

# Annual Report 2005

January 1, 2005 to December 31, 2005



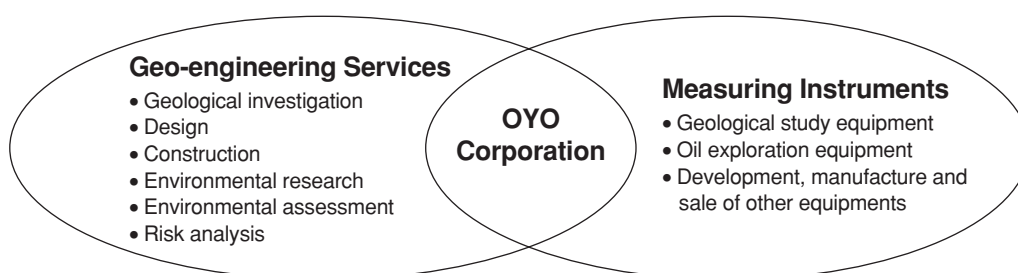
# OYO

OYO Corporation

[www.oyo.co.jp](http://www.oyo.co.jp)

OYO Corporation is a unique geo-engineering company founded in 1957 that integrates geology with civil engineering. OYO has played a vital role in and greatly contributed to the progress of various land development and infrastructure creation projects.

The OYO Group encompasses a network of offices throughout Japan, 13 domestic companies and 30 overseas companies, and follows a business strategy firmly founded on the concepts of Localization, Internationalization, Consolidation and Specialization. OYO provides comprehensive civil engineering and construction technological services from investigations to design, construction (landslide-preventative construction), construction management and maintenance, along with the manufacture and sale of measuring instruments for geological investigation.



As we venture into the 21st century, society demands that our technologies include engineering and consulting that are essential to forming a society that is in harmony with the environment. OYO has established the following new business philosophy that is in tune with modern society while maintaining our fundamental mission of creating geo-engineering as we resolutely work to realize the growth of the new OYO.

The Creation of Safety and Assurance  
<Business Philosophy>

To contribute to society through technology that supports harmony between humankind and nature along with safety and assurance

We believe that OYO Corporation's corporate duty is to play a vital role in preserving a safe society and the assurance of life through the provision of our cultivated and creative technologies.

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# Financial Highlights

## OYO Corporation

Years ended December 31, 2004 and 2005

	<i>(Millions of Yen)</i>		<i>(Thousands of U.S. Dollars*)</i>
	2004	2005	2005
<b>Consolidated Financial Highlights</b>			
<b>For the Year:</b>			
Net sales	¥43,601	¥43,344	\$367,103
Operating income	756	1,190	10,079
Income before income taxes	1,625	2,421	20,504
Net income	<u>659</u>	<u>970</u>	<u>8,219</u>
<b>At Year-End:</b>			
Total assets	¥70,025	¥65,859	\$557,801
Total shareholders' equity	54,244	53,559	453,619

	<i>(Millions of Yen)</i>		<i>(Thousands of U.S. Dollars*)</i>
	2004	2005	2005
<b>Non-consolidated Financial Highlights</b>			
<b>For the Year:</b>			
Net sales	¥24,533	¥23,977	\$203,076
Operating income (loss)	(386)	640	5,418
Income before income taxes	266	1,032	8,744
Net income	85	497	4,210
Cash dividends per share (Yen, U.S. Dollar)	¥ 10.0	¥ 10.0	\$ 0.08
Dividend payout ratio (%)	<u>354.6</u>	<u>59.5</u>	<u>59.5</u>
<b>At Year-End:</b>			
Total assets	¥61,621	¥61,411	\$520,127
Total shareholders' equity	55,011	53,818	455,816

\* The U.S. Dollar amounts in this annual report are translated from Japanese Yen, for convenience only, at the rate of ¥118.07 = U.S. \$1, the approximate rate of exchange on December 31, 2005.

## To Our Shareholders

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We are pleased to present our report on performance in the fiscal year ended in December 2005 (January 1, 2005 – December 31, 2005), for your kind perusal.

Despite the severe condition of the construction-related industry continuing in 2005, OYO was able to post an increase in profit due to buoyant sales of measuring instruments overseas by our group. The consolidated performance during this fiscal year was sales of 43,343 million yen (year-on-year decrease of 0.6%), operating income of 1,190 million yen (year-on-year increase of 57.4%), and a net income of 970 million yen (year-on-year increase of 47.2%) in part due to capital gains from selling shares in a consolidated subsidiary. As a result, OYO posted its third consecutive fiscal year with an increase in profit and issued a dividend of 10 yen per share, the same as the previous year.

In the geo-engineering services business, the OYO Group will focus on securing orders in disaster prevention businesses being stressed by the national and local governments. The OYO Group will also expand the reinforcement of the site front office system throughout the country as a means to reduce costs and improve profitability during fiscal 2006. Furthermore, the OYO Group will strive to enlarge our customer segment in the private market beginning with the soil contamination area. In the measuring instrument business, we will focus on introducing new products and expanding sales in our new security business in order to promote growth of this new business.

The year 2005 for Japan was a year of outbreak of incidents, including the falsification of anti-seismic strength data, related to ethics of engineers and companies. This consequently has led to a greater call for companies to comprehensively observe legal regulations in totality. OYO is pursuing compliance-based management founded in the belief that it is absolutely essential for sustainable development as a company, and also further pursue the improvement of service quality and efficient Group management.

We humbly ask our shareholders for further understanding and support to OYO businesses from a long-term perspective.

March 2006



Moriuyuki Taya, President & CEO



Moriuyuki Taya, President

# Business Year Performance

## Non-Consolidated Recovery Boosts Group Profits

### Consolidated Performance

The Japanese economy during 2005 witnessed the recovery in corporate earnings and an increase in capital investments by private firms. However, worries remain concerning hikes in crude oil prices and trends involving the economies of the U.S. and China. As for the construction industry, the overall situation remained severe with national government construction investment continuing to decrease despite implementation of a major supplemental budget related to disasters during the first half of the year.

Within this business environment, the OYO Group focused on securing orders for new products and expanding sales in the Asian market for the measuring instrument business while also striving to reduce costs by securing orders and effectively using management resources in the geo-engineering services business.

As a result of these efforts, the consolidated performance for this fiscal year consisted of net sales of 43,343 million yen (year-on-year decrease of 0.6%) due in part to a buoyant measuring instrument business overseas. As for profits, the cost reduction efforts of OYO Corporation helped profits increase on an operating income base to 1,190 million yen (year-on-year increase of 57.4%). Our net income also grew to 970 million yen (year-on-year increase of 47.2%) due to capital gains from the sale of shares in a consolidated subsidiary.

### Sales by Business Segment

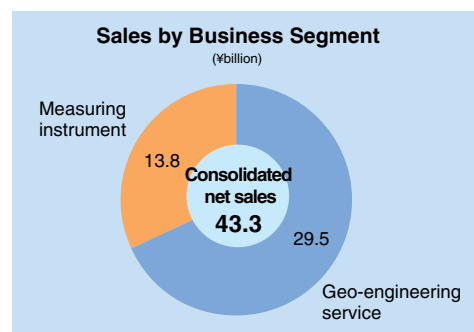
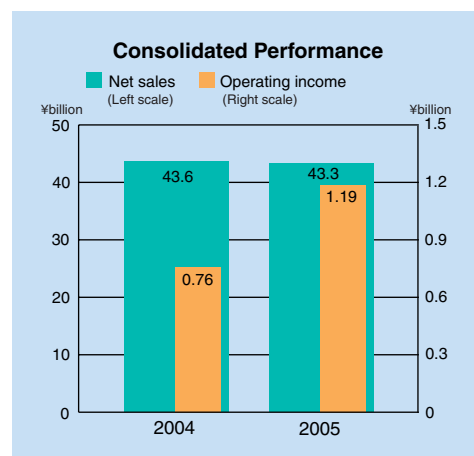
Sales of the OYO Group broke down by business segment to have the geo-engineering services business comprise 68.1% of overall OYO Group sales and the measuring instrument business comprise 31.9%.

The geo-engineering services business saw sales struggle for both OYO Corporation and our domestic subsidiaries because of continued severe situations within our key market of public works projects as governmental construction investment decreased and the worsening finances of local governments. On the other hand, our private sector works (including for electric power companies) performed strongly supported by growth in surveys of subterranean water and soil pollution. Received orders also did relatively well with growths in orders related to power and asbestos.

As a result, sales were 29,519 million yen (year-on-year decrease of 3.9%) and operating income was 501 million yen (320 million yen operating loss last fiscal year). On a non-consolidated basis, OYO Corporation posted a recovery in operating income through major improvements in profitability generated by measures to reduce cost of sales, and selling, general and administrative expenses and the OYO Group also achieved an increase in profit.

The measuring instrument business saw geophysical instruments and the underground radar division perform well in the mining area and area related to road and bridge surveys. Oil search equipment saw traditional products like sensors and sea floor exploration cables perform strongly. The plotter division posted an increase in sales with the acquisition of a print head business, but operating income drastically fell in part due to extraordinary expenses accompanying the transfer of manufacturing facilities linked to the acquisition.

As a result, sales totaled 13,824 million yen (year-on-year increase of 7.2%) and operating income fell to 693 million yen (year-on-year decrease of 34.5%). However, the main business itself actually posted an increase in profits when the extraordinary expenses are excluded.



## Current Conditions and Basic Strategy: Select and Focus

### Geo-engineering Services Business

*Disaster prevention work grows in first half due to onslaught of natural disasters; soil contamination and asbestos related work also active*

In order to recover from the Niigata Chuetsu Earthquake, major typhoons and other natural disasters, the national government appropriated a major supplementary budget in fiscal 2004 and placed a concentrated rush of orders for disaster prevention work in the first quarter of 2005 (January – March). OYO strove to secure an increase in orders centering on disaster prevention work related to earthquake, wind and water damage using our technologies related to earthquake disaster prevention and river dikes as leverage.

Disaster prevention work has diversified in recent years. For example, in correlation with the implementation of the Citizen Protection Law, there has been an increase in schemes launched by local governments to protect local citizens not only from natural disasters but also from terrorism and other armed attacks. As there has been a heightened awareness of disaster prevention among corporations in the private sector, the disaster risk business that OYO RMS Corporation, an OYO Group company involved in has become very important. Among the risk related businesses, business continuity plans (BCP) of companies have drawn the most interest and we intend to apply the earthquake disaster prevention know-how of the OYO Group to developing business in this area.

In the environmental field, work related to soil contamination that is getting busier with a greater expansion in the market is expected with future legal regulation of oil contamination. In addition, the emergence of asbestos as a severe social issue has contributed to NS Environmental Science Consultant Corporation, another OYO Group company, receiving increasing orders related to asbestos from the fall of 2005.



Damage in New Orleans from Hurricane Katrina



Inspection of Asbestos use

**OYO Group Company Secures Order for Earthquake Disaster Prediction Work in Turkey**

OYO International Corporation, an OYO Group company, secured an order for earthquake damage prediction work (seismic microzoning studies) from Istanbul, Turkey. Turkey is one of the most earthquake prone countries in the world. To date, OYO International has performed earthquake disaster prevention related work in the Philippines, Nepal, Iran, Algeria and other locations. The new contract is a large contract of about 1.55 billion yen that is expected to be completed in 2007. The OYO Group plans to provide full support for the project.



City of Istanbul (center in the photo is "Proposal project area" across the Bosphorus Strait)

**OYO Provides Disaster Prevention Information and Know-How to the Support Map for Returning Home following an Earthquake**

OYO has applied its earthquake disaster prevention technology to a variety of local disaster prevention activities to date. Recently, OYO cooperated with the editing of the Support Map for Returning Home following an Earthquake that was published by Shobunsha Publications, Inc. OYO provided Shobunsha with information and know-how related to bedrock and earthquakes for a detailed version divided by geographic area. The know-how was used in classifying the levels of difficulty in walking on major roads in the event of an earthquake and in the direction underlined on the maps. OYO plans to continue our part of contribution to a broader society.



Maps for helping to return to one's home in the event of a disaster (getting to Kanagawa, Saitama, Chiba and Tama from central Tokyo)

# Current Conditions and Basic Strategy: Select and Focus

## Measuring Instrument Business

### *OYO Enters the Security Market and Releases Monitoring Camera with Recording Device and Life Exploration Radar*

The primary products of the OYO Group's measuring instrument business are soil investigation equipment, seismometers, exploration devices, underground radar and oil search equipment.

OYO established the Instruments Business Division in January 2005 based on the belief that an integrated management strategy focused on both domestic and overseas markets is essential for the growth and development of the measuring instrument business. This Division entered the security market as a concrete measure and introduced two new products in 2005.

First, it released OYO Security Hitomi, a portable monitoring camera in August 2005. This product features a combination of infrared ray sensor, monitoring camera and recording device. It also features superior cost performance. OYO aims to sell this monitoring camera broadly to ordinary offices and households as a means to combat criminal activities, which are occurring increasingly closer to home. OYO has sold this product through retail channels consisting of do-it-yourself stores and volume appliance stores along with the Internet. OYO will continue to expand sales channels.

The second product is the LifeLocator™ that we released in October 2005. Advance sales began in August in overseas and the product is being delivered to militaries and others. This product is comprised of a wireless antenna weighing about 10kg and a palm-sized controller. It can be easily operated by anybody involved in relief efforts and is an exploration device that enables survivors to be verified below rubble within a few minutes. The device detects chest movements resulting from breathing; thus it can verify survivors even if the person is unconscious and cannot move. Domestically, OYO continues sales and marketing efforts with the goal of selling the product to governmental institutions such as fire departments.



"OYO Security Hitomi" surveillance camera with recording device



**LifeLocator™**  
Find living trapped victims  
Speed the search process  
Safeguard First Responders  
Save Lives

Immediate motion detection, including detection through dense materials such as concrete, brick, snow/ice, mud, etc.

In April 2006, OYO will launch the CMD1, a trespassing monitoring system, which will be a mainstay of the security business. Furthermore, advance orders for this product will be taken overseas but its release in Japan is still undetermined due to issues involving the Radio Law.

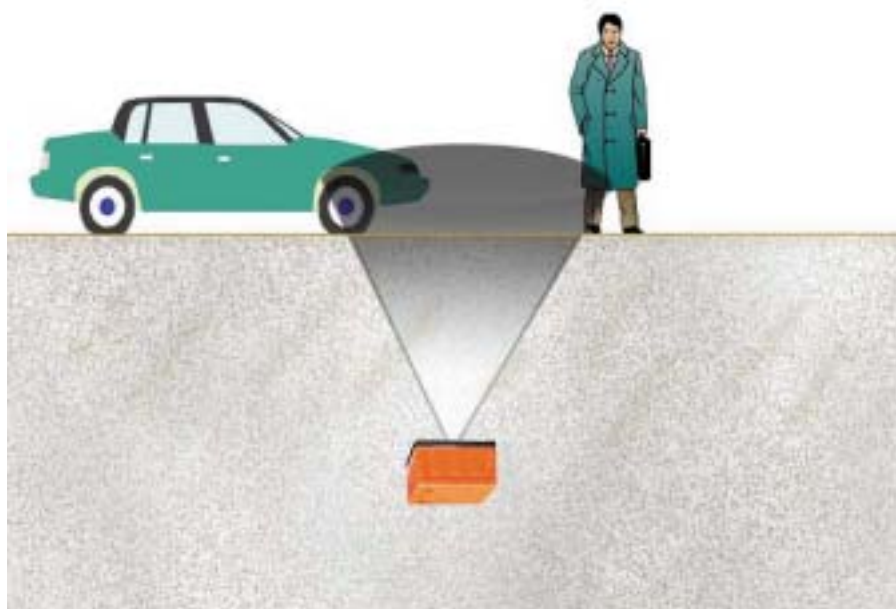


Image of a buried "CMD1" (Concealed Motion Detector), designed to be installed under walkways, roadbeds, building side walls or above ceilings. Powered by an Ethernet network, a single cable connects the CMD1 to the security system.

### **Shares of OYO Geospace Sold**

The OYO Group is reorganizing its measuring instrument business with the aim of heightening the efficiency of its management resources. This reorganization is being conducted based on the basic strategy of selection and concentration and a portion of holdings in OYO Geospace Corporation, primarily a manufacturer and seller of oil search equipment, was sold in August 2005 as a part of this strategy. The intent of this sale was to focus more on core businesses and the sale has resulted in OYO Geospace now being an affiliate to which the equity method is applied rather than a consolidated subsidiary. The funds gained through the sale will be used primarily in the security field and other new businesses of the measuring instrument business.

The measuring instrument business in 2005 saw a steady expansion in the sale of equipment including the sale of oil search equipment by overseas group companies as a result of active energy and resource development. The year 2006 marks the second year of the Instruments Business Division. The Division will continue to reinforce the sale of equipment to overseas energy and resource markets along with instituting measures to strengthen security related businesses.

# Group's Companies and Technologies

## Seismic Microzoning Studies

A seismic microzoning study is conducted to predict the likely scope of damages in a region in the event of a large earthquake based on data of past damage-causing earthquakes in the region and local active faults.

We place emphasis on having a good grasp of ground characteristics and thus divide the area in as detailed a manner as possible (such as zones of 500m or 250m meshes) in our studies.

Dividing the surface strata of the ground in detail enables us to predict appropriate earthquake motions for the area as well as forecast potential damages. Studies conducted by dividing a region into small zones to facilitate high definition predictions are called microzoning studies. OYO was one of the pioneers in conducting such studies in the 1980s and subsequently many local authorities have used these studies.

## List of Damage Forecast Categories

Ground	Earthquake motion (seismic intensity and acceleration), liquefaction risk, cliff, etc.
Buildings	Wooden structure, reinforced concrete structure, steel frame structure, etc.
Fire	Outbreak of fire, spread of fire, etc.
Human	Deaths, the critically injured, the slightly injured, victims, evacuees, those unable to return home, etc.
Lifeline	Waterworks, sewage, gas, electricity, telephone, etc.
Transport/Shipping	Road, railway, etc.
Other	River levee, basins, reclaimed land, etc.

## UltraSensor™ UVSS CMD 1 — Concealed Motion Detector

### Features:

- 'Sees' through walls and roadbeds
- Determine target motion and distance
- Impervious to any weather conditions
- Tamper resistant and waterproof

### Specifications:

- Detection range: 25 feet (8 meters)
- Operating Temperature Range: -20°C to 55°C
- Can be buried under 6 inches (15 cm) of material (earth, concrete, asphalt, etc.)



UltraSensor™ is a fixed sensor system designed for installation underground, in building sidewalls or ceilings. Unlike other motion detection technologies, it needs no "window" on the world to detect motion. With its ultra wideband technology platform, UltraSensor™ "sees" through earth, walls and obstacle. Sensors also report distance to the motion and velocity and count and classify targets (e.g., animals, people, cars, trucks). Because they are buried, the sensors are clandestine, tamper-proof, impervious to weather and ambient lighting conditions... and they are less subject to false alarms.



The Security Industry Association (SIA) has chosen the UltraSensor™ motion detector as the winner of its 2006 "Product Achievement Award for Intrusion Detection/Prevention" at the International Security Conference & Exposition in Las Vegas.

### **UltraVision Security Systems, Inc.**

UVSS is a wholly owned subsidiary of Geophysical Survey Systems, Inc.\* (GSSI). The mission of UltraVision is to develop and sell a new line of motion sensors that can detect the motion of people or objects in real time through walls, roads and most building materials. UVSS is the first company to use Ultra WideBand (UWB) technology for life safety and physical security products.

UVSS leverages 35 years of GSSI expertise in ultra wideband technology to create breakthrough products and systems for infrastructure security and life safety. The first two product lines are the UltraSensor™ fixed sensor system and the LifeLocator™, a portable system that detects motion and breathing for search-and-rescue operations.



UltraSensor™



LifeLocator™

UltraVision will focus on selling to markets that need new, improved solutions to security and safety problems and will focus on software development that makes intelligent use of the new information provided by these very unique sensors. Motion sensor sales will focus on the following applications:

- Search & Rescue
- Building security
- Infrastructure perimeter security
- Personal perimeter protection

\*Geophysical Survey Systems, Inc. is a wholly owned subsidiary of OYO Corporation.

### **OYO RMS Corporation**

OYO RMS is a company for which the equity method is applied that provide the analysis and assessment of natural disaster risks such as earthquakes and typhoons to support risk management of clients.

#### **Risk analysis and assessment service of natural disasters such as earthquake and typhoon**

Risk analysis service to non-life insurance companies  
Earthquake risk analysis for dealing real estate assets  
Risk analysis and assessment for securitization of catastrophe risk

#### **Advisory services for to corporate risk management**

Risk analysis and assessment of natural disasters  
Advice for optimal risk management (risk mitigation, risk retention and risk transfer)

#### **Licensing of various analysis software**

Licensing of various analysis software including RiskLink®, a natural disaster risk assessment system that boasts a large share in the U.S. non-life insurance market.

### **Engineering & Risk Services Corporation**

ERS is an affiliate established with the business objective of conducting management from an engineering perspective regarding natural disaster risks and environmental risks that involve the national government, local governments and corporations.

#### **Property management consulting business**

ERS boasts a property management consulting business that applies the know-how it has nurtured in its experience preparing basic plans for maintaining structural functions at around 250 buildings (2003) a year.

#### **Natural disaster risk management business**

ERS forecasts structural damage during disasters, calculates foreseen corporate losses from forced days off, proposes countermeasures, diagnosis the risk of disasters on slopes, supports the drafting of disaster prevention plans for cities and conducts other risk management related to various disasters. In addition, ERS has a cooperative relationship with OYO RMS, the licensor in Japan for RiskLink®, and provides highly reliable services.

#### **Building assessment business**

ERS was one of the first in Japan to take note of due diligence conducted when selling, acquiring or securitizing real estate. ERS conducts a building assessment business that applies its wealth of knowledge and experience and has achieved a lot for a variety of non-building properties including toll roads and golf courses.

#### **Land environment assessment business**

ERS was a pioneer in developing and implementing Phase 1 Soil Environment Assessment in Japan. Phase 1 enables a simple assessment of the soil environment without the need to collect soil samples. ERS has posted solid performance in this area as a result. In addition, ERS conducts soil contamination investigations that collect and analyze soil and proposes remediation measures, and its activities here are also highly appraised as with Phase 1 Soil Environment Assessments.

### **NS Environmental Science Consultant Corporation**

NSESC is a consolidated subsidiary, having main scope in various fields of “environment”, contributes to the society with their considerate environmental technology making full use of specialized knowledge in “Research”, “Measurement” and “Building management”.

#### **Research**

NSESC tackles a wide range of fields, such as rivers, roads, cities, the ocean, waste, underground water, soil, and the atmosphere, with consistent services that include planning, research, analysis, forecasting and evaluation, and the design of countermeasures.

#### **Measurement**

NSESC conducts a wide range of analysis and measurement, from the analysis of minute dioxin particles to various environmental measurements. Since the results of this analysis and measurement have a major social impact, NSESC is required to ensure a high degree of reliability in their quality management both domestically and internationally.

#### **Building management**

NSESC's expert technicians in the Microorganism Inspection Laboratory, Technical Center Analysis Laboratory, and Environmental Management Laboratory respond to environmental problems all around us and thereby protect the living environment.

# Earthquake Damage Studies and Social Contribution

**OYO has to date engaged in countless earthquake damage studies in Japan and abroad.**

OYO has also held briefing sessions nationwide concerning damages in the Sumatra Earthquake and Indian Ocean Tsunami incident and informed the disaster prevention-related parties of the actual state of damages. Western Off-shore Earthquakes that occurred in March 2005.



Damage from the 2005 Fukuoka Prefecture Western Offshore Earthquake

## **Contributing to regional disaster prevention activities**

While addressing disaster prevention as a partner to the Japanese Government, OYO also proactively supports community-based regional disaster prevention activities.

Equipment for demonstrations on liquefaction developed by OYO is provided for disaster prevention training hosted by the community, and activities aimed at spreading earthquake damage awareness among the community are conducted.



Explaining earthquake damage to local inhabitants at events in various regions



## **OYO is a strong supporter of GHI**

OYO, along with a great many staff, endorses the objectives of projects persuaded by GeoHazards International (GHI), a nonprofit organization established under the mission of reducing earthquake damage in developing countries to a minimum, and provides aid in financing its activities.

## **Earthquake damage prevention technology provided by OYO is making great contributions around the world**

OYO's subsidiary, OYO International Corporation, is involved in disaster prevention projects supported worldwide by the Japan International Cooperation Agency. Moreover, the Group's earthquake disaster prevention technologies are utilized in contributing to disaster prevention activities in various countries.



### **India**

OYO prepared plans for estimating earthquake damage in Gujarat, India, which was hit by a major earthquake in 2003



### **People's Democratic Republic of Algeria**

The Northern part of Africa is frequently damaged by earthquakes. As the project manager, OYO compiled estimates for earthquake damage and research to establish earthquake damage prevention policies

## Risk Information

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The following are the primary risks that can impact the OYO Group's business performance, stock price and financial conditions. The OYO Group is doing its utmost to prevent the occurrence of the risk based on the recognition that these risks may materialize in the event of which we intend to take appropriate measures.

Furthermore, forward-looking statements that appear in this text are based on judgments of the OYO Group as of the end of this fiscal year.

**(1) Risk of high dependence on orders from the government**

The geo-engineering business in Japan comprises more than 60% of the OYO Group's sales and is mainly driven by the public works market with the primary customers consisting of the national and local governments. There is the possibility that decreases in orders resulting from deterioration in the financial conditions of the national and local governments and shrinking in public works volume will impact the business performance of the OYO Group.

**(2) Exchange fluctuation risk**

The measuring instrument business comprises about 30% of OYO Group sales and is primarily based in the North America region. Since transactions are denominated in dollars, there is the possibility that currency fluctuations will impact settlement figures.

**(3) Risk of production activities being hindered by disasters**

The survey business and measuring instrument business of the OYO Group may suffer a decrease in production capacity and business performance in the event that a natural calamity, fire or other unforeseen disaster occurs and damages or destroys production facilities and data.

**(4) Risk of claims seeking compensation for damages from violating intellectual property**

The geo-engineering business and measuring instrument business use specialized technologies that may face lawsuits seeking compensation for the violation of intellectual property rights, etc.

**(5) IT system security management risk**

The respective companies of the OYO Group process their work and manage information using IT systems and there is the possibility of work implementation being significantly impacted by viruses and malicious illegal tampering by third parties.

**(6) Risks concerning legal regulations**

The OYO Group is bound to observe diverse domestic and overseas laws and regulations including the Commercial Code, Securities and Exchange Law, Tax Code, labor laws, Anti-Monopoly Law and Construction Business Law, quality standards, environmental standards, accounting standards and such in the implementation of business. There is the possibility that changes in societal conditions, etc. will result in amendments to these or the establishment of new legal regulations in the future.

The realization of these may impact the performance and financial conditions of the OYO Group.

**(7) Risk of price fluctuations for owned assets**

There is the possibility that remarkable decreases in the market values of negotiable securities and other owned assets will impact the financial condition and performance of OYO. Furthermore, in the event that the OYO Group applies the "Accounting Standard for the Impairment of Fixed Assets," there is the possibility that financial conditions and performance may be impacted as a result of future market price trends and use conditions of the subject fixed assets.

**(8) Deferred tax assets**

Deferred tax assets are recorded after judging their potential for recovery after rationally estimating the future taxable income. When there are large changes to the future taxable income estimate or changes to the system, there is the possibility that the deferred tax assets will decrease and that the financial condition and performance of the OYO Group will be impacted.

# Corporate Governance

## (1) Basic Thinking

The objective of corporate management of OYO is to sufficiently recognize and implement management transparency and fairness, and continually heighten corporate value through securing profit and re-growth within the severe business environment. OYO has prepared a management organization and audit system to achieve these objectives and has positioned enhancing corporate governance that allows necessary measures to be implemented promptly as one of the most important themes of management.

## (2) Organization Content and Status of Internal Governance System

### (A) The status of Management Organization and other corporate governance systems related to corporate management decision-making, implementation and supervision

#### Board of Directors

The board of directors is comprised of nine directors (as of March 30, 2006) and there are ordinary quarterly board of directors' meetings along with extraordinary meetings that are held when necessary. The board makes decisions on important matters concerning OYO's management policies and other important issues and also supervises the implementation of duties by directors. Further, the terms of directors are one year.

#### Board of Executive Officers

OYO has introduced the executive officer system from the perspective of enhancing corporate governance and the committee of executive officers is comprised of the nine directors and twelve executive officers also serving as employees (as of March 30, 2006). As for the implementation of work, the committee of executive officers meets at least once a month separate from the board of directors as a rule. The committee of executive officers follows the policies decided by the board of directors, discusses overall management issues and reviews the implementation of material work.

#### Auditors and Independent Auditor

OYO employs a corporate auditor system and has three auditors of which two are outside auditors (as of March 30, 2006). The board of auditors meets once a month and auditors as a rule attend all board of

directors' meetings. The established system is such that the auditors monitor the execution of duties by directors and management.

The independent auditors were selected with a majority of the votes by the board of corporate auditors and the present independent auditor is ChuoAoyama Pricewaterhouse Coopers.

### Compliance Implementation System and Internal Audits

OYO believes the implementation of compliance to be a material management issue for sustainable development of the company and all directors and employees act in accordance with the Corporate Behavior Guidelines established primarily by the Compliance Department. OYO seeks to promote sound corporate activities and totally observe corporate ethics through the implementation of our compliance policy. Specific measures include preparing an internal audit program and executing patrol audits, and preparing a compliance manual in accordance with the Corporate Behavior Guidelines and strive to have it totally observed internally.

### (B) Preparation of a Risk Management System

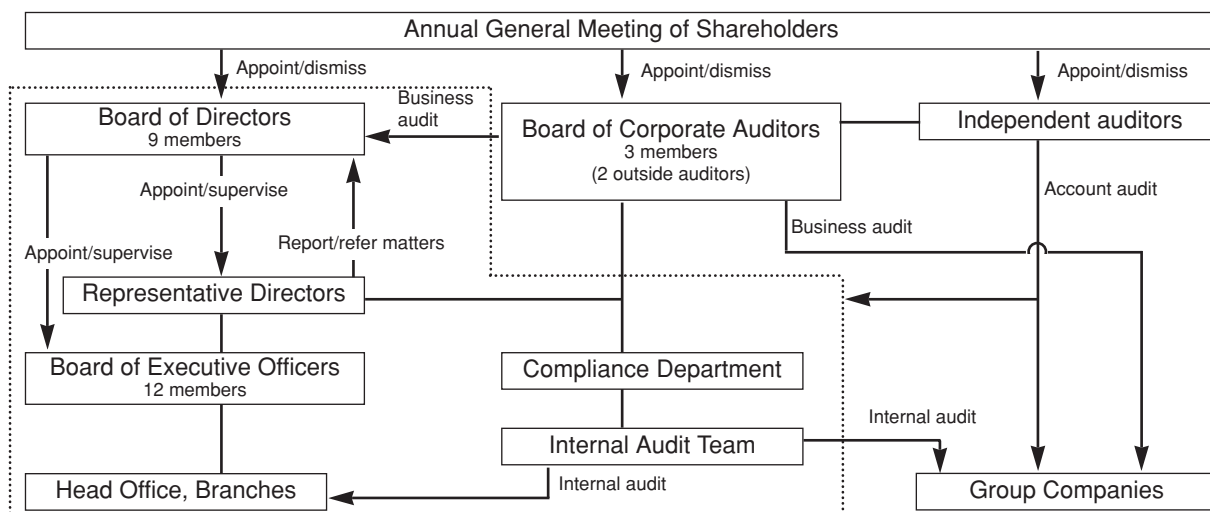
All employees and directors of OYO are acting in accordance with the Corporate Behavior Guidelines established primarily by the Compliance Department. Each of them owns a compliance manual prepared in accordance with the Corporate Behavior Guidelines and OYO is striving to have it totally observed internally.

### (C) Internal Audits and Status of Auditing by Auditors

Organizational measures include audits conducted in accordance with an Internal Audit Program to verify and assess the work is conducted legally and rationally, and to improve the situation. This audit is conducted by the Internal Audit Team (about 5 people) comprised of the Compliance Department and head office management department.

Further, OYO regularly exchanges information and opinions on audit plans and audit results with auditors, and mutually cooperates so that an auditor witnesses portions of audits by accountants. The Full-time Corporate Auditor conducts necessary audits on the duties of each department at the head office and branches when necessary.

## Management organizations related to decision-making, operations, and oversight, and other corporate governance systems



## FINANCIAL REVIEW

### Profit and Loss Account

The OYO Group posted net sales of 43.3 billion yen this consolidated fiscal year ended December 31, 2005, a 0.6% year-on-year decrease. When analyzed by segment, the geo-engineering services business posted sales of 29.5 billion yen, a 3.9% year-on-year decrease, due to the severe conditions brought about by the decrease in construction investment by the national government and worsening finance of local governments. The measuring instrument business posted sales of 13.8 billion yen, a 7.2% year-on-year increase attributed to buoyant conditions at overseas consolidated subsidiaries. In addition, the cost rate dramatically improved because of the efficient use of management resources leading the gross profit on sales to increase 679 million yen to 13.8 billion yen.

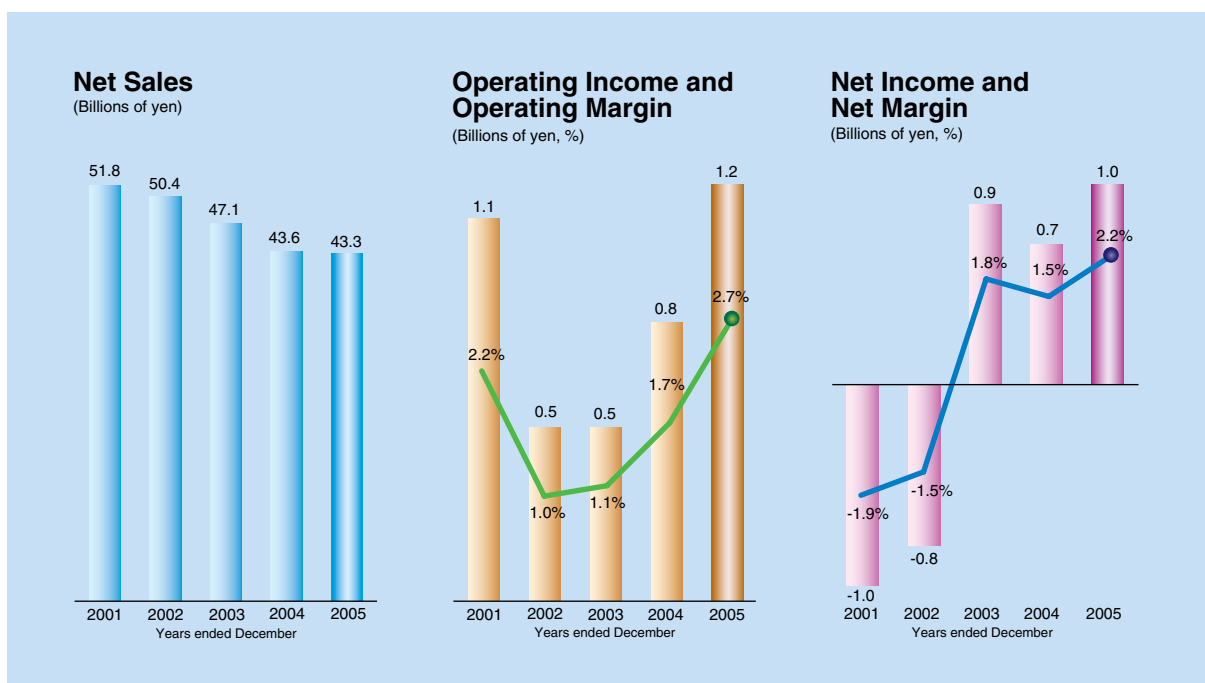
On the other hand, selling, general and administrative expenses increased 245 million yen to 12.7 billion yen as a result of goodwill write-offs of the consolidated U.S. subsidiary being recorded for a total of 4,255 thousand dollars (456 million yen) outweighing the effects of personnel and other cost reductions. Thus these expenses accounted for 29.2% of net sales. As a result, operating income rose 433 million yen to 1,190 million yen and the operating income margin was 2.7%.

As for additional information concerning profits and losses, in addition to increases in

interest and dividend income, and strong results at companies to which the equity method is applied, there was the increase factor of capital gains from the sale of stocks in an affiliate accompanying the partial sale of stocks in OYO GEOSPACE CORPORATION, a previous consolidated subsidiary, which totaled 948 million yen. On the other hand, there were losses from selling unprofitable businesses at our U.S. subsidiary, but other revenues posted an increase of 362 million yen year-on-year to 1,231 million yen. Consequently, income before income taxes rose 796 million yen year-on-year to 2,420 million yen.

As a result of the above, income before income taxes rose leading to tax expenses of 1,247 million yen and minority interest in earnings of consolidated subsidiaries of 204 million yen, while net income increased 311 million yen year-on-year to 970 million yen.

As for geographical figures, sales in Japan totaled 30.7 billion yen (year-on-year decrease of 2.5%) and operating income totaled 925 million yen (year-on-year increase of 354.5%). North American sales reached 11.0 billion yen (year-on-year increase of 3.1%) and operating income totaled 82 million yen (year-on-year decrease of 81.8%). As for sales in other regions, sales totaled 1.7 billion yen (year-on-year increase of 12.2%) and operating income of 162 million yen (year-on-year increase of 74.1%). Although oper-



ating income in Japan increased greatly, profit in North America dropped due to the impact of performance in the geo-engineering services business and disposal of goodwill.

### Balance Sheet

The OYO Group posted total assets of 65.9 billion yen as of the end of the consolidated fiscal year, a 4,165 million yen year-on-year decrease. The main factors for this were a 1,893 million yen decrease in current assets caused by a decrease in other inventories accompanying the transfer of the consolidated U.S. subsidiary into a company to which the equity method is applied and a 3,219 million yen decrease in property, plant and equipment.

The total liabilities at the end of the consolidated fiscal year decreased 302 million yen to 11.4 billion yen compared to the end of the preceding fiscal year. The primary reasons for this were the 657 million yen decrease in long-term debt caused by the transfer of the consolidated U.S. subsidiary into a company to which the equity method is applied and 243 million yen decrease in reserve for retirement benefits from the end of the preceding fiscal year. In addition, shareholders' equity as of the end of this consolidated fiscal year decreased 685 million yen to 53.6 billion yen. The primary reasons for this were the 413 million yen increase in treasury stock and the 1,543 million yen decrease in

revaluation losses on land.

As a result of the above, the shareholders' equity ratio was 81.3% and the shareholders' equity per share totaled 1,820.17 yen.

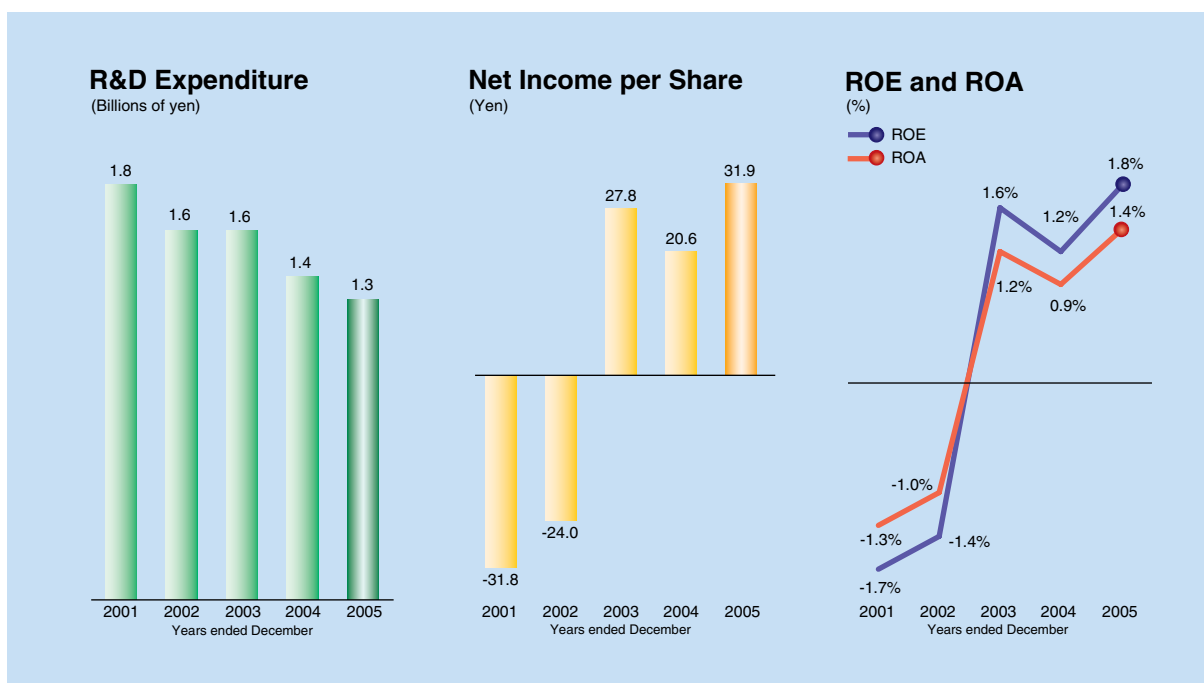
### Cash Flow

Cash flow from operating activities this fiscal year saw an outflow of 290 million yen (inflow of 3,046 million yen in the preceding fiscal year). This is in part due to the increase in accounts and notes receivable and un-completed geo-engineering costs decreasing cash and more than offsetting the factors increasing cash such as income before income taxes, depreciation, etc.

This year cash flow from investing activities saw an inflow of 2,538 million yen (outflow of 1,473 million yen last consolidated fiscal year). This is primarily due to the sale of some of our shares in OYO GEOSPACE CORPORATION in the U.S., previously a consolidated subsidiary.

This year cash flow from financing activities posted an outflow of 230 million yen (93.6% decrease year-on-year). The primary reasons for this are the expenses to repay bank loans for our consolidated U.S. subsidiary and payments for acquisition of treasury stock.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year increased 2,159 million yen year-on-year and reached 19.3 billion yen.



# CONSOLIDATED FINANCIAL STATEMENTS

OYO Corporation and its consolidated subsidiaries

## Consolidated Balance Sheets

December 31, 2004 and 2005

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
	2004	2005	2005
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash in hand and at bank (Note 4)	¥14,354	¥16,522	\$139,939
Marketable securities (Note 5)	4,155	2,812	23,815
Accounts and notes receivable:			
Trade	8,316	7,540	63,860
Subsidiaries and affiliates	18	2	15
	<u>8,334</u>	<u>7,542</u>	<u>63,875</u>
Less: allowance for bad debts	(179)	(71)	(603)
	8,155	7,471	63,272
Costs of uncompleted geo-engineering services	5,307	6,255	52,980
Inventories (Note 6)	4,990	2,200	18,632
Deferred tax assets (Note 10)	486	381	3,229
Mortgage securities	1,000	1,000	8,469
Other current assets	714	627	5,311
Total current assets	<u>39,161</u>	<u>37,268</u>	<u>315,647</u>
<b>Investments and Advances:</b>			
Investments in securities (Note 5)	6,959	7,701	65,222
Investments in unconsolidated subsidiaries and affiliates (Note 8)	626	2,516	21,308
Long-term loans and other investments (Note 15)	2,661	3,080	26,087
Investments in real estate	-	515	4,367
Less: allowance for bad debts	(54)	(34)	(286)
	<u>10,192</u>	<u>13,778</u>	<u>116,698</u>
<b>Property, Plant and Equipment:</b>			
Buildings and structures (Note 9)	14,015	12,781	108,250
Machinery and equipment	10,795	6,920	58,616
	<u>24,810</u>	<u>19,701</u>	<u>166,866</u>
Less: accumulated depreciation	(15,170)	(12,657)	(107,202)
	9,640	7,044	59,664
Land (Notes 7 and 9)	7,251	6,678	56,555
Construction in progress	50	-	-
	<u>16,941</u>	<u>13,722</u>	<u>116,219</u>
<b>Intangibles and Deferred Charges</b>			
Deferred tax assets (Note 10)	1,422	667	5,646
Deferred tax assets for revaluation of land (Note 7)	788	-	-
Other	1,521	424	3,591
	<u>3,731</u>	<u>1,091</u>	<u>9,237</u>
	<u>¥70,025</u>	<u>¥65,859</u>	<u>\$557,801</u>

The accompanying notes are an integral part of the consolidated financial statements.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
	2004	2005	2005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term bank loans (Note 9)	¥ 226	¥ 120	\$ 1,017
Current portion of long-term debt (Note 9)	60	13	112
Accounts and notes payable:			
Trade	2,237	2,068	17,515
Subsidiaries and an affiliates	1	3	24
	<u>2,238</u>	<u>2,071</u>	<u>17,539</u>
Income taxes payable (Note 10)	341	1,326	11,228
Advances received on uncompleted geo-engineering services	771	847	7,173
Reserve for accrued bonuses	275	233	1,975
Other current liabilities	<u>2,423</u>	<u>1,760</u>	<u>14,913</u>
Total current liabilities	<u>6,334</u>	<u>6,370</u>	<u>53,957</u>
<b>Long-term Liabilities:</b>			
Long-term debt (Note 9)	688	30	251
Reserve for retirement benefits (Note 11)	3,970	3,727	31,565
Retirement benefits for directors and corporate auditors (Note 2 (16))	58	68	575
Deferred tax liabilities (Note 10)	508	297	2,517
Deferred tax liabilities for revaluation of land (Notes 7 and 10)	-	712	6,030
Other long-term liabilities	<u>132</u>	<u>184</u>	<u>1,561</u>
Total long-term liabilities	<u>5,356</u>	<u>5,018</u>	<u>42,499</u>
<b>Minority Interests in Consolidated Subsidiaries</b>	4,091	912	7,726
<b>Shareholders' Equity:</b>			
Common stock:			
Authorized: 120,000,000 shares at December 31, 2004 and 2005			
Issued: 32,082,573 shares at December 31, 2004 and 2005	16,175	16,175	136,991
Additional paid-in capital	15,906	15,906	134,714
Retained earnings (Note 2 (17))	26,375	26,990	228,596
Revaluation losses on land (Note 7)	(1,148)	(2,691)	(22,794)
Unrealized gains on "Other Securities"	373	958	8,113
Adjustment arising from foreign currency financial statement translation	(1,176)	(1,104)	(9,349)
Treasury stock (Note 12)	<u>(2,261)</u>	<u>(2,675)</u>	<u>(22,652)</u>
Total shareholders' equity	<u>54,244</u>	<u>53,559</u>	<u>453,619</u>
	<u>¥70,025</u>	<u>¥65,859</u>	<u>\$557,801</u>

The accompanying notes are an integral part of the consolidated financial statements.

**OYO Corporation and its consolidated subsidiaries**  
**Consolidated Statements of Income**  
for the years ended December 31, 2004 and 2005

	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
	2004	2005	2005
<b>Net Sales</b> (Note 16):			
Geo-engineering services	¥30,706	¥29,519	\$250,016
Instrument sales	12,895	13,825	117,087
	<u>43,601</u>	<u>43,344</u>	<u>367,103</u>
<b>Cost of Sales</b> (Note 16):			
Geo-engineering services	21,782	20,196	171,047
Instrument sales	8,652	9,302	78,784
	<u>30,434</u>	<u>29,498</u>	<u>249,831</u>
Gross profit	13,167	13,846	117,272
<b>Selling, General and Administrative Expenses</b> (Notes 13 and 15)	<u>12,411</u>	<u>12,656</u>	<u>107,193</u>
Operating income	756	1,190	10,079
<b>Other Revenue (Expenses):</b>			
Interest and dividend income	216	244	2,070
Interest expenses	(62)	(70)	(597)
Gain (loss) on sale/disposal of properties, net	(38)	(66)	(561)
Write-down of investments in securities	(26)	(33)	(279)
Gain on sale of investments in securities	634	19	163
Gain on sale of investments in and advances to subsidiaries and an affiliate	9	952	8,065
Insurance premium income	57	80	682
Property rental income	—	19	166
Property rental costs	—	(43)	(369)
Loss on redemption of corporate bonds	(24)	(1)	(4)
Foreign exchange gain (loss)	3	(23)	(201)
Equity in earnings of affiliates	90	118	999
Amortization of net retirement benefit obligation at transition date	(12)	(12)	(104)
Provision for directors' retirement benefits (Note 2 (16))	(48)	(50)	(427)
Reversal of allowance for doubtful accounts	6	9	79
Loss on liquidation of affiliate	(10)	—	—
Gain (loss) on currency option transaction	13	73	619
Bad debt expense	(15)	—	—
Loss on sale of Investments in overseas consolidated subsidiaries and affiliates	—	(44)	(376)
Other, net	76	59	500
	<u>869</u>	<u>1,231</u>	<u>10,425</u>
<b>Income before Income Taxes</b>	1,625	2,421	20,504
<b>Income Taxes</b> (Note 10):			
Current	610	1,478	12,518
Deferred	(22)	(231)	(1,962)
	<u>588</u>	<u>1,247</u>	<u>10,556</u>
<b>Minority Interest in Earnings of Consolidated Subsidiaries</b>	378	204	1,729
<b>Net Income</b>	<u>¥ 659</u>	<u>¥ 970</u>	<u>\$ 8,219</u>
	(yen)		(U.S. dollars) (Note 3)
<b>Per Share Data</b> (Note 2 (19)):			
Net income -Basic	¥20.64	¥31.92	\$0.27
-Diluted	¥20.50	¥31.56	\$0.26
Cash dividends	¥10.0	¥10.0	\$0.08
<b>Weighted Average Number of Shares</b> (thousands)	30,028	29,582	29,582

The accompanying notes are an integral part of the consolidated financial statements.

**OYO Corporation and its consolidated subsidiaries**  
**Consolidated Statements of Shareholders' Equity**

for the years ended December 31, 2004 and 2005

(Millions of yen)

	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Revaluation gains/ (losses) on land	Unrealized gains/ (losses) on "Other Securities"	Adjustment arising from foreign currency financial statement translation	Treasury stock	Total
<b>Balance at December 31, 2003</b>	32,082,573	¥16,175	¥15,906	¥26,382	¥ (1,152)	¥ 445	¥ (1,288)	¥(1,746)	¥54,722
Net income for the year ended December 31, 2004	—	—	—	659	—	—	—	—	659
Increase arising from inclusion from consolidation of subsidiaries	—	—	—	2	—	—	—	—	2
Cash dividends	—	—	—	(301)	—	—	—	—	(301)
Directors' bonuses	—	—	—	(17)	—	—	—	—	(17)
Adjustment of the past year's retained earnings	—	—	—	(350)	—	—	—	—	(350)
Decrease due to change in tax rates	—	—	—	—	4	—	—	—	4
Net unrealized gains on "Other Securities"	—	—	—	—	—	(72)	—	—	(72)
Adjustment arising from foreign currency statement translation	—	—	—	—	—	—	112	—	112
Acquisition of treasury stocks	—	—	—	—	—	—	—	(515)	(515)
<b>Balance at December 31, 2004</b>	<u>32,082,573</u>	<u>¥16,175</u>	<u>¥15,906</u>	<u>¥26,375</u>	<u>¥ (1,148)</u>	<u>¥ 373</u>	<u>¥ (1,176)</u>	<u>¥(2,261)</u>	<u>¥54,244</u>
Net income for the year ended December 31, 2005	—	—	—	970	—	—	—	—	970
Reversal of revaluation of land	—	—	—	25	—	—	—	—	25
Cash dividends	—	—	—	(296)	—	—	—	—	(296)
Directors' bonuses	—	—	—	(39)	—	—	—	—	(39)
Loss on disposal of treasury stocks	—	—	—	(45)	—	—	—	—	(45)
Decrease due to change in tax rates	—	—	—	—	(1,543)	—	—	—	(1,543)
Net unrealized gains on "Other Securities"	—	—	—	—	—	585	—	—	585
Adjustment arising from foreign currency statement translation	—	—	—	—	—	—	72	—	72
Acquisition of treasury stocks	—	—	—	—	—	—	—	(414)	(414)
<b>Balance at December 31, 2005</b>	<u>32,082,573</u>	<u>¥16,175</u>	<u>¥15,906</u>	<u>¥26,990</u>	<u>¥ (2,691)</u>	<u>¥ 958</u>	<u>¥ (1,104)</u>	<u>¥(2,675)</u>	<u>¥53,559</u>

(Thousands of U.S. dollars) (Note 3)

	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Revaluation gains/ (losses) on land	Unrealized gains/ (losses) on "Other Securities"	Adjustment arising from foreign currency financial statement translation	Treasury stock	Total
<b>Balance at December 31, 2004</b>	32,082,573	\$136,991	\$134,714	\$223,385	\$(9,723)	\$3,163	\$(9,960)	\$(19,146)	\$459,424
Net income for the year ended December 31, 2005	—	—	—	8,219	—	—	—	—	8,219
Reversal of revaluation of land	—	—	—	218	—	—	—	—	218
Cash dividends	—	—	—	(2,508)	—	—	—	—	(2,508)
Directors' bonuses	—	—	—	(333)	—	—	—	—	(333)
Loss on disposal of treasury stocks	—	—	—	(385)	—	—	—	—	(385)
Decrease due to change in tax rates	—	—	—	—	(13,071)	—	—	—	(13,071)
Net unrealized losses on "Other Securities"	—	—	—	—	—	4,950	—	—	4,950
Adjustment arising from foreign currency statement translation	—	—	—	—	—	—	611	—	611
Acquisition of treasury stocks	—	—	—	—	—	—	—	(3,506)	(3,506)
<b>Balance at December 31, 2005</b>	<u>32,082,573</u>	<u>\$136,991</u>	<u>\$134,714</u>	<u>\$228,596</u>	<u>\$(22,794)</u>	<u>\$8,113</u>	<u>\$(9,349)</u>	<u>\$(22,652)</u>	<u>\$453,619</u>

The accompanying notes are an integral part of the consolidated financial statements.

**OYO Corporation and its consolidated subsidiaries**  
**Consolidated Statements of Cash Flows**  
for the years ended December 31, 2004 and 2005

(Thousands of  
U.S. dollars)  
(Note 3)

	(Millions of yen)		
	2004	2005	2005
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 1,625	¥ 2,421	\$ 20,504
Depreciation and amortization	1,564	1,205	10,208
Amortized amount for consolidation adjustment accounts	(1)	—	—
Equity in earnings of affiliates	(90)	(118)	(999)
Loss on write-down of investments in securities	26	33	279
Loss on liquidation of affiliates	10	—	—
Gain on currency option transactions	(13)	(73)	(619)
Loss on sale of investments in overseas consolidated subsidiaries and affiliates	—	44	376
Decrease in reserve for retirement benefits	(64)	(243)	(2,060)
Increase (decrease) in reserve for accrued bonuses	11	(42)	(351)
Interest and dividend income	(216)	(244)	(2,070)
Interest expenses	62	70	597
Loss on redemption of corporate bonds	20	1	4
Loss on sale/disposal of properties	38	66	561
Gain on sale of investments in securities	(634)	(5)	(47)
Gain on sale of investments in and advances to subsidiaries and affiliates	(9)	(952)	(8,065)
Decrease (increase) in accounts and notes receivable	1,355	(1,160)	(9,829)
Increase in advances received on uncompleted geo-engineering services	—	76	643
Increase in inventories	(112)	(598)	(5,066)
Increase in other current assets	(44)	(305)	(2,585)
Increase in accounts and notes payable	76	277	2,354
Increase in other current liabilities	17	310	2,627
Decrease (increase) in costs of uncompleted geo-engineering costs	304	(948)	(8,029)
Payment of directors' bonuses	(24)	(50)	(423)
Other	271	360	3,053
Subtotal	4,172	125	1,063
Interest and dividend income received	220	278	2,353
Interest expenses paid	(62)	(70)	(597)
Income taxes paid	(1,284)	(623)	(5,276)
Net Cash Provided by (Used in) Operating Activities	3,046	(290)	(2,457)
<b>Cash Flows from Investing Activities:</b>			
Increase in time deposits	(200)	(808)	(6,848)
Payments for acquisition of marketable securities	(945)	(4)	(36)
Payments for acquisition of investments in securities	(3,139)	(1,481)	(12,548)
Proceeds from sale of marketable securities	1,931	1,342	11,367
Proceeds from sale of investments in securities	2,301	2,012	17,040
Payments for acquisition of mortgage securities	(2,300)	(2,000)	(16,939)
Proceeds from sale of mortgage securities	1,800	2,000	16,939
Proceeds from sale of subsidiary's shares, net of cash owned by that subsidiary (Note 4 (3))	—	2,566	21,736
Payments for purchases of business (Note 4 (2))	(200)	—	—
Proceeds from transfer of business	—	10	90
Payments for acquisition of properties	(1,072)	(860)	(7,290)
Proceeds from sale of properties	347	43	367
Payments for investments in real estate	—	(346)	(2,932)
Other	4	64	547
Net Cash Provided by (Used in) Investing Activities	(1,473)	2,538	21,493
<b>Cash Flows from Financing Activities:</b>			
Decrease in short-term loans	(2,757)	(102)	(865)
Increase (decrease) in long-term loans	(60)	581	4,918
Payments for acquisition of treasury stock	(515)	(727)	(6,155)
Proceeds from sale of treasury stock	—	267	2,266
Cash dividends paid	(318)	(310)	(2,625)
Other	44	61	517
Net Cash Used in Financing Activities	(3,606)	(230)	(1,944)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(5)	141	1,196
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,038)	2,159	18,288
<b>Cash and Cash Equivalents at Beginning of Year</b>	19,136	17,133	145,105
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries at Beginning of Year</b>	35	—	—
<b>Cash and Cash Equivalents at End of Year</b>	<u>¥17,133</u>	<u>¥19,292</u>	<u>\$163,393</u>

The accompanying notes are an integral part of the consolidated financial statements.

## OYO Corporation and its consolidated subsidiaries Notes to the Consolidated Financial Statements

### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of OYO Corporation (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting

principles and practices prevailing in the respective countries.

### 2. Summary of Significant Accounting Policies

#### (1) Principles of Consolidation

The Company had 26 majority-owned subsidiaries as at December 31, 2005 (38 as at December 31, 2004). The consolidated financial statements for the year ended December 31, 2005 include the accounts of the Company and its 25 majority-owned subsidiaries (37 for the year ended December 31, 2004) (the "Companies"). The principal entities of the 25 majority-owned subsidiaries, together with the closing dates of their respective fiscal years, are listed below.

Name of subsidiary	Equity ownership percentage	Closing date
OYO Corporation, U.S.A. <sup>(1)</sup>	100.0%	September 30
Geometrics, Inc. <sup>(1)(2)</sup>	100.0%	September 30
Geophysical Survey Systems, Inc. <sup>(1)(2)</sup>	100.0%	September 30
Blackhawk Geoservices, Inc. <sup>(1)(2)</sup>	100.0%	September 30
Kinometrics, Inc. <sup>(1)(2)</sup>	100.0%	September 30
Robertson Geologging Ltd. <sup>(1)(3)</sup>	95.6%	September 30
OYO Resources Management Corporation	100.0%	September 30
Tohoku Boring Co., Ltd.	100.0%	September 30
NS Environmental Science Consultant Corporation	68.6%	September 30
Ocean Engineering Corporation	100.0%	September 30
KOEI Consultant Co., Ltd.	91.5%	September 30
OYO Seismic Instrumentation Corporation	100.0%	September 30
OYO International Corporation	100.0%	September 30
OYO Geo-Monitoring Service Corporation <sup>(4)</sup>	100.0%	September 30
Nankyu Geo Technics Corporation <sup>(5)</sup>	59.3%	September 30

Note: there are 10 other consolidated subsidiaries

(1) Overseas Subsidiary

(2) A wholly-owned subsidiary of OYO Corporation, U.S.A.

(3) A 95.6% owned subsidiary of OYO Corporation, U.S.A.

(4) A 6.7% owned subsidiary of OYO Resources Management Corporation.

(5) A 1.0% owned subsidiary of OYO Resources Management Corporation.

In August 12, 2005, OYO Corporation U.S.A., a wholly owned subsidiary of the Company, sold 25.0% of its shares in OYO Geospace Corporation on the NASDAQ. As a result, the status of OYO Geospace Corporation has changed from being a subsidiary of OYO Corporation to being an affiliated company of OYO Corporation under the equity method. OYO Geospace Corporation has been excluded from the consolidated financial statements of the Company as of August 12, 2005.

The remaining unconsolidated subsidiary (1 for 2004) has been excluded from consolidation as its combined assets, net sales and net income are not significant compared to those of the consolidated financial statements of the Companies. For the consolidation of the accounts of subsidiaries whose closing dates are not the same as that of the Company, necessary adjustments are made on significant intercompany transactions that took place during the periods between the closing dates for the fiscal years of respective consolidated subsidiaries and that of the Company.

Unrealized inter-company profits and losses among the Companies are eliminated on consolidation, and the portion thereof attributable to minority interests is charged to minority interests.

Elimination of investments in consolidated subsidiaries has been made by the Company to include equity in the net income (loss) of subsidiaries earned subsequent to the date of acquisition. Any difference between the cost of an investment in a subsidiary and the relevant net equity of the subsidiary is treated as an asset or a liability and amortized over a period of five years on a straight-line basis.

#### (2) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company had 1 unconsolidated subsidiary (majority-owned) (1 for 2004) and 17 affiliates (their equity interest owned by the Company is between 20 percent and 50 percent) (4 for 2004). The equity method is applied to the investments in 17 affiliates (4 for 2004) since investments in the remaining unconsolidated subsidiaries are not material for the consolidated financial statements.

The major affiliates are listed below:

Name of company	Equity ownership percentage	Closing date
OYO Geospace Corporation	25.7%	September 30
Iris Instruments S.A.	49%	December 31
OYO RMS Corporation	50%	September 30
Engineering & Risk Services Corporation	50%	March 31

The investments in the remaining unconsolidated subsidiaries are carried at cost or less.

### **(3) Translation of Foreign Currency**

Revenue and expense items arising from transactions denominated in foreign currencies are translated into Japanese yen, in general, at the rates effective at the respective transaction dates.

Foreign currencies and short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in determination of net income for the year.

In translating the financial statements of subsidiaries or affiliates stated in foreign currencies into yen, for purposes of consolidation with the Company or for application of the equity method, all assets and liabilities are translated at closing exchange rates, while capital stock and retained earnings are translated at historical exchange rates. All revenue and expense items for the year are translated at average exchange rates.

The net difference arising from the translation of the foreign currency financial statements is shown as "Adjustment arising from foreign currency financial statement translation" in the accompanying consolidated balance sheets.

### **(4) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits withdrawable on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

### **(5) Sales Recognition of Geo-engineering Services**

The Company's primary business is to engage in geo-engineering services. The geo-engineering services of the Company, except for certain large-scale and long-term contracts, are accounted for using the "completed contract method" under which the net sales and the related cost of sales for the completed contracts are recognized when the services are completed. The revenue for certain large-scale and long-term geo-engineering service contracts whose term is over one year and whose contract amount is ¥100 million and over, is accounted for by the "percentage-of-completion method." The accumulated cost of uncompleted services is shown as "Costs of uncompleted geo-engineering services" and the related advances received are shown as "Advances received on uncompleted geo-engineering services" in the accompanying consolidated balance sheets.

### **(6) Costs of Uncompleted Geo-engineering Services**

"Costs of uncompleted geo-engineering services" are stated at cost on an individual project basis, cost being determined using the individual identified cost method.

### **(7) Inventories**

Finished products and merchandise, raw materials, and work-in-process of the Company are stated at cost, cost being determined by the average method, while those of the principal subsidiaries are stated at the lower of cost or market value, cost being determined by the first-in-first-out method.

When the net realizable value of certain items of inventory is substantially less than the carrying value (cost), and the decline in value is not expected to be recovered in the near future, appropriate write-downs are recorded on such items.

### **(8) Valuation of Securities**

"Other Securities" (with market quotations) are stated at market value determined using the closing market price at the balance sheet date. Unrealized gains/losses on valuation are included in shareholders' equity. The cost of securities sold is determined by the moving average method.

"Other Securities" (without market quotations) are stated at cost, cost being determined by the moving average method.

### **(9) Derivatives**

Derivatives are stated at fair market value.

### **(10) Property, Plant and Equipment**

Depreciation of buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) held by the Company and its domestic consolidated subsidiaries is computed using the straight-line method, and depreciation for the other property and equipment held by the Company and its domestic consolidated subsidiaries is computed using the declining-balance method, at rates based upon the estimated useful lives of assets which are prescribed by Japanese income tax laws. The range of useful lives is principally from 2 to 50 years for buildings and structures, and 2 to 15 years for machinery and equipment.

Depreciation of property, plant and equipment held by overseas consolidated subsidiaries is mainly computed using the straight-line method.

The cost of property and equipment retired or otherwise disposed of, and accumulated depreciation in respect thereof, is eliminated from the related accounts, and the resulting gain or loss is reflected in income for the period.

Normal repairs and maintenance costs, including minor renewals and improvements, are charged to income as incurred.

### **(11) Amortization of Intangible Assets**

Effective from the year ended December 31, 2003, the Company has adopted SFAS No. 142 "Goodwill and other intangible assets" with respect to goodwill recognized by its U.S. subsidiaries. Under the new standard, goodwill with an indefinite useful life is no longer amortized but instead is tested for impairment, at minimum on an annual basis. As a result of adoption of the standard, amortization of goodwill for the year ended December 31, 2003 decreased by 53 million yen. However, the Group incurred an impairment loss of 478 million yen on goodwill recognized by U.S. subsidiaries.

Other intangible fixed assets are amortized using the straight-line method.

### **(12) Accounting for Finance Leases**

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the leases at the end of the lease term, are accounted for using the method similar to that applicable to ordinary operating leases.

### **(13) Income Taxes**

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Company and its subsidiaries adopt the deferred tax accounting method. Deferred taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective from April 1, 2004. Under the amended legislation, the enterprise tax is the sum of three tax components; a taxable income-based component, a value-added component and a capital-based component, although there was only a "taxable income-based component" before the amendment.

In addition, the Company adopted the treatment of practical report No. 12 issued by Accounting Standards Board of Japan, resulting in enterprise tax based on a value-added component and a capital-based component amounting to ¥115 million (\$978 thousand) included in "Selling, general and administrative expenses".

### **(14) Recognition of Accrued Expenses**

The Company and domestic consolidated subsidiaries provide for doubtful accounts. The amount provided is determined by applying a percentage based on past actual experience of bad debt loss to the balance of total receivables, plus a provision for specific amounts deemed necessary to cover potential losses on an individual account basis. Overseas consolidated subsidiaries provide for the amounts deemed necessary to cover potential losses on an individual account basis.

Accrued bonuses to employees are provided based on the amount estimated to be payable by the Company and its domestic consolidated subsidiaries. Overseas consolidated subsidiaries do not record any accrued bonuses since these entities do not have bonus payment programs.

### **(15) Reserve for Retirement Benefits**

The Company and its domestic consolidated subsidiaries each maintain a defined benefit pension plan and lump-sum severance payment. Accrued retirement benefits are provided based on the amount of the projected benefit obligation less the fair value of the pension plan assets at the end of the fiscal year.

For certain employees, the Company makes premium retirement payments that are not treated as retirement benefit obligations under the new standards for retirement benefit accounting.

### **(Additional Information)**

#### **(Fiscal year 2004)**

With the enforcement of the Defined Contribution Pension Law, on October 1, 2003, One of the Company's domestic consolidated subsidiaries (NS Environmental Science Consultant Corporation) changed its severance payment regulations and implemented a defined contribution pension plan, replacing the lump-sum payment

scheme, and a prepaid retirement allowance to employees concerned.

The Company has applied the accounting standard "Accounting for the Transfers among Retirement Benefit Plans" (issue No.1 of application Guidelines in Accounting Standards for Business Enterprises).

The change of pension plan resulted in the recording of income of ¥19 million as "other revenue".

#### **(Fiscal year 2005)**

As of August 1, 2005, the Company revised its retirement benefits system by transferring from the ongoing lump-sum severance system and the tax-qualified pension plan to an agreement-type defined benefit corporate pension plan (cash balance plan) formula, as well as introducing a point-based retirement allowance system.

The Company has applied the "Accounting for the Transfers among Retirement Benefit Plans" accounting standard (issue No.1 of Application Guidelines in Accounting Standards for Business Enterprises). In accordance with these accounting standards, changes in value in the retirement benefit obligations have been processed as prior service costs while same amortization methods and number of amortizing years have continuously been applied to unrecognized actuarial differences accrued before the primary revision or transfer.

Furthermore, the transfer has caused a decrease in the retirement benefit liability, generating profit of ¥863 million (\$7,312 thousand) in the prior service costs. Amortization of this profit has been done using the straight-line method for the period of five years from the revision day, which is within the average remaining service period of employees. This contributed to the increase of ¥71 million (\$609 thousand) in operating income, and income before income taxes during the consolidated fiscal year.

### **(16) Retirement Benefits for Directors and Corporate Auditors**

Directors and Corporate Auditors are entitled, in most circumstances, to lump-sum severance payments based on current rates of pay, length of services and certain other factors. The Company accrues 100% of obligations under the assumption that all directors and corporate auditors will retire at the balance sheet date.

#### **(Change in Accounting Policies)**

#### **(Fiscal year 2004)**

Prior to January 1, 2004, the retirement benefits for directors and corporate auditors of one consolidated subsidiary (NS Environmental Science Consultant Corporation) were charged to expenses on a cash basis.

Effective from the year ended December 31, 2004, an allowance for retirement benefits for directors and corporate auditors is provided based on the consolidated subsidiary's pertinent rules at the estimated amount that would be required had all directors and corporate auditors retired at the balance sheet date.

The change was made to achieve a better allocation of the cost of such retirement benefits over the corresponding period of service by the directors and corporate auditors.

Due to this change, 10 million yen is recorded under selling, general and administrative expenses and ¥48 million, which represents the retirement benefits for service prior to January 1, 2004, is recorded as other expenses. As a result, operating income for the year ended December 31, 2004, decreased by ¥10 million and income before income taxes and minority interests decreased by ¥59 million compared with what would have been reported using the previous method.

***(Fiscal year 2005)***

Prior to January 1, 2005, the retirement benefits for directors and corporate auditors of the Company were charged to expenses on a cash basis.

Effective from the year ended December 31, 2005, an allowance for retirement benefits for directors and corporate auditors is provided based on the Company's pertinent rules at the estimated amount that would be required had all directors and corporate auditors retired at the balance sheet date.

The change was made to achieve a better allocation of the cost of such retirement benefits over the corresponding period of service by the directors and corporate auditors.

Due to this change, ¥17 million (\$147 thousand) is recorded under selling, general and administrative expenses and ¥50 million (\$427 thousand), which represents the retirement benefits for service prior to January 1, 2005, is recorded as other expenses. As a result, operating income for the year ended December 31, 2005, decreased by ¥17 million (\$147 thousand) and income before income taxes decreased by ¥68 million (\$575 thousand) compared with what would have been reported using the previous method.

***(Additional Information)***

***(Fiscal year 2005)***

NS Environmental Science Consultant Corporation, one of the Company's domestic consolidated subsidiaries, had provided an allowance for retirement benefits for directors and corporate auditors at an amount to be paid at the end of the periods based on its regulations on retirement benefits for directors and corporate auditors in preparation for paying such benefits to retiring directors and corporate auditors. However, the subsidiary abolished this director and corporate auditor retirement benefits system through a decision made at its annual shareholders' meeting held on December 16, 2004. Accordingly, it was not provided effective from the consolidated fiscal year under review.

Due to this abolition, ¥1 million was purposefully used from the balance (¥58 million (\$497 thousand)) of the retirement benefits for directors and corporate auditors as of the end of the previous consolidated fiscal year. The remaining balance of ¥57 million (\$484 thousand) was transferred to "other long-term liabilities."

***(17) Appropriation of Retained Earnings***

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including cash dividend payments) proposed by the Board of Directors should be approved by the shareholders' meeting, which must be held within three months of the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated statements of shareholders' equity represents the results of such appropriations which are applicable to the immediately preceding financial year but which were approved by the shareholders' meeting held during the current year.

Dividends are paid to shareholders on the shareholders' register at the end of each financial year. As is customary practice in Japan, the payment of bonuses to directors is made out of retained earnings instead of being charged to income for the year, which constitutes a part of the appropriations described above.

***(18) Accounting Standard for Computer Software***

On the accompanying Balance Sheets, software costs are classified in a software account, included within "Intangibles and Deferred Charges- Other." These costs are amortized, using the straight-line method, over the estimated useful lives of the software of 5 years.

***(19) Net Income per Share***

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for subsequent stock splits of common stock.

Diluted net income per share is computed by dividing the net income available for distribution to shareholders by the weighed average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds and full execution of warrants.

***(20) Accounting Standard for Impairment of Fixed Assets***

On August 9, 2002, the Business Accounting Council in Japan issued the "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 31, 2005.

The company has not yet applied this new standard nor has it determined the effect of applying it to the Company's consolidated financial statements.

***(21) Change in Presentation of Accounts***

(a) "Increase in advances received on uncompleted geo-engineering services" which was previously included in "Other" within "cash flows from operating activities", is reported as a separate account. .

"Decrease in advances received on uncompleted geo-engineering services" recorded in "Other" was ¥68 million for the fiscal year ended March 31, 2004.

(b) In accordance with the "Law for the Partial Revision of the Securities and Exchange Law etc." (Law No. 97 of June 9, 2004), effective from December 1, 2004, and the revision of the "Practical Guidelines Concerning Accounting for Financial instruments" (Accounting Committee Report No.14) on February 15, 2005, the investments in limited liability partnerships or similar partnerships (which are defined as securities under the Securities and Exchange Law) are presented as "Investments in securities". The relevant amount included in "Investments in securities" is ¥539 million (\$ 4,569 thousand) at December 31, 2005 and the amount included in "Other" was ¥340 million at December 31, 2004.



The aggregate annual maturities of "Other Securities" with maturity at December 31, 2004 and 2005 are as follows:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	2004	2005	2005
Within 1 year	¥2,842	¥1,500	\$12,704
1-5 years	2,008	1,649	13,964
5-10 years	282	125	1,062
Over 10 years	251	400	3,387
	<u>¥5,383</u>	<u>¥3,674</u>	<u>\$31,117</u>

## 6. Inventories

Inventories as at December 31, 2004 and 2005 consisted of the following:

	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	2004	2005	2005
Finished products and merchandise	¥1,137	¥ 779	\$ 6,600
Work-in-process	718	275	2,323
Raw materials	3,091	1,108	9,386
Supplies	44	38	323
	<u>¥4,990</u>	<u>¥2,200</u>	<u>\$18,632</u>

## 7. Land Revaluation

Pursuant to the Law Concerning Revaluation of Land (Article 34 of the law publicly announced March 31, 1998), land used for business operations has been revalued. The gain/loss on revaluation of the land has been included in "Shareholders' Equity", net of income taxes.

### Methods of revaluation

Standard land, as determined by Article 2.4 of the Enforcement Ordinance for the Law Concerning Revaluation of Land (Ministerial Ordinance 119, publicly announced on March 31, 1998) has been revalued using the method used for calculating inheritance tax (the "Rosenka" method). Other land, as determined by Article 2.3 of the same ordinance has been revalued using the assessed value for land tax purposes, reflecting appropriate adjustments, detailed as follows:

Date of revaluation	December 31, 2001
Difference between year-end market price of revalued land and book value after revaluation	(¥706) million ((\$5,981) thousand)

As a result of the assessment of assetability of deferred tax assets on the land revaluation, they were decrease by ¥805 million (\$6,822 thousand) which reflected in "Deferred tax liabilities for revaluation of land" balance at December 31, 2005.

## 8. Investments in and Advances to Unconsolidated Subsidiaries and Affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at December 31, 2004 and 2005 were as follows:

	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
	2004	2005		2005
	Investment in common stock	Percentage of ownership	Investment in common stock	Investment in common stock
Unconsolidated subsidiaries and affiliates:				
OYO Geospace Corporation	¥ —	25.7%	¥1,795	\$15,202
Iris Instruments S.A.	166	49.0%	192	1,627
OYO RMS Corporation	258	50.0	319	2,703
Engineering & Risk Services Corporation	182	50.0	200	1,691
Others	20	—	10	85
	<u>¥626</u>		<u>¥2,516</u>	<u>\$21,308</u>

## 9. Short-term and Long-term Debt

Loan details

December 31	<i>(Millions of yen)</i>				
	2004				
	Opening balance	Closing balance	Average rate of interest	Maturity	Notes
Short-term debt	¥3,039	¥226	3.02	—	
Current portion of long-term debt	51	60	5.53	—	
Long-term debt repayable after one year or more	749	688	5.54	2005 – 2012	
Total	<u>¥3,839</u>	<u>¥974</u>	<u>—</u>	<u>—</u>	<u>—</u>

December 31	(Millions of yen)				
	2005				
	Opening balance	Closing balance	Average rate of interest	Maturity	Notes
Short-term debt	¥226	¥120	1.88	—	
Current portion of long-term debt	60	13	3.98	—	
Long-term debt repayable after one year or more	688	30	4.23	2005 – 2013	
Total	<u>¥974</u>	<u>¥163</u>	<u>—</u>	<u>—</u>	<u>—</u>

December 31	(Thousands of U.S. dollars)				
	2004				
	Opening balance	Closing balance	Average rate of interest	Maturity	Notes
Short-term debt	\$1,016	\$1,017	1.88	—	
Current portion of long-term debt	117	112	3.98	—	
Long-term debt repayable after one year or more	363	251	4.23	2005 – 2013	
Total	<u>\$1,496</u>	<u>\$1,380</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Note 1) Annual maturities of long-term debt are as follows:

Year ended December 31, 2005	(Millions of yen)	(Thousands of U.S. dollars)
2007	¥11	\$92
2008	10	89
2009	7	62
2010	1	3

(Note 2) Long-term debt as at December 31, 2004 and 2005 consisted of loans from banks and other financial institutions bearing interest at annual rates ranging from 3.80% to 7.55% and from 3.075% to 6.0%, respectively.

The following assets are pledged as collateral to secure long-term debt, including the current portion thereof, at December 31, 2004 and 2005:

	(Millions of yen)		(Thousands of U.S. dollars)
	2004	2005	2005
Land	¥ 496	¥ 173	\$1,465
Buildings	967	89	757
	<u>1,463</u>	<u>262</u>	<u>2,222</u>
Secured long-term debt:			
Current portion of long-term loans	56	10	85
Long-term loans	681	26	226

## 10. Income Taxes

Significant components of deferred tax assets and liabilities as at December 31, 2004 and 2005 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2004	2005	2005
Deferred tax assets			
Losses carried forward	¥ 199	¥ 142	\$ 1,205
Provision for retirement benefits in excess of statutory limit	1,476	1,446	12,244
Disallowed loss on valuation of securities	11	2	14
Enterprise taxes	—	79	670
Reserve for accrued bonuses	117	104	885
Loss on write-down of inventories	165	62	529
Disallowed expenses for research and development	304	—	—
Loss on land revaluation	788	806	6,823
Other	435	314	2,660
Total gross deferred tax assets	3,495	2,955	25,030
Less valuation allowance	(156)	(1,008)	(8,536)
Deferred tax assets	<u>3,339</u>	<u>1,947</u>	<u>16,494</u>
Deferred tax liabilities			
Adjustment on revaluation of fixed assets	525	323	2,739
Loss on land revaluation	—	712	6,030
Other	626	873	7,398
Deferred tax liabilities	1,151	1,908	16,167
Net deferred tax assets	<u>¥2,188</u>	<u>¥ 39</u>	<u>\$ 327</u>

Income tax expenses as shown in the accompanying consolidated statements of income are substantially different from the amounts computed by applying the above statutory tax rates to "income before income taxes". The principal reasons such differences arise are that entertainment expenses for the purpose of sales promotion, etc. are not allowable for tax deduction purposes as defined by Japanese income tax law.

Differences between the statutory tax rate and the effective income tax rate under deferred tax accounting are reconciled as follows:

	2004	2005
Statutory tax rate of corporation tax	42.0%	40.7%
Adjustments		
Entertainment and other permanently disallowable expenses	1.0	0.6
Dividend income receivable and other permanently excluded items	(2.5)	(1.1)
Local inhabitant tax allocation	5.9	6.1
Decrease in deferred tax assets due to the change in tax rate	0.3	—
Losses in respect of subsidiaries not subject to deferred tax accounting	0.9	1.6
Investment losses arising from equity method consolidation	(2.3)	(2.0)
Impairment of goodwill	—	6.4
Valuation allowance	(4.9)	0.3
Difference in applied tax rates of overseas subsidiaries	(3.6)	3.8
Other	0.6	(4.9)
Effective income tax rate	<u>36.2</u>	<u>51.5</u>

## 11. Reserve for Retirement Benefits

### (1) The Reserves for Retirement Benefit Obligations as of December 31, 2004 and 2005 Were as Follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2004	2005	2005
1. Projected benefit obligation	¥(6,408)	¥(6,068)	\$(51,393)
2. Fair value of plan assets	2,217	2,877	24,369
3. Projected benefit obligation in excess of plan assets [(1) + (2)]	(4,191)	(3,191)	(27,024)
4. Unrecognized net obligation at transition	12	—	—
5. Unrecognized actuarial difference	405	414	3,514
6. Unrecognized prior service costs	(154)	(907)	(7,685)
7. Net liability recognized in the balance sheets [(3) + (4) + (5) + (6)]	(3,928)	(3,684)	(31,195)
8. Prepaid pension costs	42	43	370
9. Liability for employees' retirement benefits [(7) - (8)]	¥(3,970)	¥(3,727)	\$(31,565)

Note: Certain consolidated subsidiaries used a simplified method for calculating retirement benefit obligations.

### (Fiscal year 2004)

The impact of the change in the revenue payment regulations and the implementation of the defined contribution plan as well as the prepaid retirement allowance

plan by a domestic consolidated subsidiary (NS Environmental Science Consultant Corporation) as of December 31, 2004 was as follows:

	(Millions of yen)
Decrease in retirement benefit liabilities	¥417
Unrecognized net obligation at transition	(11)
Unrecognized actuarial difference	(19)
Unrecognized prior service costs	(193)
Decrease in reserve for retirement benefits	<u>¥194</u>

The amount of assets to be transferred to the defined contribution pension plan, ¥175 million, will be transferred over eight years beginning from the current fiscal year. The amount that has not been transferred as of the end of December 31, 2004 is recorded as ¥22 million in other current liabilities and ¥131 million in other long-term liabilities.

### (Fiscal year 2005)

The amount that has not been transferred as of the end of the current fiscal year is recorded as ¥20 million (\$177 thousand) in other current liabilities and ¥104 million (\$888 thousand) in other long-term liabilities.

### (2) The Net Retirement Benefit Costs for the Years Ended December 31, 2004 and 2005 Were as Follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2004	2005	2005
1. Service costs	¥358	¥359	\$3,042
2. Interest expense	150	129	1,090
3. Expected earnings	(26)	(32)	(272)
4. Prior service costs	(38)	(110)	(936)
5. Actuarial differential	136	149	1,267
6. Costs incurred due to transition	12	12	104
7. Income/losses accompanying the transfer to the advance retirement benefits payment system and defined contribution pension system	(18)	—	—
8. Payment amount of advance retirement benefits	18	16	138
9. Installment payment to defined contribution pension	40	44	372
10. Net retirement benefit costs [(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8) + (9)]	<u>¥632</u>	<u>¥567</u>	<u>\$4,805</u>

Note: Consolidated subsidiaries using the simplified calculation state all retirement benefit costs as "Service Costs."

**(3) The Assumptions Used in the Calculation of Retirement Benefit Obligations Are as Follows:**

	As of December 31, 2004	As of December 31, 2005
1. Discount rate	Parent company: 2.0%; Consolidated sub- sidiaries: 2.5%	<b>Parent company:</b> 2.0%; <b>Consolidated sub- sidiaries: 2.5%</b>
2. Expected return on plan assets	1.50%	<b>1.50%</b>
3. Method for periodically appropriating retirement benefits	Period fixed-amount basis	<b>Period fixed-amount basis</b>
4. Amortization period for prior service costs	5 years	<b>5 years</b>
5. Amortization period for net obligation at transition	Parent company: 1 year; Consolidated sub- sidiaries: 5 years	<b>Parent company:</b> 1 year; <b>Consolidated sub- sidiaries:</b> 5 years
6. Amortization period for unrecognized actuarial differences	5 years from the year following that in which they arise	<b>5 years from the year following that in which they arise</b>

**12. Stock Option Plan**

(1) The Company has adopted a stock option plan pursuant to the provisions of former Article 210-2 (before revision) of the Commercial Code of Japan.

The plan was approved by the shareholders at the general meeting held on March 29, 2000 and stock options to purchase the Company's common stock were granted to the Company's directors and employees. 328,500 of these shares are still outstanding as at December 31, 2005.

(2) The Company has adopted a stock option plan, based on the issue of stock purchase warrants, pursuant to Articles 280-20 and 280-21 of the Commercial Code of Japan.

The plan was approved by the shareholders at the general meeting held on March 27, 2003 and stock options to purchase the Company's common stock were granted to the Company's directors and employees as well as subsidiaries' directors. 885,900 of these shares are still outstanding as at December 31, 2005.

**13. Research and Development Costs**

The amounts charged to income for the company's research and development activities for the years ended December 31, 2004 and 2005 were ¥1,361 million and ¥1,289 million (\$10,919 thousand), respectively.

**14. Lease Transactions**

**(1) Finance Lease Contracts without Ownership Transfer**

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the leases at the end of the lease term, are accounted for using a method similar to that applicable to ordinary operating leases. Had such leases been capitalized, the following items would have been recognized on the consolidated balance sheets as at December 31, 2004 and 2005:

	(Millions of yen)		(Thousands of U.S. dollars)
	2004	2005	2005
Acquisition Cost Equivalent			
Machinery and equipment	¥ 370	¥ 268	\$2,274
Tools and fixtures	780	745	6,307
	<u>¥1,150</u>	<u>¥1,013</u>	<u>\$8,581</u>
Cumulative Depreciation Equivalent			
Machinery and equipment	¥ 236	¥ 195	\$1,652
Tools and fixtures	394	384	3,251
	<u>¥ 630</u>	<u>¥ 579</u>	<u>\$4,903</u>
Net Book Value Equivalent			
Machinery and equipment	¥ 134	¥ 73	\$ 622
Tools and fixtures	386	361	3,056
	<u>¥ 520</u>	<u>¥ 434</u>	<u>\$3,678</u>
Future Lease Payments			
Within one year	¥ 219	¥ 181	\$1,535
Over one year	301	253	2,143
	<u>¥ 520</u>	<u>¥ 434</u>	<u>\$3,678</u>

Lease rental expense on finance lease contracts without ownership transfer during the years ended December 31, 2004 and 2005 amounted to ¥264 million and ¥251 million (\$ 2,126 thousand), respectively.

**(2) Operating Leases**

The amounts of outstanding future lease payments as at December 31, 2004 and 2005, which included the portion of interest thereon, are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2004	2005	2005
Future Lease Payments			
Within one year	¥ 93	¥ 46	\$ 390
Over one year	388	248	2,104
	<u>¥481</u>	<u>¥294</u>	<u>\$2,494</u>

## 15. Related Party Transactions

The Company's sales to and purchases from directors and major shareholders of the reporting company and relationship to the company for the years ended, December 31, 2004 and 2005 were as follows:

For the years ended, December 31, 2004

(Millions of yen (¥))

Description	Name	Address	Capital (including investments in capital)	Business lines / occupation	Voting rights	Voting rights	
						Personnel	Business
(1) Major shareholder of the Company	Atsuo Fukada	Koganei-city, Tokyo	—	Corporate adviser of the company	10.02%	—	Corporate adviser of the company
(2) A company whose majority shares are held by a major shareholder of the Company or their close relatives	Houkoku Kogyo, Co., Ltd.	Yodogawa-ku, Osaka-city, Osaka	¥10	Rental of real estate	0.01%	—	Rental of real estate

Name	Transaction	Transaction amount	Accounting title	Term-end balance
Atsuo Fukada	Salary for services as corporate adviser	¥3	—	—
Houkoku Kogyo, Co., Ltd.	Rent for building and parking lot	¥94	Deposit	¥85

For the years ended, December 31, 2005

(Millions of yen (¥), Thousands of U.S. dollars (\$))

Description	Name	Address	Capital (including investments in capital)	Business lines / occupation	Voting rights	Voting rights	
						Personnel	Business
(1) Major shareholder of the Company	Atsuo Fukada	Koganei-city, Tokyo	—	Corporate adviser of the company	10.29%	—	Corporate adviser of the company
(2) A company whose majority shares are held by a major shareholder of the Company or their close relatives	Houkoku Kogyo, Co., Ltd.	Yodogawa-ku, Osaka-city, Osaka	¥10 (\$84)	Rental of real estate	0.01%	—	Rental of real estate

Name	Transaction	Transaction amount	Accounting title	Term-end balance
Atsuo Fukada	Salary for services as corporate adviser	¥2 (\$15)	—	—
Houkoku Kogyo, Co., Ltd.	Rent for building and parking lot	¥92 (\$781)	Deposit	¥85 (\$722)

- Notes: (1) Houkoku Kogyo, Co., Ltd. is wholly-owned by Atsuo Fukada and his close relatives.  
(2) This salary for services as corporate adviser is determined in line with other corporate advisers.  
(3) Rent for building and parking lot is determined in line with other, similar transactions.

## 16. Segmental Information

### (1) Segmental Information by Type of Business

The Companies operate principally in the following two areas of business:

Geo-engineering services.....Geo-engineering, planning, construction, environmental research, environmental assessment, etc.

Measuring instruments.....Measuring instruments for Geo-engineering, oil search, sound wave searching, underground radar, and earthquake observation, etc.

	(Millions of yen)				Consolidated total
	2004				
	Geo-engineering services	Measuring instruments	Total	Elimination	
Net Sales and Operating Income					
(1) Sales to outside customers	¥30,706	¥12,895	¥43,601	¥ —	¥43,601
(2) Inter-segment transactions	—	1,087	1,087	(1,087)	—
Total	<u>30,706</u>	<u>13,982</u>	<u>44,688</u>	<u>(1,087)</u>	<u>43,601</u>
Operating expenses	31,026	12,923	43,949	(1,104)	42,845
Operating income	<u>¥ (320)</u>	<u>¥ 1,059</u>	<u>¥ 739</u>	<u>¥ 17</u>	<u>¥ 756</u>
Assets, Depreciation, and Capital Expenditure					
Total assets	¥31,459	¥14,614	¥46,073	¥23,952	¥70,025
Depreciation expenses	¥ 808	¥ 764	¥ 1,572	¥ (8)	¥ 1,564
Capital expenditure	<u>¥ 532</u>	<u>¥ 691</u>	<u>¥ 1,223</u>	<u>¥ (8)</u>	<u>¥ 1,215</u>

	(Millions of yen)				Consolidated total
	2005				
	Geo-engineering services	Measuring instruments	Total	Elimination	
Net Sales and Operating Income					
(1) Sales to outside customers	¥29,519	¥13,825	¥43,344	¥ —	¥43,344
(2) Inter-segment transactions	—	891	891	(891)	—
Total	<u>29,519</u>	<u>14,716</u>	<u>44,235</u>	<u>(891)</u>	<u>43,344</u>
Operating expenses	29,018	14,022	43,040	(886)	42,154
Operating income (loss)	<u>¥ 501</u>	<u>¥ 694</u>	<u>¥ 1,195</u>	<u>¥ (5)</u>	<u>¥ 1,190</u>
Assets, Depreciation, and Capital Expenditure					
Total assets	¥30,752	¥10,532	¥41,284	¥24,575	¥65,859
Depreciation expenses	¥ 692	¥ 503	¥ 1,195	¥ 10	¥ 1,205
Capital expenditure	<u>¥ 234</u>	<u>¥ 431</u>	<u>¥ 665</u>	<u>¥ 534</u>	<u>¥ 1,199</u>

	(Thousands of U.S. dollars)				Consolidated total
	2005				
	Geo-engineering services	Measuring instruments	Total	Elimination	
Net Sales and Operating Income					
(1) Sales to outside customers	\$250,016	\$117,087	\$367,103	\$ —	\$367,103
(2) Inter-segment transactions	—	7,549	7,549	(7,549)	—
Total	<u>250,016</u>	<u>124,636</u>	<u>374,652</u>	<u>(7,549)</u>	<u>367,103</u>
Operating expenses	245,769	118,760	364,529	(7,505)	357,024
Operating income (loss)	<u>\$ 4,247</u>	<u>\$ 5,876</u>	<u>\$ 10,123</u>	<u>\$ (44)</u>	<u>\$ 10,079</u>
Assets, Depreciation, and Capital Expenditure					
Total assets	\$260,461	\$ 89,202	\$349,663	\$208,138	\$557,801
Depreciation expenses	\$ 5,864	\$ 4,259	\$ 10,123	\$ 84	\$ 10,207
Capital expenditure	<u>\$ 1,982</u>	<u>\$ 3,654</u>	<u>\$ 5,636</u>	<u>\$ 4,520</u>	<u>\$ 10,156</u>

Notes: (1) Included in the "Elimination" column are common assets of ¥24,263 million and ¥24,849 million (\$210,457 thousand) as at December 31, 2004 and 2005 respectively, which mainly comprise surplus working funds (cash and marketable securities), long-term investment funds (investments in securities), and other assets that belong to the Group.

(2) "Depreciation expense" and "Capital expenditure" include long-term prepaid expenses and the related amortization.

(3) Effective from the year ended December 31, 2004, one of the Company's domestic consolidated subsidiaries (NS Environmental Science Consultant Corporation) changed its method of accounting for retirement benefits for directors and corporate auditors from an upon-retirement basis to an accrual basis. As a result, operating income decreased by ¥10 million for "Geo-engineering services" compared with what would have been reported using the previous method.

(4) Effective from the year ended December 31, 2005, the Company changed its method of accounting for retirement benefits for directors and corporate auditors from an upon-retirement basis to an accrual basis. As a result, operating income decreased by ¥17 million (\$147 thousand) for "Geo-engineering services" compared with what would have been reported using the previous method.

(2) Segmental Information by Geographical Region

(Millions of yen)						
2004						
	Japan	North America	Other areas	Total	Elimination	Consolidated total
Net Sales and Operating Income						
(1) Sales to outside customers	¥31,441	¥10,642	¥1,518	¥43,601	¥ —	¥43,601
(2) Inter-segment sales	76	271	13	360	(360)	—
Total	<u>31,517</u>	<u>10,913</u>	<u>1,531</u>	<u>43,961</u>	<u>(360)</u>	<u>43,601</u>
Operating expenses	31,314	10,465	1,438	43,217	(372)	42,845
Operating income (loss)	<u>¥ 203</u>	<u>¥ 448</u>	<u>¥ 93</u>	<u>¥ 744</u>	<u>¥ 12</u>	<u>¥ 756</u>
Assets						
Total assets	<u>¥33,276</u>	<u>¥11,587</u>	<u>¥1,264</u>	<u>¥46,127</u>	<u>¥23,898</u>	<u>¥70,025</u>
(Millions of yen)						
2005						
	Japan	North America	Other areas	Total	Elimination	Consolidated total
Net Sales and Operating Income						
(1) Sales to outside customers	¥30,666	¥10,976	¥1,702	¥43,344	¥ —	¥43,344
(2) Inter-segment sales	51	148	13	212	(212)	—
Total	<u>30,717</u>	<u>11,124</u>	<u>1,715</u>	<u>43,556</u>	<u>(212)</u>	<u>43,344</u>
Operating expenses	29,792	11,042	1,553	42,387	(233)	42,154
Operating income	<u>¥ 925</u>	<u>¥ 82</u>	<u>¥ 162</u>	<u>¥ 1,169</u>	<u>¥ 21</u>	<u>¥ 1,190</u>
Assets						
Total assets	<u>¥32,047</u>	<u>¥ 8,507</u>	<u>¥ 528</u>	<u>¥41,082</u>	<u>¥24,777</u>	<u>¥65,859</u>
(Thousands of U.S. dollars)						
2005						
	Japan	North America	Other areas	Total	Elimination	Consolidated total
Net Sales and Operating Income						
(1) Sales to outside customers	\$259,727	\$92,958	\$14,418	\$367,103	\$ —	\$367,103
(2) Inter-segment sales	433	1,255	113	1,801	(1,801)	—
Total	<u>260,160</u>	<u>94,213</u>	<u>14,531</u>	<u>368,904</u>	<u>(1,801)</u>	<u>367,103</u>
Operating expenses	252,328	93,522	13,153	359,003	(1,979)	357,024
Operating income	<u>\$ 7,832</u>	<u>\$ 691</u>	<u>\$ 1,378</u>	<u>\$ 9,901</u>	<u>\$ 178</u>	<u>\$ 10,079</u>
Assets						
Total assets	<u>\$271,427</u>	<u>\$72,053</u>	<u>\$ 4,472</u>	<u>\$347,952</u>	<u>\$209,849</u>	<u>\$557,801</u>

Notes: (1) Included in the "Elimination" column are common assets of ¥24,263 million and ¥24,849 million (\$210,457 thousand) as at December 31, 2004 and 2005, respectively, which mainly comprise surplus working funds (cash and marketable securities), long-term investment funds (investment in securities), and other assets that belong to the Group.

(2) Effective from the year ended December 31, 2004, one of the Company's domestic consolidated subsidiaries (NS Environmental Science Consultant Corporation) changed its method of accounting for retirement benefits for directors and corporate auditors from an upon-retirement basis to an accrual basis. As a result, operating income decreased by ¥10 million for "Japan" compared with what would have been reported using the previous method.

(3) Effective from the year ended December 31, 2005, the Company changed its method of accounting for retirement benefits for directors and corporate auditors from an upon-retirement basis to an accrual basis. As a result, operating income decreased by ¥17 million (\$147 thousand) for "Japan" compared with what would have been reported using the previous method.

(3) Overseas Sales

(Millions of yen)				(Thousands of U.S. dollars)
	2004	2005	2005	
Overseas sales	¥12,240	¥12,810	\$108,491	
North America	6,499	6,648	56,307	
other areas	5,741	6,162	52,184	
Consolidated net sales	<u>¥43,601</u>	<u>¥43,344</u>	<u>\$367,103</u>	
Overseas sales/Consolidated net sales	28.1%	29.6%	29.6%	
North America	14.9%	15.3%	15.3%	
other areas	13.2%	14.2%	14.2%	

Note: "Overseas sales" consists of exports from the parent company and sales of consolidated subsidiaries outside Japan (but excludes transactions between consolidated subsidiaries).

## 17. Derivatives

The Company enters into currency swap and currency option agreements as hedging instruments. These agreements are designed to hedge and minimize the Company's exposures to foreign currency exchange rate fluctuations upon its receivables and its policy does not allow the holding or issue of any derivative financial instruments for trading or speculation purposes. The Company's management believes that there is no credit risk associated with these currency swaps and options since they are executed with creditworthy financial institutions.

With the approval of the Company's senior management, the finance and accounting department executes and manages the Company's derivative contracts, subject to internal rules governing transaction authority and transaction limits.

### Supplementary information:

With respect to the market values of derivative transactions, the contract amount of each transaction is either a nominal contract amount or a notional principal amount and, therefore, does not accurately reflect the size of the risk involved in the transaction.

## Currency-related

		(Millions of yen)			
December 31		2004			
		Contract amount	Portion exceeding 1 year	Market value	Unrealized gain/loss
Type of Transaction					
Currency swaps					
Receive fixed (U.S.\$)		¥ 857	¥ 208	¥ 1	¥ 1
Pay fixed (¥)		—	—	—	—
Non-market transactions					
Currency options					
Sell		1,301	1,052	135	(58)
Put (U.S.\$)		(77)			
Buy		650	526	12	(35)
Call (U.S.\$)		(46)			
Total		<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥(92)</u>
		(Millions of yen)			
December 31		2005			
		Contract amount	Portion exceeding 1 year	Market value	Unrealized gain/loss
Type of Transaction					
Currency swaps					
Receive fixed (U.S.\$)		¥ 857	¥ —	¥ 1	¥ 1
Pay fixed (¥)		—	—	—	—
Non-market transactions					
Total		<u>¥ 857</u>	<u>¥ —</u>	<u>¥ 1</u>	<u>¥ 1</u>
		(Thousands of U.S.dollars)			
December 31		2005			
		Contract amount	Portion exceeding 1 year	Market value	Unrealized gain/loss
Type of Transaction					
Currency swaps					
Receive fixed (U.S.\$)		\$ 7,257	\$ —	\$ 9	\$ 9
Pay fixed (¥)		—	—	—	—
Non-market transactions					
Total		<u>\$ 7,257</u>	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 9</u>

Notes: (1) Market values

Currency swap transactions: Market values are based on prices submitted by the financial institutions involved in the transactions.

Currency option transactions: Market values are based on prices submitted by the financial institutions involved in the transactions.

(2) Amounts shown in parentheses under "Contract amount" indicate option fees. However, the Company does not collect option fees because it engages only in zero-cost option transactions.

(3) Currency option transactions include offset transactions (both buy and sell) that meet certain market conditions for spot exchange rates.

## 18. Subsequent Events

Appropriations of retained earnings of the Company in respect of the year ended December 31, 2005 proposed

by the Board of Directors and approved at the shareholders' meeting of the Company held on March 29, 2006 are as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Unappropriated retained earnings of the Company at December 31, 2005	<u>¥852</u>	<u>\$7,217</u>
Appropriations:		
Cash dividends (¥5 per share)	147	1,245
Unappropriated retained earnings of the Company to be carried forward	<u>¥705</u>	<u>\$5,972</u>

## Report of Independent Auditors

### To the Board of Directors and Shareholders of OYO Corporation

We have audited the accompanying consolidated balance sheets of OYO Corporation and its subsidiaries as of December 31, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OYO Corporation and its subsidiaries as of December 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2 (16), effective from the year ended December 31, 2004, one of the Company's domestic consolidated subsidiaries (NS Environmental Science Consultant Corporation) changed the method of accounting for retirement benefits for directors and corporate auditors from upon-retirement basis to accrual basis.

As described in Note 2 (16), effective from the year ended December 31, 2005, OYO Corporation changed the method of accounting for retirement benefits for directors and corporate auditors from upon-retirement basis to accrual basis.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

*ChuoAoyama PricewaterhouseCoopers*

ChuoAoyama PricewaterhouseCoopers  
Tokyo, Japan  
March 29, 2006

# Corporate Information

## Share Overview (as of December 31, 2005)

### Number of Authorized Shares

120,000,000 shares

### Number of Shares Issued

32,082,573 shares

(of which, Treasury Stock: 2,657,433 shares)

### Shares per Trading Unit

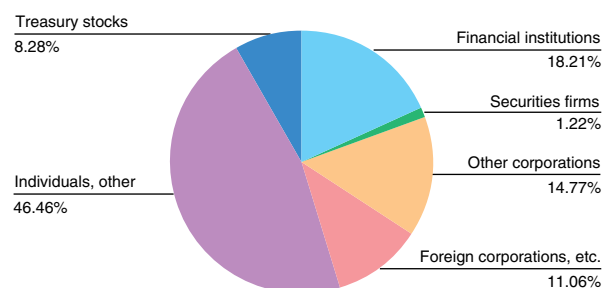
100 shares

### Number of Shareholders

10,690

(excluding shareholders who only hold shares less than one unit)

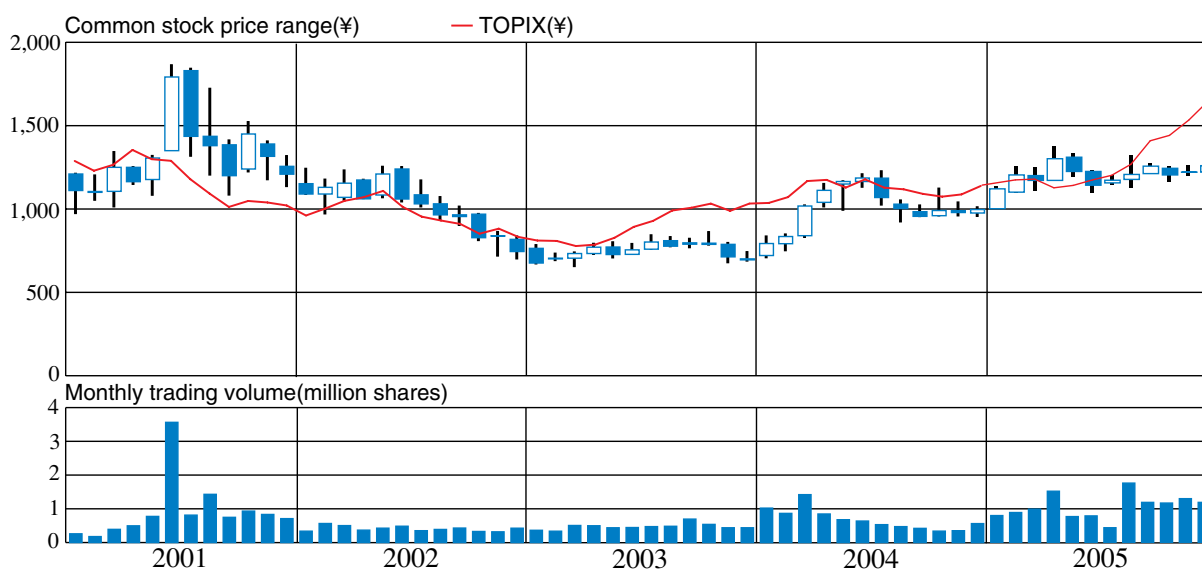
### Breakdown of Shareholders



### Principal Shareholders

Trade name	Number of the Company's shares held (thousand shares)	Voting Rights (%)
Atsuo Fukada	3,012	10.29
FUKADA GEOLOGICAL INSTITUTE	2,948	10.07
OYO Corporation Employee Shareholders Association	1,364	4.66
Mizuho Corporate Bank, Ltd.	1,000	3.42
The Master Trust Bank of Japan, Ltd. (trust units)	935	3.20
Japan Trustee Services Bank, Ltd. (trust units)	865	2.95
Bank of New York GCM Client Accounts EISG	655	2.24
Société Générale Bank & Trust	653	2.23
UFJ Bank Limited	650	2.22
Tama Suyama	576	1.97

### Common Stock Price Trends



## Corporate Data (as of March 29, 2006)

### Name

OYO CORPORATION

### Incorporated

May 2, 1957

### Paid-in capital

¥16,174,600 thousand (U.S.\$155,226 thousand)

### Number of employees

1,078 (as of December 31, 2005)

### Number of sales offices

61 (as of April 1, 2006)

### Listing

The Tokyo Stock Exchange (First Section)

### Code number

9755

### Financial year

January 1 to December 31

### Annual shareholders' meeting

March

### Transfer agent

Tokyo Securities Transfer Agent Co. Ltd.  
4-2, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-0005  
Tel: 03-3212-4611

### Auditor

ChuoAoyama PricewaterhouseCoopers  
2-5, Kasumigaseki 3-chome, Chiyoda-ku,  
Tokyo 100-6088  
Tel: 03-5532-2100

## Board of Directors, Officers and Corporate Auditors

### President & CEO

Moriyuki Taya\*

### Executive Vice Presidents

Naobumi Daibo\*

Kiyoshi Mamiya

### Director and Senior Executive Officers

Katsuhiko Kobayashi

Hideo Wakasa

Masaru Narita

Tsuneaki Iwasaki

Keiji Tonouchi

### Full-time Corporate Auditor

Yuhei Kono

### Corporate Auditors

Satoru Morikawa

Kazuo Shinozawa

### Senior Executive Officers

Keiichi Hirata

Kazuhiko Sasaki

Koji Kawamoto

Keizo kono

### Executive Officers

Masayoshi Shibuki

Kenji Yoshinaga

Akihiko Nakagami

Takeichiro Ohhashi

Yoshinori Sone

Tadashi Yoshioka

Kanji Baba

Jun Shigenobu

Akira Tanaka

Fumihiko Doumoto

\*Representative Director

(as of June 1, 2006)

## OYO's Subsidiaries and Affiliates

### Head Office

2-6 Kudan-kita 4-chome,  
Chiyoda-ku, Tokyo 102-0073, Japan  
Tel: +81-3-3234-0811  
Fax: +81-3-3263-6854  
www.oyo.co.jp  
E-mail: prosight@oyonet.oyo.co.jp

### [Subsidiaries]

#### OYO Resources Management Corporation

Chiyoda-ku, Tokyo, Japan  
*(Sale of software & hardware products for geological & environmental investigation, temporary personnel agency, nonlife insurance agency)*

\* www.oyorm.co.jp

#### Tohoku Boring Co., Ltd

Sendai, Miyagi, Japan  
*(Geological investigation, landslide prevention and well drilling)*

\* www.tbor.co.jp

#### NS Environmental Science Consultant Corporation

Minato-ku, Tokyo, Japan  
*(Environmental surveys and environmental assessment)*

\* www.ns-kankyo.co.jp

#### Ocean Engineering Corporation

Saitama, Saitama, Japan  
*(Marine surveying and investigation)*

\* www1.odn.ne.jp/ocean\_eng  
E-mail: ocean-eng@pop17.odn.ne.jp

#### KOEI Consultant Co., Ltd

Bunkyo-ku, Tokyo, Japan  
*(Civil engineering services related design, surveying and investigation and project management)*

\* www.koei-ds.co.jp

#### OYO Seismic Instrumentation Corporation

Saitama, Saitama, Japan  
*(Sale of seismometers and seismological instrumentation services)*

\* www.oyosi.co.jp

#### OYO International Corporation

Chiyoda-ku, Tokyo, Japan  
*(Geotechnical, environmental and disaster prevention engineering services)*

E-mail: oic@oyointer.com

#### OYO Geo-monitoring Service Corporation

Kawaguchi, Saitama, Japan  
*(Geo-monitoring service and instruments rental)*

\* www.oyoks.co.jp

#### Nankyu Geo Technics Corporation

Kagoshima, Kagoshima, Japan  
*(Geological investigation and geophysical services)*

\* www.nan9.co.jp

### [Overseas Subsidiaries]

#### OYO Corporation U.S.A.

Pasadena, California, U.S.A.  
*(Holding company of US & UK operating subsidiaries)*

#### Kinematics, Inc.

Pasadena, California, U.S.A.  
*(Manufacturing and sale of seismometers, strong motion seismometers and seismic observation systems)*

www.kinematics.com  
E-mail: sales@kmi.com

#### Geometrics, Inc.

San Jose, California, U.S.A.  
*(Manufacturing and sale of geophysical instruments)*

www.geometrics.com  
E-mail: sales@mail.geometrics.com

#### Geophysical Survey Systems, Inc.

North Salem, New Hampshire, U.S.A.  
*(Manufacturing and sale of ground penetrating radar systems)*

www.geophysical.com  
E-mail: sales@geophysical.com

#### Robertson Geologging Limited

Deganwy, Conwy, U.K.  
*(Manufacturing and sale of slimhole logging systems)*

www.geologging.com  
E-mail: sales@geologging.com

### [Affiliates]

#### OYO RMS Corporation

Minato-ku, Tokyo, Japan  
*(Damage risk evaluation and risk management for earthquake and typhoon disasters)*

www.oyorms.co.jp  
E-mail: oyorms@oyorms.co.jp

#### Engineering & Risk Services Corporation

Minato-ku, Tokyo, Japan  
*(Natural disaster engineering and risk analyzing services and environmental site assessment)*

www.ers-co.co.jp  
E-mail: webmaster@ers-co.co.jp

### [Overseas Affiliates]

#### IRIS Instruments SAS

Orleans, France  
*(Manufacturing and sale of geophysical instruments)*

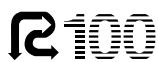
www.iris-instruments.com  
E-mail: info@iris-instruments.com

#### OYO Geospace Corporation

Houston, Texas, U.S.A.  
*(Holding company of the oil exploration instruments subsidiaries)*

www.oyogeospace.com

\* Japanese only



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