entity.

(4) Name of companies after business combination

OYO CORPORATION

(5) Summary of other transactions

The purpose of this merger is to integrate management, consolidate businesses related to natural disaster risk analysis and corporate risk management, advance technological development, and enhance competitiveness by absorbing OYO RMS CORPORATION.

2. Summary of accounting treatment to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the

“Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the transaction is accounted for as a transaction under common control.

(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 28 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 29 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Book value in the consolidated balance sheets	Balance at the beginning of the fiscal year	470	460
	Increase/decrease during the fiscal year	(9)	(8)
	Balance at the end of the fiscal year	460	451
Fair value at the end of the year		469	484

(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 depreciation (9 million yen). The amounts of decrease during the current fiscal year were mainly due to depreciation (8 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 (From January 1, 2023, to December 31, 2023)

(1) Disaggregation of revenue from contracts with customers

The Group consists of three reportable segments: “Disaster Prevention and Infrastructure”, “Environment and Energy”, and “International”.

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 three reportable segments is as follows:

(Millions of yen)

Revenue from contracts with customers	63,619
Other revenue	1,982
Total	65,602

(Millions of yen)

		Disaster Prevention and Infrastructure	Environment and Energy	International	Internal elimination	Total
Japan	Government	7,766	3,192	-	-	10,959
	Local government	6,131	3,216	-	-	9,348
	Private and other	9,146	17,605	688	(627)	26,812
Overseas		245	23	16,284	(53)	16,499
Total		23,290	24,038	16,972	(680)	63,619

(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.

① 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, 2023, to December 31, 2023)	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Accounts receivable-trade	6,964	7,729
Contract assets	25,279	29,115
Contract liabilities	745	728

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 705 million yen and the amount related to performance obligations satisfied in prior periods was not material.

② 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	22,649	6,668	29,317

Current fiscal year (From January 1, 2024, to December 31, 2024)

(1) Disaggregation of revenue from contracts with customers

The Group consists of three reportable segments: “Disaster Prevention and Infrastructure”, “Environment and Energy”, and “International”.

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 three reportable segments is as follows:

(Millions of yen)

Revenue from contracts with customers	72,554
Other revenue	1,531
Total	74,085

(Millions of yen)

		Disaster Prevention and Infrastructure	Environment and Energy	International	Internal elimination	Total
Japan	Government	9,265	6,698	-	-	15,963
	Local government	7,400	4,813	-	-	12,214
	Private and other	8,616	17,176	923	(609)	26,106
Overseas		341	14	17,943	(30)	18,269
Total		25,623	28,704	18,866	(640)	72,554

(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, 2024 to December 31, 2024)	
	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year
Accounts receivable-trade	7,729	6,818
Contract assets	29,115	36,308
Contract liabilities	728	1,032

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 656 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	23,898	11,272	35,171

(Segment information)

【Segment information】

1. Outline of reportable segments

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

From the current fiscal year, the Group reorganized its reportable segments from four segments, which were “Infrastructure Maintenance, Management, and Renovation”, “Natural Disaster Prevention and Mitigation”, “Environment”, and “Natural Resources and Energy”, to three segments, which are “Disaster Prevention and Infrastructure”, “Environment and Energy”, and “International”. Under this medium-term management plan, one of the basic policies is to promote segment strategies. The OYO Group will change the reporting segments in order to Improve business efficiency and profitability by reforming organization and segments to match market characteristics, and maximize group synergies, review our products and services, strengthen our planning, development, and sales capabilities. Segment information for the previous fiscal year has been prepared in accordance with classification of the reportable segments after the change.

An outline of the segments is as follows.

<Disaster Prevention and Infrastructure>

Provision of solution services and systems that support the resilience of society against natural disasters (earthquakes/tsunami, volcanic disasters, heavy rainfall, landslides, and others), and solution services and systems that support the development and maintenance of social infrastructure. The main business contents are surveying and restoration design of areas damaged by natural disasters, forecasting damage such as earthquakes, tsunamis, fires, etc. related to national and local governments disaster prevention plans, consulting on natural disaster risk surveys, loss forecasting, and countermeasures related to corporate business continuity plans, and building, installing, and updating monitoring systems related to natural disasters such as seismometer networks and volcano monitoring systems. In addition to inspection, diagnosis, and maintenance services for social infrastructure managed by the national and local governments, survey, design, and measurement services for the development of resilient infrastructure, development, sales, and construction, installation, and renewal of non-destructive testing products used for various inspections and diagnoses, etc., and the construction, installation, and renewal of monitoring systems, etc.

<Environment and Energy>

Provision of solution services and systems that support the conservation of the global environment and measures to reduce the burden of the global environment, as well as solution services and systems that support the development, conservation, and effective use of resources and energy. The Company's main business is consulting on surveys and countermeasures in the social and environmental fields targeting soil and groundwater contamination, asbestos, waste, etc. In addition to surveys and consulting in the field of the natural environment, such as global warming countermeasures and biodiversity conservation, advanced geological survey consulting related to the construction, installation, and renewal of environmental monitoring systems, and the location of various power generation facilities, methane hydrate development research, and support for the commercialization of renewable energy such as offshore wind, geothermal, and geothermal heat. Undersea 3D resource exploration services, development and sales of resource exploration equipment and systems, etc.

<International>

Provision of products and solution services related to infrastructure development and maintenance, disaster prevention, and resource and energy development overseas. The Company's main businesses include the development, manufacture, and sale of non-destructive testing equipment and seismic observation systems that support the longevity and resilience of infrastructure overseas, the development, manufacture, and sale of geophysical exploration equipment that supports safe offshore infrastructure overseas, and survey, design, construction, and construction management services that support infrastructure in overseas regions.

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." Segment income 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, 2023, to December 31, 2023)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Disaster Prevention and Infrastructure	Environment and Energy	International	Total		
Net sales						
Sales to third parties	24,985	23,925	16,690	65,602	-	65,602
Inter-segment sales or transfer	285	113	281	680	(680)	-
Total	25,271	24,039	16,972	66,283	(680)	65,602
Segment income	522	2,337	26	2,886	(44)	2,842
Other items						
Depreciation and amortization	500	593	491	1,585	(0)	1,585
Amortization of goodwill	22	54	-	76	-	76
Equity in earnings (loss) of affiliates	(5)	-	121	115	-	115

- (Notes) 1. An adjustment of (44) 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, 2024, to December 31, 2024)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Disaster Prevention and Infrastructure	Environment and Energy	International	Total		
Net sales						
Sales to third parties	26,894	28,658	18,532	74,085	-	74,085
Inter-segment sales or transfer	260	46	334	640	(640)	-
Total	27,154	28,704	18,866	74,725	640	74,085
Segment income	1,069	2,909	402	4,382	(1)	4,380
Other items						
Depreciation and amortization	521	731	534	1,787	(0)	1,787
Amortization of goodwill	22	124	119	265	-	265
Equity in earnings (losses) of affiliates	2	-	117	120	-	120

- (Notes) 1. An adjustment of (1) 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, 2023, to December 31, 2023)

- Breakdown by product and service
Details are omitted because identical information is disclosed in the segment information section.
- Breakdown by geographic area

(1) Net sales

(Millions of yen)

Japan	United States	Others	Total
49,344	5,146	11,110	65,602

(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
12,078	1,457	176	13,712

3. Breakdown by major customer

(Millions of yen)

Name of the customer	Net sales	Relevant segment
Ministry of Land, Infrastructure, Transport and Tourism	5,151	Disaster Prevention and Infrastructure

Current fiscal year (From January 1, 2024 to December 31, 2024)

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
55,827	6,480	11,777	74,085

(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
13,360	2,383	605	16,350

3. Breakdown by major customer

(Millions of yen)

Name of the customer	Net sales	Relevant segment
Ministry of Land, Infrastructure, Transport and Tourism	6,439	Disaster Prevention and Infrastructure, Environment and Energy

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

Not applicable.

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

Prior fiscal year (From January 1, 2023, to December 31, 2023)

(Millions of yen)

	Disaster Prevention and Infrastructure	Environment and Energy	International	Eliminations or corporate	Total
Amortization during the year	22	54	-	-	76
Balance at the end of the year	88	1,027	-	-	1,116

Current fiscal year (From January 1, 2024, to December 31, 2024)

(Millions of yen)

	Disaster Prevention and Infrastructure	Environment and Energy	International	Eliminations or corporate	Total
Amortization during the year	22	124	119	-	265
Balance at the end of the year	66	1,063	422	-	1,552

【Information about gain on negative goodwill per reportable segment】

Not applicable.

【Related-party information】

Related-party transactions

Prior fiscal year (From January 1, 2023, to December 31, 2023)

Not applicable.

Current fiscal year (From January 1, 2024, to December 31, 2024)

Not applicable.

(Per share information)

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net assets per share	3,103.80 yen	3,336.66 yen
Earnings per share	167.19 yen	170.39 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 519,644 shares in the prior fiscal year and 517,520 shares in the current fiscal year. The average number of shares of the treasury stock during the period that was deducted in the calculation of net income per share was 526,016 shares in the prior fiscal year and 421,403 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	4,006	4,010
Net income not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	4,006	4,010
Average number of shares outstanding (share)	23,965,284	23,536,485

(Significant subsequent events)

(Purchase and disposal of treasury stock)

At the Board of Directors' meeting held on February 12, 2025, it was resolved to purchase treasury stock based on Article 165 (3) of the Companies Act as applied to Article 156 of the Companies Act.

(1) Reason for share repurchase

Due to improve capital efficiency and enhance returns to shareholders

(2) Type of stock to be purchased

Common stock

(3) Number of shares to be purchased

600,000 shares (Maximum) (2.52% of total number of issued shares (excluding treasury stock))

(4) Total amount

1,500,000,000 yen (Maximum)

(5) Acquisition period

From February 13, 2025, to September 30, 2025

(6) Method of acquisition

Market purchases on the Tokyo Stock Exchange

⑤ 【Consolidated supplementary schedules】

【Schedule of corporate bonds】

Not applicable.

【Schedule of borrowings】

Classification	Balance at January 1, 2024 (Millions of yen)	Balance at December 31, 2024 (Millions of yen)	Average interest rate (%)	Period of repayment
Short-term loans payable	637	739	3.93	-
Long-term loans due for repayment within one year	737	935	0.99	-
Lease obligations due for repayment within one year	1,691	1,945	2.12	-
Long-term loans (excluding those due for repayment within one year)	2,882	2,449	1.03	2026-2037
Lease obligations (excluding those due for repayment within one year)	3,156	3,863	2.47	2026-2033
Other interest-bearing liabilities	-	-	-	-
Total	9,105	9,932	-	-

(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 long term loans and lease obligations (excluding the ones due for repayment within one year) for 5 years subsequent to December 31, 2024.

	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)
Long-term loans payable	855	804	748	3
Lease obligations	1,584	1,149	855	239

【Schedule of asset retirement obligations】

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

(2) 【Other】

Semi-annual information for the current fiscal year

Cumulative	1st quarter Consolidated Year to Date	Interim Consolidated Accounting Period	3rd quarter Consolidated Year to Date	Current fiscal year
Net sales (Millions of yen)	18,211	34,570	53,835	74,085
Profit before income taxes (Millions of yen)	2,384	2,893	4,136	5,518
Interim (Quarterly) (Current) profit attributable to owners of parent	1,610	1,965	2,814	4,010
Interim (Quarterly) (Current) earnings per share	67.50	82.72	119.23	170.39

Each quarter	1st quarter Accounting period	2nd quarter Accounting period	3rd quarter Accounting period	4th quarter Accounting period
Quarterly earnings per share (Yen)	67.50	14.99	36.45	51.27

(NOTE) Quarterly financial information is not subject to review procedures.

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, 2023)	Current fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	7,185	1,900
Notes receivable-trade	57	19
Accounts receivable-completed operations and contract assets	27,848	32,463
Accounts receivable-trade	285	323
Merchandise and finished goods	524	535
Work in process	159	237
Raw materials and supplies	357	319
Prepaid expenses	264	258
Other	279	412
Total current assets	36,961	36,471
Noncurrent assets		
Property, plant and equipment		
Buildings	2,849	2,757
Structures	71	79
Machinery and equipment	798	772
Vehicles	1	0
Tools, furniture and fixtures	65	61
Land	3,802	3,789
Lease assets	41	179
Construction in progress	17	-
Total property, plant and equipment	7,646	7,641
Intangible assets		
Software	561	435
Software in progress	-	13
Other	8	8
Total intangible assets	570	458
Investments and other assets		
Investment securities	3,994	4,218
Stocks of subsidiaries and affiliates	15,443	17,546
Long-term loans receivable	28	168
Other	2,670	2,806
Allowance for doubtful accounts	(206)	(210)
Total investments and other assets	21,931	24,530
Total noncurrent assets	30,148	32,630
Total assets	67,109	69,102

	(Millions of yen)	
	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-operating	2,377	2,222
Accounts payable-trade	31	34
Accounts payable-other	3,679	4,274
Income taxes payable	300	448
Accrued expenses	358	409
Long-term loans payable due for repayment within one year	700	700
Advances received on uncompleted contracts	208	380
Deposits payable	333	401
Provision for bonuses	124	134
Provision for product warranties	18	16
Other	69	76
Total current liabilities	8,201	9,098
Noncurrent liabilities		
Long-term loans payable	2,800	2,100
Provision for retirement benefits	1,903	1,943
Provision for stock benefits	318	336
Deferred tax liabilities	493	632
Deferred tax liabilities for land revaluation	227	227
Other	109	262
Total noncurrent liabilities	5,851	5,501
Total liabilities	14,053	14,599

	(Millions of yen)	
	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Net assets		
Shareholders' equity		
Capital stock	16,174	16,174
Capital surplus		
Legal capital surplus	4,043	4,043
Other capital surplus	7,612	5,972
Total capital surplus	11,656	10,016
Retained earnings		
Legal retained earnings	488	488
Other retained earnings		
General reserve	23,307	23,307
Retained earnings brought forward	5,741	8,713
Total retained earnings	29,536	32,509
Treasury stock	(2,860)	(3,018)
Total shareholders' equity	54,506	55,681
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,574	1,841
Revaluation reserve for land	(3,024)	(3,021)
Total valuation and translation adjustments	(1,450)	(1,179)
Total net assets	53,056	54,502
Total liabilities and net assets	67,109	69,102

② 【Non-consolidated statement of income】

(Millions of yen)

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net sales	35,289	38,380
Cost of sales	26,546	28,341
Gross profit	8,742	10,039
Selling, general and administrative expenses	^{*1} 8,022	^{*1} 8,412
Operating income	720	1,626
Non-operating income		
Interest and dividends income	^{*2} 506	^{*2} 3,165
Insurance and dividends income	83	88
Rent of real estate	^{*2} 67	^{*2} 66
Other	^{*2} 51	^{*2} 69
Total non-operating income	709	3,389
Non-operating expenses		
Interest expenses	1	27
Foreign exchange losses	4	-
Provision of allowance for doubtful accounts	1	2
Rent cost of real estate	24	24
Loss on redemption of investment securities	14	-
Commission fee for purchase of treasury stock	1	5
Loss on retirement of noncurrent assets	5	11
Other	2	5
Total non-operating expenses	54	77
Ordinary income	1,374	4,939
Extraordinary income		
Gain on extinguishment of tie-in shares	-	35
Gain on sales of noncurrent assets	^{*3} 1	^{*3} 0
Gain on sales of investment securities	584	78
Total extraordinary income	585	114
Extraordinary loss		
Loss on valuation of stock of subsidiaries and affiliates	51	-
Loss on sales of noncurrent assets	^{*4} 8	^{*4} 6
Total extraordinary loss	59	6
Profit before income taxes	1,901	5,048
Income taxes-current	472	550
Income taxes-deferred	(32)	20
Total income taxes	440	571
Profit	1,461	4,477

【Breakdown of cost of sales】

A. Cost of sales for geo-engineering services

		Prior fiscal year (From January 1, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
Classification	Notes	Amount (Millions of yen)		Amount (Millions of yen)	
Materials cost			603	2.4	568
Labor cost			6,758	26.3	7,227
Subcontract cost			14,797	57.7	15,468
Overhead cost					
Transportation expenses		1,112			1,291
Report preparation cost		32			34
Depreciation		388			382
Other		1,959	3,493	13.6	2,315
Total cost for geo-engineering services			25,652	100.0	27,288
Total			25,652		27,288
Cost of sales for geo-engineering services			25,652		27,288
Cost of sales for geo-engineering services during the year			25,652		27,288

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

B. Cost of sales for measuring instruments

		Prior fiscal year (From January 1, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
Classification	Note	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Finished goods at beginning of the year			477		524
Cost of purchased goods during the year			604		642
Cost of products manufactured during the year					
Materials cost		318	53.4	435	59.4
Labor cost		187	31.4	199	27.2
Overhead cost		90	15.2	97	13.3
Total manufacturing costs		596	100.0	732	100.0
Work in process at the beginning of the year		147		159	
Total		743		891	
Transfer to other accounts	※2	95		107	
Work in process at the end of the year		159	488	237	546
Total			1,570		1,713
Transfer to other accounts	※3		152		125
Finished goods at the end of the year			524		535
Cost of sales for measuring instruments during the year			893		1,052

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

※2. Transfer to other accounts

Research and development expenses

(Selling, general and administrative expenses)

Prior fiscal year

11 million yen

Current fiscal year

6 million yen

※3. Transfer to other accounts

Transfer to cost of geo-engineering services

Prior fiscal year

95 million yen

Current fiscal year

125 million yen

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

		Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Classification	Note	Amount (Millions of yen)	Amount (Millions of yen)
Cost of sales for geo-engineering services		25,652	27,288
Cost of sales for measuring instruments		893	1,052
Cost of sales		26,546	28,341

③ 【Non-consolidated statement of changes in net assets】

Prior fiscal year (From January 1, 2023, to December 31, 2023)

(Millions of yen)

	Shareholders' equity							(millions of yen)
	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	7,612	11,656	488	23,307	5,402	29,197
Changes during the year								
Dividends from surplus							(1,203)	(1,203)
Net income							1,461	1,461
Purchase of treasury stock								
Disposal of treasury stock			0	0				
Cancellation of treasury stock								
Reversal of revaluation reserve for land							81	81
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	0	0	-	-	338	338
Balance at the end of year	16,174	4,043	7,612	11,656	488	23,307	5,741	29,536

(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	(2,547)	54,480	1,178	(2,942)	(1,764)	52,716
Changes during the year						
Dividends from surplus		(1,203)				(1,203)
Net income		1,461				1,461
Purchase of treasury stock	(341)	(341)				(341)
Disposal of treasury stock	28	28				28
Cancellation of treasury stock		-				-
Reversal of revaluation reserve for land		81				81
Net changes in items other than shareholders' equity			395	(81)	314	314
Total changes during the year	(313)	25	395	(81)	314	340
Balance at the end of year	(2,860)	54,506	1,574	(3,024)	(1,450)	53,056

Current fiscal year (From January 1, 2024, to December 31, 2024)

(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	7,612	11,656	488	23,307	5,741	29,536
Changes during the year								
Dividends from surplus							(1,501)	(1,501)
Net income							4,477	4,477
Purchase of treasury stock								
Disposal of treasury stock			50	50				
Cancellation of treasury stock			(1,690)	(1,690)				
Reversal of revaluation reserve for land							(2)	(2)
Net changes in items other than shareholders' equity								
Total changes during the year	-	-	(1,639)	(1,639)	-	-	2,972	2,972
Balance at the end of year	16,174	4,043	5,972	10,016	488	23,307	8,713	32,509

(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	(2,860)	54,506	1,574	(3,024)	(1,450)	53,056
Changes during the year						
Dividends from surplus		(1,501)				(1,501)
Net income		4,477				4,477
Purchase of treasury stock	(2,365)	(2,365)				(2,365)
Disposal of treasury stock	517	567				567
Cancellation of treasury stock	1,690	-				-
Reversal of revaluation reserve for land		(2)				(2)
Net changes in items other than shareholders' equity			267	2	270	270
Total changes during the year	(157)	1,175	267	2	270	1,445
Balance at the end of year	(3,018)	55,681	1,841	(3,021)	(1,179)	54,502

【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 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.

(5) Provision for stock benefits

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

6. Accounting standards for revenue and expenses

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 Company's principal businesses and the time at which revenue is recognized. For any business, 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	Current fiscal year
Net sales	22,523	22,122

(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 presentation)

(Non-consolidated balance sheets)

"Short-term investment securities" under "Current assets", which was presented separately in the prior fiscal year, has been included in "Other" from the current fiscal year due to its immateriality. To reflect this change in presentation, the financial statements for the prior fiscal year were reclassified. As a result, "Short-term investment securities" under "Current assets" in the amount of 0 million yen, "Other" in the amount of 279 million yen in the non-consolidated balance sheet for the prior fiscal year was reclassified as 279 million yen in "Other".

(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)

Guarantee obligation

Consolidated subsidiaries' guarantee of debt and contract guarantee as follows.

	Prior fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
FONG CONSULT PTE. LTD.	336 million yen	387 million yen
GEOSMART INTERNATIONAL PTE.LTD.	324 million yen	309 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Salaries and allowances	3,759 million yen	3,938 million yen
Provision for bonuses	53 million yen	54 million yen
Retirement benefit expenses	153 million yen	95 million yen
Depreciation	289 million yen	292 million yen
Approximate ratio		
Selling expenses	58 %	48 %
General and administrative expenses	42 %	52 %

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

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Dividends income	388 million yen	3,030 million yen
Other non-operating income including real estate rent	46 million yen	37 million yen

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

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Buildings and structures	1 million yen	0 million yen

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

	Prior fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Land	8 million yen	6 million yen

(Securities)

Prior fiscal year (As of December 31, 2023)

Stocks of subsidiaries or affiliates (15,394 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.

Current fiscal year (As of December 31, 2024)

Stocks of subsidiaries or affiliates (17,497 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, 2023)	Current fiscal year (As of December 31, 2024)
Deferred tax assets		
Provision for bonuses	42 million yen	46 million yen
Enterprise tax payable	45 million yen	47 million yen
Loss on valuation of securities	12 million yen	12 million yen
Provision for retirement benefits	537 million yen	550 million yen
Revaluation reserve for land	1,082 million yen	1,082 million yen
Valuation differences on assets received by merger	47 million yen	46 million yen
Other	510 million yen	427 million yen
Deferred tax assets: Sub total	2,279 million yen	2,212 million yen
Valuation provision	(1,409) million yen	(1,320) million yen
Deferred tax assets: Total	869 million yen	892 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale	(675) million yen	(793) million yen
Prepaid pension cost	(493) million yen	(536) million yen
Revaluation reserve for land	(227) million yen	(227) 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	(1,590) million yen	(1,751) million yen
Net deferred tax liabilities	(720) million yen	(859) 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, 2023)	Current fiscal year (As of December 31, 2024)
Statutory effective tax rate in Japan	30.6 %	30.6 %
(Reconciliation)		
Permanently non-deductible entertainment and other expenses	0.3 %	0.1 %
Dividends and other income permanently included in gross profit	(6.7) %	(17.9) %
Per-capita inhabitants tax	4.1 %	1.6 %
Valuation provision	0.7 %	(1.8) %
Tax deduction	(5.6) %	(3.0) %
Other	(0.1) %	1.7 %
Effective tax rates after adoption of tax-effect accounting	23.1 %	11.3 %

(Business combinations)

(Acquisition of Shares)

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.

(Common control transactions, etc.)

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)

(Purchase of treasury stock)

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, 2024 (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, 2024 (Millions of yen)	Accumulated depreciation or amortization for the current fiscal year (Millions of yen)
Property, plant and equipment						
Buildings	2,849	74	4	161	2,757	7,223
Structures	71	16	0	8	79	718
Machinery and equipment	798	285	1	308	772	3,433
Vehicles	1	-	-	0	0	87
Tools, furniture and fixtures	65	31	0	35	61	315
Land	3,802 [(2,867)]	-	13 [2]	-	3,789 [(2,865)]	-
Lease assets	41	176	-	37	179	70
Construction in progress	17	-	17	-	-	-
Total Property, plant and equipment	7,646	583	36	552	7,641	11,849
Intangible assets						
Software	561	53	-	179	435	1,683
Software in progress	-	13	-	-	13	-
Other	8	-	-	-	8	-
Total intangible assets	570	67	0	179	458	1,683

(Note) From current fiscal year, figures in square brackets in the "Balance at January 1, 2024" "Decrease in the current fiscal year" and "Balance at December 31, 2024" columns indicate amounts outstanding as a revaluation reserve for land (before tax).

【Schedule of provisions】

Classification	Balance at January 1, 2024 (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, 2024 (Millions of yen)
Allowance for doubtful accounts	206	4	0	210
Provision for bonuses	124	134	124	134
Provision for product warranties	18	-	2	16
Provision for stock benefits	318	260	242	336

(2) 【Details of major assets and liabilities】

Statement has been omitted since consolidated financial statements are prepared.

(3) 【Other】

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

Independent Auditor's Report

The Board of Directors
OYO Corporation

The Audit of the Consolidated Financial Statements

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, 2024, 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, 2024, 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 used	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

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 22,119 million yen, accounting for 30% of Net sales of 74,085 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.

We evaluated the Company's following 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.

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, 2024 and, accordingly, that this is a key audit matter.	<ul style="list-style-type: none"> • 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. • 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.
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Other Information

Other information comprises the information included in disclosure documents that contain 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 Audit and Supervisory Committee 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 Audit and Supervisory Committee is 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee 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 Audit and Supervisory Committee 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, 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.

Fee-related Information

The fees for the audits of the financial statements of OYO Corporation and its subsidiaries and other services provided by us and other EY member firms for the year ended December 31, 2024 are 96 million yen and 3 million yen, respectively.

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, 2025

Kyoji Ito
Designated Engagement Partner
Certified Public Accountant

Makie Suzuki
Designated Engagement Partner
Certified Public Accountant

(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

The Audit of the Non-Consolidated Financial Statements

Opinion

We have audited the accompanying non-consolidated financial statements of OYO Corporation, which comprise the non-consolidated balance sheet as at December 31, 2024, 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, 2024, 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 contain 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 Audit and Supervisory Committee 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 Audit and Supervisory Committee is 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 Audit and Supervisory Committee 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 Audit and Supervisory Committee 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, 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.

Fee-related Information

Fee-related information is described in the independent auditor's report of the consolidated financial statements.

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, 2025

Kyoji Ito
Designated Engagement Partner
Certified Public Accountant

Makie Suzuki
Designated Engagement Partner
Certified Public Accountant

(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.