

# ANNUAL REPORT 2014

January 1 to December 31, 2014



## Management Philosophy

# To Create Safety and Security

*Pursue Harmony between People and Nature*

*Support Safety and Security through Technology*

*Contribute to Society through Development of  
the Company's Business*

## Management Vision

*Contribute to Local Communities as a Comprehensive  
Geoscience Consultant*

*Create New Markets with Innovative Technologies*

## ANNUAL REPORT 2014

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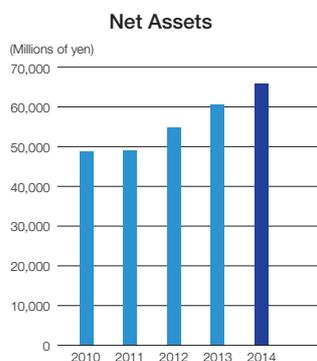
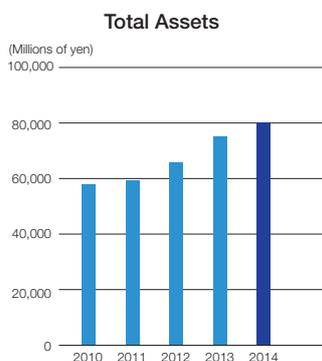
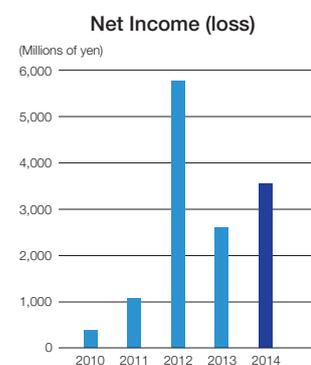
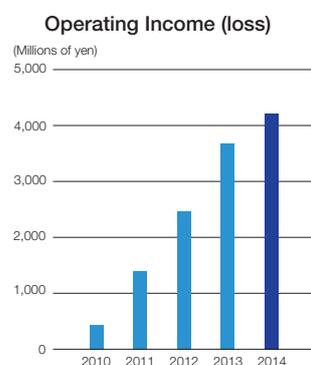
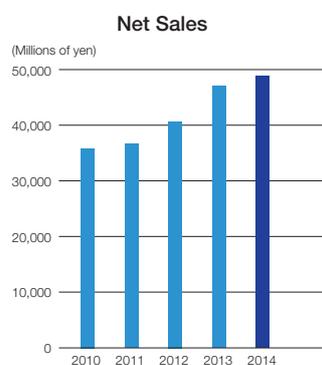
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# Financial Highlights

OYO Corporation Years ended December 31, 2010, 2011, 2012, 2013 and 2014

	<i>Millions of yen</i>				
	2010	2011	2012	2013	2014
<b>For the Year:</b>					
Net sales	35,878	36,718	40,704	47,033	<b>48,634</b>
Operating income (loss)	435	1,396	2,465	3,679	<b>4,211</b>
Income before income taxes (loss)	860	1,755	9,154	4,075	<b>4,796</b>
Net income (loss)	385	1,076	5,756	2,595	<b>3,550</b>
<b>At Year-End:</b>					
Total assets	57,591	59,060	65,485	75,003	<b>80,367</b>
Net assets	48,753	48,874	54,620	60,523	<b>65,740</b>
	<i>Yen</i>				
<b>Per Share Data:</b>					
Net income (loss)	13.94	39.76	212.55	95.85	<b>131.12</b>
Net assets	1,791.61	1,796.47	2,008.03	2,219.12	<b>2,410.80</b>
Cash dividends	12.50	12.50	15.00	21.0	<b>26.0</b>



## Forward-looking Statements

The plans, strategies and performance forecasts in this annual report are forward-looking statements and include risks and uncertainties. Please recognize that various factors may lead to actual results differing from the forecasted figures.



**We have marked the fifth consecutive fiscal year with year-on-year increase in revenue and profits.**

**OYO Group Vision**

*To be a Global Corporate Group of Specialized Companies Covering all Geoscientific Fields*

## Overview of Operations and Performance in the Fiscal Year under Review

On behalf of the OYO Group, I would like to express our heartfelt appreciation of your continued patronage of the Company.

In the 58th fiscal year (January 1, 2014 to December 31, 2014), OYO Group focused on projects related to reconstruction after the Great East Japan Earthquake of 2011 and national resilience while working to expand its business domains as it initiated ocean surveying, among other endeavors.

We achieved strong sales from projects that were carried over to the 58th fiscal year centering on the large, earthquake-related projects for which we received orders in the previous fiscal year. We also saw our profitability improve, backed by strong public investments. These enabled us to record year-on-year increase in revenue and profits in our consolidated performance for the fiscal year under review.

Accordingly we were able to record year-on-year increase in revenue and profits for five consecutive years from the start of the previous medium-term business plan, 'OYO Hop 10' (2010-2013), through the latest fiscal year, which marked the first year of the new medium-term business plan, 'OYO Step 14' (2014-2017), and achieve year-on-year increase in dividends for three consecutive fiscal years.

## Initiatives and Evaluation in the Fiscal Year under Review

In our geo-engineering and consultation services business segment, we worked actively in the areas of disaster prevention and mitigation related to reconstruction after the Earthquake and national resilience in Japan. Our market share expanded in the area of reconstruction after the Earthquake through projects related to disposal of waste generated in the Fukushima district and in the area of national resilience through high-quality geological investigation for dam-related work that the government had resumed.

The year 2014 saw a large-scale landslide disaster in Hiroshima City caused by heavy rainfall and a volcanic disaster causing much damage due to the Mount Ontake eruption. For the landslide disaster in Hiroshima City, OYO conducted comprehensive and detailed disaster investigations in a multi-disciplinary manner which were highly evaluated by our clients and people with relevant knowledge and experience.

In overseas markets, OYO launched both "SAFE-BAND," a project to sell undersea ground risk data, and a three-dimensional ocean survey business. The Company also established a liaison office in Istanbul in coordination with SHINYEI KAISHA, a trading company, with an aim to expand the market in the Central and Western Asia districts, and confirmed the existence of demand in the areas of disaster prevention and mitigation.

Our measuring instruments business segment performed strongly in the sale and lease of investigation and monitoring instruments related to national resilience. In our overseas operations within this segment, we have continued proactive development investment with an aim to obtain new products and new technologies required for the future growth of the Company.

## Future Policy for Initiatives

In its long-term management vision – 'OYO 2020' – the OYO Group aims to become a "company that can create new businesses on its own initiative based on its solid fundamental technologies in specialized areas and its innovative ideas." The business domains of the OYO Group include investigating grounds, groundwater, ecological systems, climate, earthquakes, etc. to visualize actual conditions and applying the findings to fields essential to society such as civil engineering, disaster prevention, environmental preservation, resource development and waste disposal. As such, our businesses should make a significant contribution to society.

The new medium-term business plan, 'OYO Step 14,' which commenced in the 58th fiscal year, is designed to establish new businesses that can widely contribute to society, not limited to the conventional areas of public works projects, and aims to achieve 58.5 billion yen in net sales, an all-time high for the OYO Group.

We sincerely ask you, our shareholders, for your continued understanding and support of our operations.

June 2015

Masaru Narita  
President

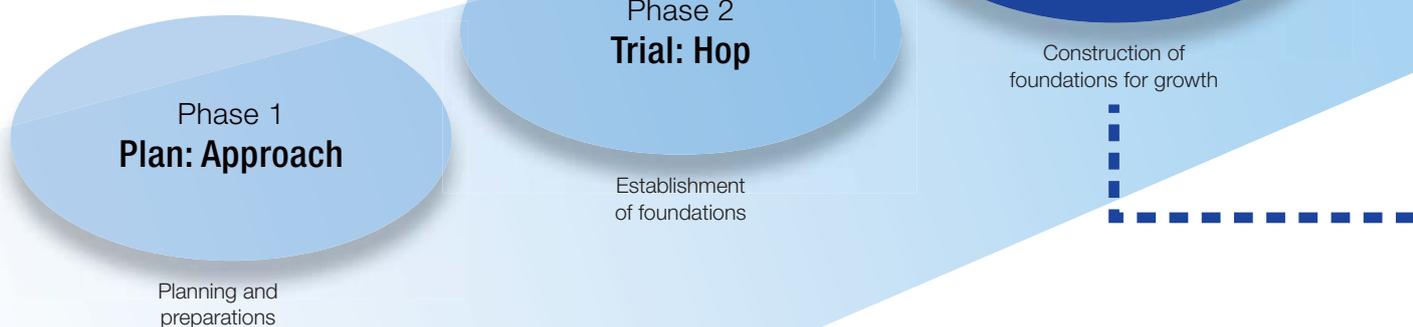


# Under OYO Step 14 we will promote business expansion to achieve new growth and aim to achieve an all-time performance high.

The Company's activities through 2020 have been divided into the four phases of Plan: Approach, Trial: Hop, Act: Step and Advance: Jump under OYO 2020. In the 58th fiscal year, we entered the third phase of Act: Step.



## Roadmap for Achieving OYO 2020



## Aiming to achieve all-time performance high



### ► Actual results for fiscal 2014

Consolidated net sales: **48.6** billion yen  
 Operating margin: **8.7%** (4.21 billion yen)  
 Ratio of ordinary income to total assets: **6.0%**  
 Overseas sales ratio: **19%**

### ► Numerical targets of OYO Step 14 (fiscal 2017)

Consolidated net sales: **58.5** billion yen  
 Operating margin: **10%** (5.85 billion yen)  
 Ratio of ordinary income to total assets: **8%** or higher  
 Overseas sales ratio: **30%** or higher

Long-Term Management Vision

# OYO 2020

TO BE A GLOBAL CORPORATE GROUP OF  
SPECIALIZED COMPANIES COVERING  
ALL GEOSCIENTIFIC FIELDS

Phase 4  
**Advance: Jump**

Realization of  
new growth

Basic Policy of OYO Step 14, Phase 3 of the Medium-Term Business Plan

## Construct a foundation for growth toward Phase 4 (Advance: Jump)

Promote business expansion in the following four fields with an aim to  
“produce safety and security” to “create a sustainable society”

The OYO Group investigates, tests, measures, analyzes and assesses natural environments such as grounds, groundwater, ecological systems and disasters as a comprehensive consultant on geoscience and a measuring instruments manufacturer. By doing so, it makes contributions in areas such as civil engineering, disaster prevention, environmental preservation, waste disposal and resource development that are required for constructing a sustainable society with safety and security.

Disaster prevention/  
mitigation



Environment



Energy and resources



Public infrastructure  
that supports  
comfortable living



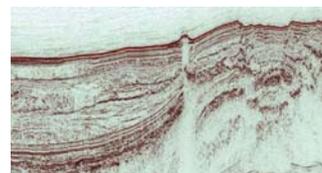
# Business Expansion ▶▶▶▶▶▶▶▶

## 1 Business expansion for high value-added services

Major endeavors in the 58th fiscal year .....

### Sale of undersea ground risk data

Started the SAFE-BAND project in which ground hazard information for developing submarine oil fields is sold in a multi-client format.



### Expansion of dam survey business

Much recognition given to OYO's services, which combine its boring technology capable of collecting good core samples and sophisticated geological analysis, to solve civil engineering challenges in dam construction.



### General surveys on large-scale landslide disasters

Conducted general surveys on large-scale landslide disasters due to heavy rain in terms of geological features, vegetation, groundwater and simulations to clarify the mechanisms of damage and verify the effectiveness of countermeasure techniques, and was highly regarded by the clients and people with relevant knowledge and experience.

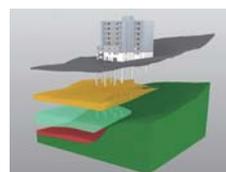


## 2 Expansion of stock-based businesses

Major endeavors in the 58th fiscal year .....

### Expansion of information services

Expanded various service offerings for risk management, crisis management, facility management, etc., including three-dimensional ground information services for risk management and construction projects.



### Leasing of investigation and testing equipment

On top of developing products with full knowledge of customer needs, performed strongly in leasing business by offering optional services including field measurement, etc.



### Technological development in the maintenance and management sectors

Applied for the technological development proposal program by the Ministry of Land, Infrastructure, Transport and Tourism. Of the 12 adopted themes, three themes were proposed by the Company, including:

- ◆ Development of an evaluation system for slope stability
- ◆ Development of a diagnosis system for embankments



Latest research case: Large-scale rainfall simulator at National Research Institute for Earth Science and Disaster Prevention



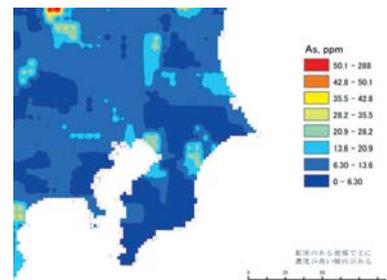
**Introduction**

Services OYO Offers to Support Society in Safety and Security

# Heavy Metal Countermeasure Service

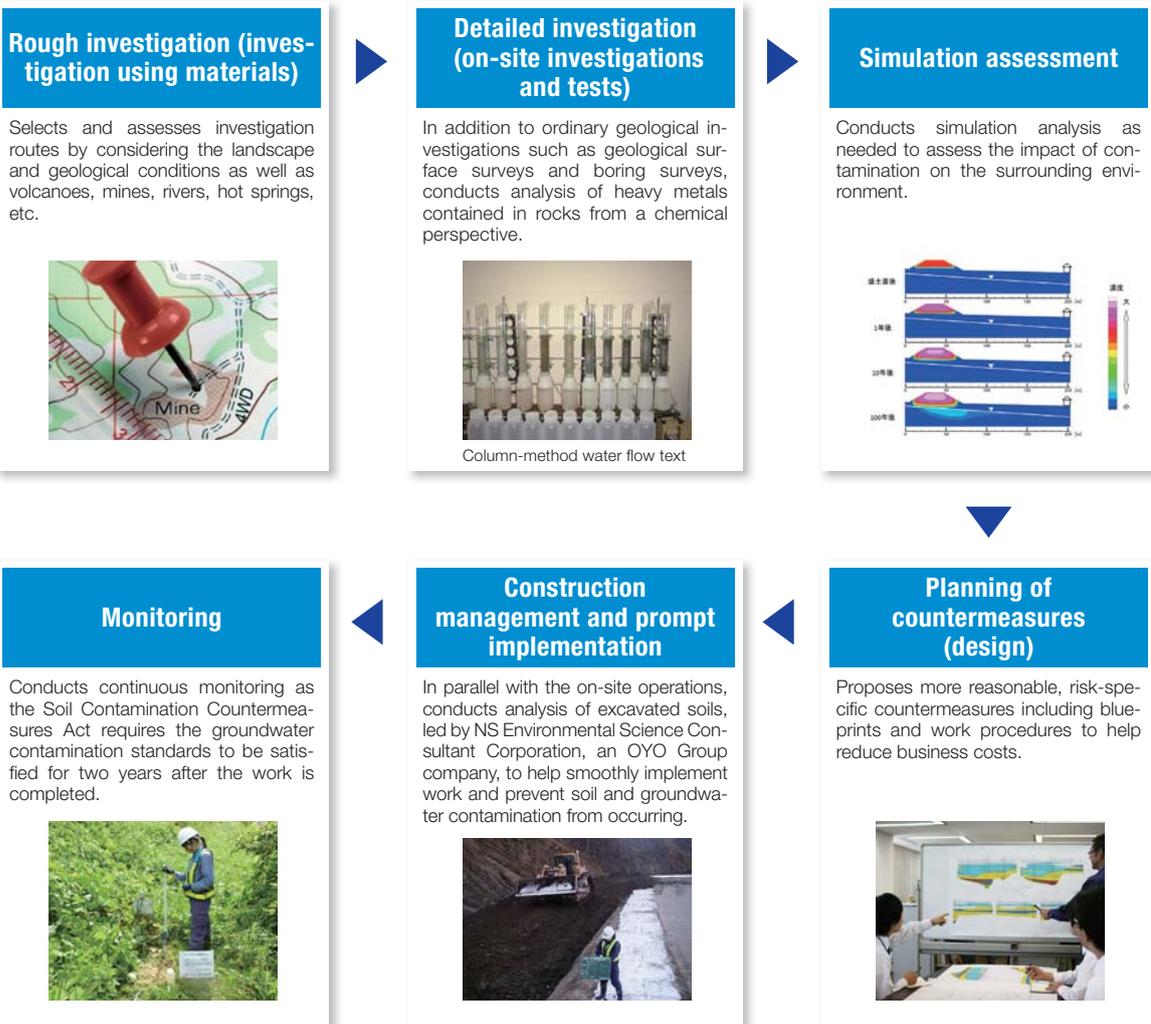
The land of Japan has a wide distribution of strata that contain heavy metals (such as arsenic and lead). Because of this, there has recently been growing concern about the risks of excavated soil that contains naturally-occurring heavy metals, given the progress in renovating social infrastructure and in preparation for the 2020 Olympic Games in Tokyo. OYO has long focused attention on this issue and provides a heavy metal countermeasure service in accordance with the risks.

\*When rocks, etc. that contain heavy metals are exposed to air for a long time, the heavy metals are liquated. They may pose the risk of producing acid water, etc.



Source: Geochemical Map "As" (arsenic) by Geological Survey of Japan, National Institute of Advanced Industrial Science and Technology

## One-stop provision of heavy metal countermeasures in accordance with the risks



## Year-Long Experiences and Originality – Solving Problems with OYO’s Comprehensive Strengths

Feature 1

**Geological investigation technologies fostered over the years**

Feature 2

**Proprietary laboratories that can perform various tests**

Feature 3

**Simulations based on reliable data**

In order to appropriately assess the risks of naturally-occurring heavy metals contained in the ground, it is necessary to accurately understand the geological features. The Company, which has been involved in geological investigations for many years, possesses solid technologies, know-how and data. The Company has also responded to the issues of heavy metals contained in rocks since the latter half of 1970s, ahead of other companies. Currently, the “Core-Lab” OYO Laboratory is inventing a variety of test methods and performing analysis of heavy metals. Moreover, in order to conduct simulations more accurately, the accuracy of the underlying data is key. This is guaranteed by the Company’s solid geological investigation technologies and the data obtained through precise tests at its proprietary laboratories.



Soil-type rainwater exposure test in a cold district (at the filling treatment site along the Tozai Line on the city subway in Sendai City)

### Risk Assessment of Heavy Metals Contained in Soils — Interview with Person Responsible —

**“You cannot accurately assess risks unless you understand the geological structures.”**

Problems related to heavy metals contained in soil are regulated by the Soil Contamination Countermeasures Act. However, there is no regulation of heavy metals contained in rocks. In other words, the risks of heavy metals in rocks are not subject to any law. Previously, it was common practice that countermeasures be taken when heavy metals were liquated from rocks at a level surpassing the standard. More recently, however, there are cases in which risks are assessed by taking into account the effects of the ground serving as a cushion and the groundwater reducing the content rate of heavy metals. If countermeasures are taken by relying on the assessment made at the time of liquation from the rocks themselves, the excavated soil must be fully covered by sheets and mixed with chemical agents. As such, costs will skyrocket. In contrast, it is possible to reduce costs by taking countermeasures based on comprehensive assessment of the excavated soil and the ground. This service is adopted mainly for public works projects, but we are confident that it should be able to make social contributions, though possibly indirectly, as the service reduces business costs as a whole to an appropriate level.



**Mariko Monma**  
Deputy Director, Geotechnical Center, Tohoku Branch, OYO Corporation

## CSR Action Plan for Corporate Social Responsibility Established on January 10th, 2014

### Management Philosophy

We, OYO Corporation, shall promote a harmonious relationship between Human beings and Nature, ensure safety and assurance by mobilizing our technologies, and contribute to the well-being of the society through our corporate thriftiness.

### Preamble

We shall contribute to sustainable development of societies through corporate activities as a specialized corporation group in geoscience area for solving customers' issues, following the Management Philosophy and OYO Corporation's Corporate Principle.

We shall comply with laws and ordinances of relevant countries and regions and remain profitable to societies, by conscientious business operation with ethics and good sense, esteeming moral of laws, human rights, culture, customs, and history.

We shall conduct stakeholder-conscious operations for stakeholders through transparent and equitable communication both internally and externally.

#### ◆ For Customers

##### 1. Provision of safe and assure products and services

We shall steadily provide safe and assure products and services for solving customers' issues.

##### 2. Fair competition and proper contract

We shall make proper contracts on appropriate information communication with customers under fair and free competition.

##### 3. Appropriate management of customers' information

We shall appropriately manage customers' information (business-related, personal, or any).

#### ◆ For Employees

##### 1. Employment without discrimination

We shall preclude any discrimination based on race, skin color, gender, religion, political view, nationality, and geographical and social origin, and provide fair opportunity and equality in treatment in employment.

##### 2. Respect human rights and support employees' growth

We shall respect human rights of employees. Also, we shall support employee's growth as well as exert ourselves to improve employees' abilities and technologies required to achieve corporate growth.

##### 3. Create a friendly working environment

We shall fairly evaluate employees and construct working environment promising health and assurance of employees while creating a friendly working environment for employees where they can conceive of creative ideas and exert challenging motivation.

##### 4. Establish and share values of mutual confidence and responsibilities

We shall communicate with employees faithfully and positively to establish and share values of mutual confidence and responsibilities.

##### 5. Practice of ethical activities

We shall practice ethical operation thoroughly under the leaderships of the top management and corporate education. Also we shall organize effective systems for above.

#### ◆ For Associated Companies

##### 1. Construct mutual confidence

We shall respect associated companies, set out to achieve the coexistence and the co-prosperity based on mutual confidence, and fulfill our social responsibilities for them.

##### 2. Maintain fair business

We shall choose associated companies in a comprehensive and fair manner. Also, we shall maintain businesses with them in fair and free competition.

#### ◆ For Shareholders

##### 1. Enhance corporate value

We shall aim at certain and stable growth by contributing to realize sustainable societies. We shall aim to enhance the corporate value and return profits to shareholders.

##### 2. Appropriate information disclosure

We shall disclose our fiscal information and other business performances in a timely and appropriate manner.

#### ◆ For Local Communities and Global Societies

##### 1. Contribute to conservation of natural environment

We shall contribute to conservation of natural environment by reducing environmental burden caused by our business operation, by pursuing creative and prominent technologies, and by providing products and services to customers.

##### 2. Contribute to natural disaster prevention and mitigation

We shall contribute to natural disaster prevention and mitigation by pursuing creative and prominent technologies and by providing products and services to customers.

##### 3. Contribute to local communities

We shall establish harmonizing relationship with local communities, maintain the relationship, and support their efforts to achieve the safe and assure environment. Also, we shall promote employees' social action program.

##### 4. Exclude antisocial forces

We shall face in resolute manners to antisocial forces which threaten social order and safety and shall not make any business with them.

##### 5. Promote business activities conforming social and cultural rights

We shall respect cultures, customs, and history of relevant countries and regions, exert ourselves into corporate activities conforming international standards by precluding discriminative activities related to business operation, and contribute to development of relevant countries and regions with faith and mutual confidence.

##### 6. Maintain equitable relation with government agencies and other associated organizations (anti-corruption)

We shall not commit to any bribery and corrupt practices to government agencies nor other associated organizations in relevant countries and regions; we shall neither accept nor offer any bribe whether directly or indirectly. Also, we shall provide products and services through fair business transaction and maintain faithful and fair relationship with government agencies nor other associated organizations.

## As the management philosophy to “contribute to society through development of the company’s business” indicates, the businesses of OYO directly represent the CSR activities.

The Company established the CSR management policies in 2014. Pursuant to the CSR policies, we conduct business management while attending to our stakeholders through transparent and fair communication both internally and externally. In this section, we introduce you to cases of management activities designated in the CSR policies by stakeholders, and indicate the 7 core subjects of ISO26000, by which the cases are categorized.

### For Customers

TOPICS

#### Acquisition of ISO27001, an international certification standard for information security, by the entire OYO Group

In March 2014, the entire OYO Group acquired ISO27001, an international certification standard for information security management systems (ISMS). OYO has endeavored to appropriately protect and manage information assets by establishing and implementing the information security policy for the last 9 years under the manager and persons in charge of information security that the Company appointed. With the certification, the Company will officially introduce an information security management system based on the ISO27001. By doing so, the Company will encourage its officers and employees to recognize the importance of information security even more so than before. The Company will also work to continually enhance the effectiveness of the information security management system by implementing the PDCA (plan-do-check-act) cycle in a more systematic way.

[\[7 core subjects for ISO26000\] Consumer issues](#)

TOPICS

#### General surveys on large-scale landslide disasters

OYO conducted general surveys on large-scale landslide disasters due to heavy rain in terms of geological features, vegetation, groundwater and simulations to clarify the mechanisms of damage and verify the effectiveness of countermeasure techniques (2014)

[\[7 core subjects for ISO26000\] The environment](#)



TOPICS

#### Infrastructure maintenance and management

In order to establish a sustainable society, OYO provides inspection services and conducts technological development for infrastructure such as tunnels, roads, bridges, embankments and railroads. The Company is also engaged in developing probing devices. In 2014, the Company applied for the technological development proposal program by the Ministry of Land, Infrastructure, Transport and Tourism. Of the total 12 themes adopted by the Ministry for the area of “field demonstration of monitoring systems,” three themes were proposed by the Company, comprising development of an evaluation system for slope stability, development of a diagnosis system for embankments and development of monitoring systems for embankments.

[\[7 core subjects for ISO26000\] The environment](#)



### For Employees

TOPICS

#### Incentive stock-based compensation system

OYO introduced the Stock Granting Trust (J-ESOP), a new incentive plan for the employees (including the Company’s employees and directors and employees of its subsidiaries). The new plan is designed to strengthen the linkage between the Company’s stock price as well as performance and treatment of employees, and share the economic effects with the shareholders. By doing so, OYO expects to enhance the employees’ willingness and work efforts for higher stock price and improved performance. (February 13, 2014)

[\[7 core subjects for ISO26000\] Labor practices](#)

17.12	17.19	+0.08
25.96	42.14	+0.56
27.07	27.07	+0.17
21.18	21.18	+0.26
27.33	27.33	-1.14
27.17	27.17	+13.53

### TOPICS

#### Dispatch of employees to Delft University of Technology as visiting researchers

OYO dispatched employees to Delft University of Technology as visiting researchers with the aim of fostering human resources and enhancing the Company's technological capabilities. Delft University of Technology is a Dutch public university headquartered in An Delft in the Netherlands. Established in 1842, it is the oldest university of technology in the country and one of the leading, most honored universities in Europe, highly regarded by many sophisticated institutions (April 2015).

[7 core subjects for ISO26000] Labor practices



### TOPICS

#### Employment of foreign staff

In order to promote expansion of overseas businesses, OYO hired foreign staff in regular recruitment (2 for 2015, 1 for 2014 and 1 for 2013) and will continue to do so going forward (April 2015).

[7 core subjects for ISO26000] Human rights



## For Partner Companies

### TOPICS

#### Awards system for distinguished engineers in partner companies

OYO Corporation established an "engineer certification system" for boring engineers who are highly technically capable in collecting high-quality boring samples to certify them as "excellent boring engineers." This system is aimed at guaranteeing high-quality boring samples for customers of our geological investigation services as well as enhancing the standing of boring engineers. (October 2014)

[7 core subjects for ISO26000] Human rights



### TOPICS

#### Holding of the OYO Fair

OYO Corporation holds admission-free corporate exhibitions in October each year. At the two-day exhibition, which attracts 1,000 to 1,500 visitors, the Company displays its equipment and solutions and holds technical seminars to introduce OYO's products and services. By facilitating communication with its customers as well as business partners through this opportunity, the Company works to improve and develop its products. (October 2014)

[7 core subjects for ISO26000] Consumer issues



## For Shareholders

### TOPICS

#### Appointment of outside directors

OYO appoints outside directors in order to reinforce its management system and corporate governance. The Company appointed one outside director in 2014 and two in 2015. (March 2015)

[7 core subjects for ISO26000] Organizational governance, Fair operating practices



### TOPICS

#### Holding of roundtable meetings with shareholders

After the regular General Meetings of Shareholders, the Company gives briefings of its businesses and explains the outlook, etc. to the shareholders and exchanges opinions with them. (March 2015)

[7 core subjects for ISO26000] Organizational governance, Human rights, Labor practices, The environment, Fair operating practices, Consumer issues, Community involvement and development

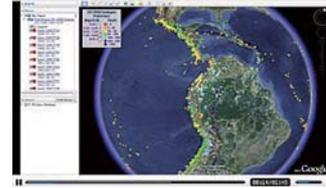


## For Local Communities and Global Societies

### TOPICS **Participation in GEM Foundation, which aims to develop a seismic hazard/risk model**

GEM Foundation, which stands for Global Earthquake Model, is a non-profit organization that aims to develop a global seismic hazard/risk model. OYO became the first Japanese company in the private sector to participate in GEM Foundation. As the Company has been engaged in preparing earthquake disaster prevention/mitigation plans for Asian and Latin American countries as well as assuming earthquake damages in Japan, it wishes to contribute to enhancing the hazard/risk model by providing the earthquake damage data, etc. it owns to GEM. (2014-2018)

[7 core subjects for ISO26000] [Community involvement and development](#)



### TOPICS **Seventh year of conducting special science classes for elementary school pupils in Miyagi Prefecture**

Since 2008, the Company's Tohoku Branch has been continuously participating in special science classes for elementary schools in Miyagi Prefecture for seven years. The Branch met 555 children from 18 classes of 9 schools in 2014 and received a certificate of appreciation from Sendai City and a letter of thanks from Natori City in February 2015. For the fifth grade pupils, the water-holding and purification effects of soil are taught through experiments under the title of "Let's examine soils: Soils are reservoirs." For the sixth graders, our staff explain earthquake and volcano mechanisms and conduct landslide experiments using models, etc. under the theme of "The structure of the ground and its connection to people's lives." (February 2015)

[7 core subjects for ISO26000] [Community involvement and development](#)



### TOPICS **Maintenance and preservation activities for the river environment as a cooperative body for river management**

OYO established the OYO Ecological Engineering Institute in Miharu-machi, Tamura-gun, Fukushima Prefecture in 1999, and has conducted investigation and research of the water quality, climate and the ecological system at the dam site. Moreover, the Company has participated in the Lake Sakura Natural Environment Forum for the residents of the local communities as a member of the executive committee since the first forum. As these endeavors were recognized, the Company was designated in April 2014 as a cooperative body for river management for the section managed by the national government for the Miharu Dam in Otakine River along the Abukuma River System. (April 2014)

[7 core subjects for ISO26000] [The environment](#)



### TOPICS **Support of GeoHazards International**

GeoHazards International ("GHI") works to prevent damages before disasters break out in the most vulnerable local communities around the world, save people's lives and decrease the number of sufferers to help create secure societies.

Since the establishment of GHI in 1991, OYO has provided support to its activities and mission. To date, GHI has provided information on disaster risks in more than 20 countries, improved the seismic resistance safety of school buildings, and increased the capacity of local governments to deal with such risks.

[7 core subjects for ISO26000] [Community involvement and development](#)



### Basic Idea

OYO's objectives of corporate management are to sufficiently recognize and implement management transparency and fairness and to continually heighten corporate value by securing profit and sustainable growth within the severe business environment. OYO

has prepared a management organization and audit system to achieve these objectives and has positioned enhancement of corporate governance as one of the most important themes of management.

### Outline of Structure of Corporate Governance

In order to maintain and enhance management efficiency, OYO has established a board of directors comprised of directors who are well-versed in OYO's businesses and external directors who are independent and pose no danger of generating conflicts of interest with general shareholders. OYO has also introduced an executive officer system to pursue the specialization of functions, speed up decision-making and reinforce supervisory/monitoring functions. In addition, two outside corporate auditors leverage their broad insight and wealth of experience to offer opinions/advice concerning important management matters from independent and neutral perspectives. Furthermore, each corporate auditor works together with the accounting auditor and internal audit department to provide the necessary response to audit operations. In this manner, OYO adopts the current structure because it enables management transparency and fairness to be maintained and strengthened, and management efficiency to be promoted, as well as objective and sufficient discussion on important management matters to be conducted.

#### Board of Directors

The board of directors is comprised of eight directors including two outside directors who are independent officers (as of April 1, 2015). There are ordinary meetings of the board of directors that are held at least once every three months, along with extraordinary meetings of the board of directors that are held when necessary. The board makes decisions on important matters concerning OYO's management policies and other issues, and also supervises the execution of duties by directors. The term of office of directors is one year.

#### Board of Executive Officers

The board of executive officers is comprised of six directors (of which, four serve concurrently as executive officers) (excluding two outside directors) and eighteen executive officers (as of April 1, 2015). With regard to

execution of operations, meetings of the board of executive officers are held at least once a month as a rule, separately from meetings of the board of directors, to discuss overall management issues and to deliberate the execution of material operations following the policies decided by the board of directors.

#### Board of Corporate Auditors

The board of corporate auditors is comprised of four corporate auditors, two of which are outside corporate auditors who are independent officers (as of April 1, 2015). In addition, the board of corporate auditors meets once a month as a rule and corporate auditors attend all meetings of the board of directors as a rule. The established system is such that the corporate auditors monitor the management for the adequacy and appropriateness of the execution of duties by directors. Full-time corporate auditors conduct necessary audits of operations of each department of the head office/place of business as needed.

#### Status of Preparation of Internal Control System

OYO passed a resolution for a basic policy on internal control at the May 12, 2006 meeting of the board of directors. Based on this policy, OYO is working to reinforce the risk management structure, ensure thorough compliance-based management and reinforce the OYO Group business management structure. In addition, at the February 12, 2015 meeting of the board of directors, OYO passed a resolution for revision of the basic policy on internal control regarding employees who are to support the execution of duties by the corporate auditors.

#### Status of Preparation of Risk Management Structure

OYO carries out risk management in each division by extracting and analyzing risks and studying and periodically reviewing countermeasures, and the management status is deliberated at regular management

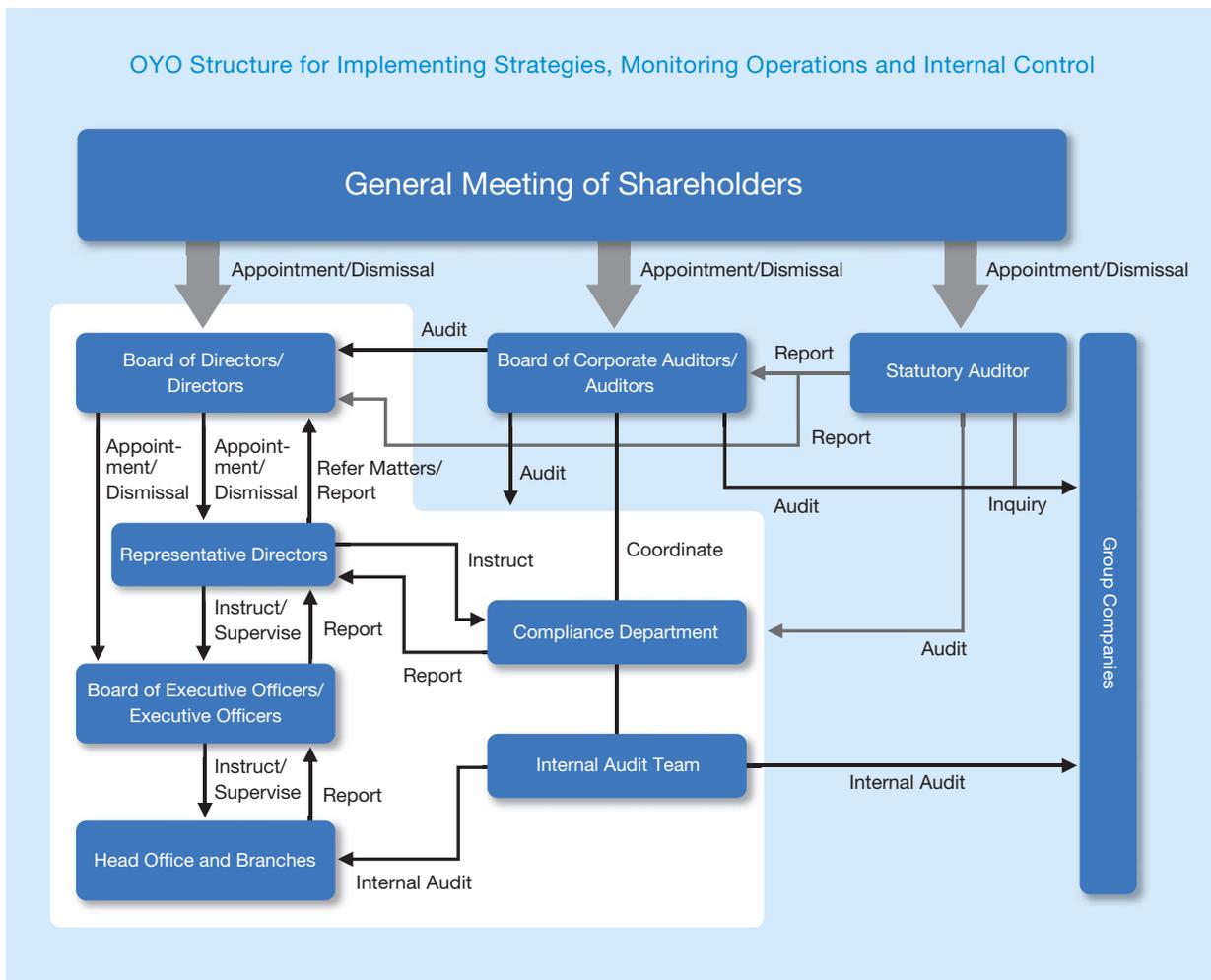
meetings. OYO Corporate Behavior Guidelines have also been established as a code of conduct to be observed by all employees and officers of the OYO Group. Based on these guidelines, a Compliance Manual has been prepared as a specific code of con-

duct. Through these codes, OYO is working to ensure that all employees and officers are fully informed of and act on compliance-based management.

## Status of Internal Audits and Auditing by Corporate Auditors

As organizational measures, an internal audit team primarily centering on the Compliance Department conducts audits in accordance with an internal audit program to verify/assess that activities concerning the processing of operations and accounting are conducted legally and rationally and to improve the situation. The internal audit team comprises multiple members, primarily composed of the Compliance Department and adding relevant departments as needed. Further, the internal audit team regularly ex-

changes information and opinions on audit plans and audit results with corporate auditors and mutually coordinates with the corporate auditors as they also witness some of the audits undertaken by accountants. Full-time corporate auditors also conduct the necessary audits of operations of each department of the head office/places of business as needed. The structure of OYO's execution of operations, management oversight and internal control system is as follows.



## Net Sales

The fiscal stimulus for the national resilience plan and economic measures by the government saw OYO's sales increase in areas of disaster prevention and mitigation and in infrastructure maintenance centering on public works projects in Japan. This resulted in net sales increasing 1,600 million yen from the previous consolidated fiscal period to 48,634 million yen (an increase of 3.4%).

Outlining the features of net sales by segment, the geo-engineering survey and consultation services business focused on the domestic market posted an increase of 1,586 million yen in net sales to 37,088 million yen (an increase of 4.5% year-on-year), and the measuring instruments business (Japan) posted a decrease of 451 million yen to 3,606 million yen (a decrease of 11.1% year-on-year.)

Meanwhile, the measuring instruments business (overseas), which is conducted under the initiatives of subsidiaries in North America, posted an increase of 464 million yen to 7,939 million yen (an increase of 6.2% year-on-year). The increase was due to the depreciation of the yen, however, and its net sales represented a decrease when calculated based on the dollar, the local currency.

## Gross Profit on Sales

Gross profit on sales increased 1,757 million yen from the previous consolidated fiscal year to 15,465 million yen (an increase of 12.8% year-on-year). The increase was due to the increase in net sales as well as successfully restraining an increase in outsourcing fees and material costs, where the contract unit price

showed a trend of increase thanks to improvement in the competition environment.

## Selling, General and Administrative Expenses and Operating Income

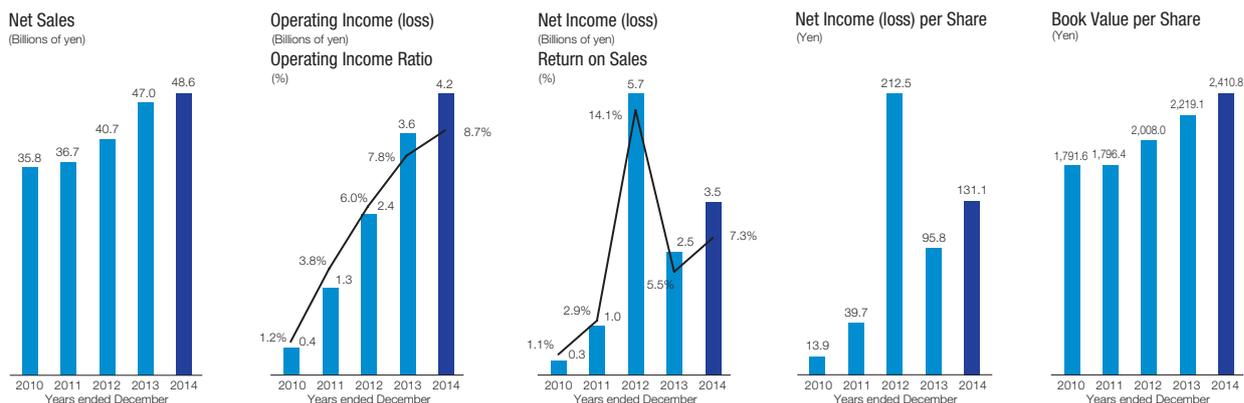
Selling, general and administrative expenses increased 1,225 million yen from the previous consolidated fiscal year to 11,254 million yen (an increase of 12.2% year-on-year) due to higher personnel and R&D expenses. However, the increase was offset by the larger gross profits on sales as a result of a rise in net sales and improved cost of sales. As a result, operating income increased 531 million yen from the previous consolidated fiscal year to 4,211 million yen (an increase of 14.5%), and operating margin was 8.7%, up 0.9 points year-on-year.

## Non-Operating Income (Loss) and Ordinary Income

Non-operating income (loss) increased 45 million yen from the previous consolidated fiscal year, resulting in non-operating income of 439 million yen. As a result of this and also due to the increase of operating income, ordinary income totaled 4,650 million yen, a year-on-year increase of 577 million yen.

## Extraordinary Income (Loss) and Income Before Income Taxes and Minority Interests

Concerning extraordinary income (loss), extraordinary income in the consolidated fiscal year under review was 187 million yen, a decrease of 62 million yen from



the previous consolidated fiscal year. Extraordinary loss decreased 81 million yen year-on-year to 40 million yen. The decrease was mainly due to the lack of impairment loss, which had accrued in the previous consolidated fiscal year. As a result, income before income taxes and minority interests increased 721 million yen year-on-year to 4,796 million yen.

### Income Taxes (including income taxes deferred), Minority Interests in Income (Loss) and Net Income

Tax expenses in the consolidated fiscal year under review decreased 231 million yen from the previous consolidated fiscal year to 1,226 million yen. Meanwhile, minority interests in income of 19 million yen were posted for the consolidated fiscal year under review, a year-on-year decrease of 1 million yen. As a result, net income totaled 3,550 million yen, increasing 955 million from the previous consolidated fiscal year.

### Status of Cash Flows

Cash and cash equivalents (hereafter, "net cash") in the consolidated fiscal year under review increased 1,604 million yen from the end of the previous consolidated fiscal year (where there had been an increase of 1,428 million yen), to net cash of 19,635 million yen (up 8.9% year-on-year). The following outlines the status of and underlying factors concerning cash flows in the consolidated fiscal year under review.

### Cash Flows from Operating Activities

Net cash gained from operating activities amounted to

4,170 million yen, a year-on-year increase of 195.5%. This was mainly attributable to factors increasing net cash such as income before income taxes and minority interests amounting to 4,796 million yen (up 17.7% year-on-year) and depreciation amounting to 1,024 million yen (up 9.9% year-on-year), which offset factors decreasing net cash such as a decrease of 1.392 million yen in notes and accounts payable-trade (in contrast to an increase of 1.286 million in the previous consolidated fiscal year)

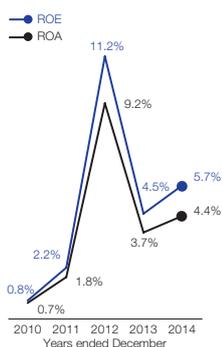
### Cash Flows from Investing Activities

Net cash used in investing activities amounted to 1,756 million yen (in contrast to net cash used of 57 million yen in the previous fiscal year). This was mainly attributable to factors decreasing net cash such as purchase of property, plant and equipment and intangible assets amounting to 1,692 million yen (up 193.8% year-on-year), which offset factors increasing net cash such as proceeds from sale of investment securities amounting to 1,113 million yen (up 12.8% year-on-year).

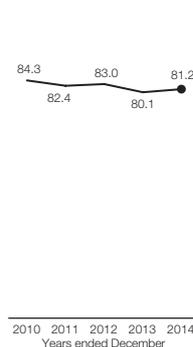
### Cash Flows from Financing Activities

Net cash used in financing activities amounted to 1,136 million yen (up 46.5% year-on-year). This was mainly attributable to factors decreasing net cash such as cash dividends paid by the parent company amounting to 652 million yen (up 35.7% year-on-year).

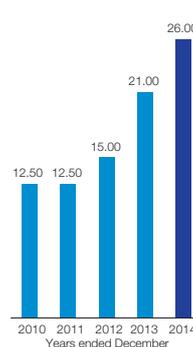
ROE and ROA (%)



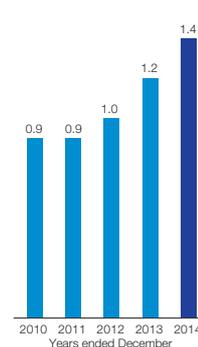
Shareholders' Equity Ratio (%)



Cash Dividends per Share (Yen)



R&D Expenditure (Billions of yen)



# Consolidated Financial Statements

## Consolidated financial statements Consolidated balance sheets

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	21,563	24,270
Notes and accounts receivable-trade	*1 2,312	*1 2,558
Accounts receivable-completed operation	14,920	14,478
Lease receivables and investment assets	1,143	2,080
Short-term investment securities	2,339	2,429
Costs on uncompleted services	2,853	2,456
Merchandise and finished goods	566	442
Work in process	793	870
Raw materials and supplies	1,700	2,105
Deferred tax assets	440	602
Other	1,670	1,414
Allowance for doubtful accounts	(10)	(16)
Total current assets	50,295	53,691
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,593	13,746
Accumulated depreciation	(8,714)	(8,943)
Buildings and structures, net	4,879	4,802
Machinery, equipment and vehicles	6,554	7,068
Accumulated depreciation	(5,670)	(5,806)
Machinery, equipment and vehicles, net	883	1,261
Tools, furniture and fixtures	1,695	1,758
Accumulated depreciation	(1,553)	(1,604)
Tools, furniture and fixtures, net	141	154
Land	*3 6,792	*3 6,823
Lease assets	432	518
Accumulated depreciation	(215)	(214)
Lease assets, net	216	303
Construction in progress	74	289
Total property, plant and equipment	12,988	13,635
Intangible assets		
Software	293	262
Goodwill	895	748
Other	223	680
Total intangible assets	1,412	1,692
Investments and other assets		
Net defined benefit asset	—	1,016
Investment securities	*4 6,956	*4 7,092
Long-term loans receivable	13	3
Deferred tax assets	—	0
Real estate for investment	534	534
Accumulated depreciation	(155)	(167)
Real estate for investment, net	378	366
Other	3,591	3,455
Allowance for doubtful accounts	(633)	(586)
Total investments and other assets	10,306	11,347
Total noncurrent assets	24,708	26,675
Total assets	75,003	80,367

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	784	527
Accounts payable-operating	2,616	1,521
Short-term loans payable	0	—
Lease obligations	369	649
Provision for product warranties	62	110
Income taxes payable	1,485	1,066
Advances received on uncompleted contracts	828	814
Provision for bonuses	360	427
Provision for loss on orders received	14	8
Other	3,108	3,938
Total current liabilities	9,629	9,064
Noncurrent liabilities		
Lease obligations	1,071	1,736
Net defined benefit liability	—	2,295
Provision for stock benefits	—	47
Provision for retirement benefits	2,119	—
Deferred tax liabilities	926	755
Deferred tax liabilities for land revaluation	*3 585	*3 585
Other	148	141
Total noncurrent liabilities	4,851	5,562
Total liabilities	14,480	14,627
<b>Net assets</b>		
Shareholders' equity		
Capital stock	16,174	16,174
Capital surplus	16,523	16,603
Retained earnings	35,561	38,459
Treasury stock	(5,068)	(5,148)
Total shareholders' equity	63,190	66,088
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	769	1,128
Revaluation reserve for land	*3 (2,479)	*3 (2,479)
Foreign currency translation adjustment	(1,389)	354
Remeasurements of defined benefit plans	—	188
Total accumulated other comprehensive income	(3,099)	(808)
Minority interests	432	459
Total net assets	60,523	65,740
Total liabilities and net assets	75,003	80,367

Consolidated statements of income and consolidated statements of comprehensive income  
 Consolidated statements of income

(Millions of yen)

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Net sales	47,033	48,634
Cost of sales	*1, *2 33,325	*1, *2 33,168
Gross profit	13,708	15,465
Selling, general and administrative expenses		
Directors' compensations	575	648
Salaries and allowances	3,601	4,023
Provision for bonuses	114	133
Provision for stock benefits	—	24
Legal welfare expenses	582	630
Retirement benefit expenses	162	82
Traveling and transportation expenses	427	463
Rent expenses	302	345
Depreciation	284	332
Research and development expenses	*3 1,295	*3 1,498
Amortization of goodwill	141	227
Other	2,541	2,844
Total selling, general and administrative expenses	10,029	11,254
Operating income	3,679	4,211
Non-operating income		
Interest income	103	93
Dividends income	48	51
Equity in earnings of affiliates	8	35
Foreign exchange gains	29	18
Insurance and dividends income	91	107
Rent of real estate	53	53
Other	91	107
Total non-operating income	427	466
Non-operating expenses		
Interest expenses	5	9
Rent cost of real estate	16	16
Other	11	1
Total non-operating expenses	34	27
Ordinary income	4,072	4,650

(Millions of yen)

	Prior fiscal year (From January 1, 2013 to December 31, 2013)		Current fiscal year (From January 1, 2014 to December 31, 2014)	
Extraordinary income				
Gain on sales of noncurrent assets	*4	120	*4	26
Gain on sales of investment securities		3		1
Settlement received		—		158
Other		0		—
Total extraordinary income		124		187
Extraordinary loss				
Loss on sales of noncurrent assets	*5	0	*5	5
Loss on retirement of noncurrent assets	*6	11	*6	35
Loss on valuation of investment securities		18		—
Impairment loss	*7	91		—
Total extraordinary loss		122		40
Income before income taxes and minority interests		4,075		4,796
Income taxes-current		1,375		1,783
Income taxes-deferred		83		(557)
Total income taxes		1,458		1,226
Income before minority interests		2,616		3,570
Minority interests in income		21		19
Net income		2,595		3,550

## Consolidated statements of comprehensive income

(Millions of yen)

	Prior fiscal year (From January 1, 2013 to December 31, 2013)		Current fiscal year (From January 1, 2014 to December 31, 2014)	
Income before minority interests		2,616		3,570
Other comprehensive income				
Valuation difference on available-for-sale securities		574		359
Foreign currency translation adjustment		3,024		1,744
Total other comprehensive income	*1	3,599	*1	2,103
Comprehensive income		6,216		5,673
(Breakdown)				
Comprehensive income attributable to shareholders				
of the parent		6,194		5,653
Comprehensive income attributable to minority interests		21		20

Consolidated statements of changes in net assets  
Current fiscal year (From January 1, 2013 to December 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity total
Balance at the beginning of the year	16,174	16,523	33,583	(5,061)	61,220
Changes during the year					
Dividends from surplus			(480)		(480)
Net income			2,595		2,595
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock			0	0	0
Reversal of revaluation reserve for land			(137)		(137)
Net changes in items other than shareholders' equity					
Total changes during the year	—	—	1,977	(6)	1,970
Balance at the end of year	16,174	16,523	35,561	(5,068)	63,190

(Millions of yen)

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance at the beginning of the year	194	(2,617)	(4,413)	—	(6,836)	237	54,620
Changes during the year							
Dividends from surplus							(480)
Net income							2,595
Purchase of treasury stock							(7)
Disposal of treasury stock							0
Reversal of revaluation reserve for land							(137)
Net changes in items other than shareholders' equity	574	137	3,024	—	3,736	195	3,931
Total changes during the year	574	137	3,024	—	3,736	195	5,902
Balance at the end of year	769	(2,479)	(1,389)	—	(3,099)	432	60,523

Current fiscal year (From January 1, 2014 to December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity total
Balance at the beginning of the year	16,174	16,523	35,561	(5,068)	63,190
Changes during the year					
Dividends from surplus			(652)		(652)
Net income			3,550		3,550
Purchase of treasury stock				(283)	(283)
Disposal of treasury stock		80		202	282
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity					
Total changes during the year	—	80	2,898	(80)	2,897
Balance at the end of year	16,174	16,603	38,459	(5,148)	66,088

(Millions of yen)

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at the beginning of the year	769	(2,479)	(1,389)	—	(3,099)	432	60,523
Changes during the year							
Dividends from surplus							(652)
Net income							3,550
Purchase of treasury stock							(283)
Disposal of treasury stock							282
Reversal of revaluation reserve for land							—
Net changes in items other than shareholders' equity	358	—	1,744	188	2,291	27	2,319
Total changes during the year	358	—	1,744	188	2,291	27	5,217
Balance at the end of year	1,128	(2,479)	354	188	(808)	459	65,740

## Consolidated statements of cash flows

(Millions of yen)

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	4,075	4,796
Depreciation and amortization	931	1,018
Impairment loss	91	—
Amortization of goodwill	141	227
Increase (decrease) in provision for retirement benefits	(22)	—
Increase (decrease) in provision for bonuses	93	67
Interest income and dividends' income	(152)	(144)
Interest expenses	5	9
Equity in (earnings) losses of affiliates	(8)	(35)
Loss (gain) on sales of property, plant and equipment	(120)	(21)
Loss on retirement of property, plant and equipment	11	35
Loss (gain) on sales of investment securities	(3)	(1)
Settlement received	—	(158)
Loss (gain) on valuation of investment securities	18	—
Decrease (increase) in notes and accounts receivable-trade	(5,744)	400
Decrease (increase) in inventories	672	(80)
Decrease (increase) in costs on uncompleted services	462	397
Increase (decrease) in notes and accounts payable-trade	1,286	(1,392)
Increase (decrease) in advances received on uncompleted contracts	130	(13)
Other	(451)	156
Subtotal	1,416	5,260
Interest and dividend income received	190	176
Interest expenses paid	(5)	(9)
Income taxes paid	(257)	(1,257)
Income taxes refund	66	—
Net cash provided by (used in) operating activities	1,411	4,170

(Millions of yen)

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Cash flows from investment activities		
Payments into time deposits	(4,643)	(25)
Proceeds from withdrawal of time deposits	5,955	—
Purchase of short-term investment securities	—	(799)
Proceeds from sales of short-term investment securities	987	1,113
Purchase of property, plant and equipment and intangible assets	(576)	(1,692)
Proceeds from sales of property, plant and equipment and intangible assets	149	99
Purchase of investment securities	(1,695)	(512)
Proceeds from sales of investment securities	623	21
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (976)	—
Payments of long-term loans receivable	(3)	(5)
Collection of loans receivable	14	17
Other	107	28
Net cash provided by (used in) investing activities	(57)	(1,756)
Cash flows from financing activities		
Decrease in long-term loans payable	(1)	(0)
Repayments of lease obligations	(285)	(481)
Proceeds from sales of treasury stock	0	282
Purchase of treasury stock	(7)	(283)
Cash dividends paid	(480)	(652)
Cash dividends paid to minority shareholders	(1)	(1)
Net cash provided by (used in) financing activities	(775)	(1,136)
Effect of exchange rate change on cash and cash equivalents	850	326
Net increase (decrease) in cash and cash equivalents	1,428	1,604
Cash and cash equivalents at beginning of the year	16,603	18,031
Cash and cash equivalents at end of the year	*1 18,031	*1 19,635

## Notes

### Significant accounting policies

#### 1. Scope of consolidation

##### (1) Number of consolidated subsidiaries: 30

Names of major consolidated subsidiaries:

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

In the current fiscal year, Hokoku Steel Corporation which was merged by absorption by the Company has been excluded from the scope of consolidation.

##### (2) Names of major non-consolidated subsidiaries

Major non-consolidated subsidiary:

SIGMA KOGYO CO., LTD.

(Reason for excluding from the scope of consolidation)

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

#### 2. Application of the equity method

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

Names of major affiliates  
IRIS INSTRUMENTS SAS  
ENGINEERING & RISK SERVICES CORPORATION  
Tianjin Smart Sensor Technology Co., Ltd.

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

Name of major non-consolidated subsidiaries:

SIGMA KOGYO CO., LTD.

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

#### 3. Fiscal year, etc. of consolidated subsidiaries

The balance sheet date for OYO CORPORATION U.S.A. and 29 other subsidiaries is September 30. The consolidated financial statements are prepared based on the subsidiaries' financial statements for the year because the difference between the balance sheet date of the consolidated subsidiaries and that of the Company is three months or less. For significant transactions occurring between these dates, necessary adjustments are made to the consolidated financial statements.

#### 4. Accounting policies

##### (1) Valuation standards and methods for significant assets

###### (a) Securities

Available-for-sale securities

Securities with fair market value

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

Securities without fair market value

Stated at cost determined by the moving average method.

###### (b) Derivatives

Stated at fair value.

###### (c) Inventory assets

Costs on uncompleted services

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

Merchandise/products/raw materials/work in process

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

- (2) Depreciation method of significant depreciable assets
- (a) Property, plant and equipment (excluding lease assets) and real estate for investment  
For buildings (excluding structures attached to buildings) of the Company and its domestic consolidated subsidiaries, the straight-line method is used; and for other property, plant equipment, the declining balance method is used. For overseas subsidiaries, the straight-line method is used.  
Major useful lives are as follows:  
Buildings and structures: 2 - 50 years  
Machinery, equipment and vehicles: 2 - 15 years
- (b) Intangible assets (excluding lease assets)  
Straight-line method  
Software for internal use is amortized over the expected available period (5 years).
- (c) Lease assets  
The straight-line method is adopted with a residual value of zero and the lease period deemed equal to the service life of the asset. Finance leases for which there was no transfer of ownership of leased assets upon the expiration of leases originating on or before December 31, 2008 were accounted for as operating leases.
- (3) Accounting for significant allowances and provisions
- (a) Allowance for doubtful accounts  
To prepare for expected losses from bad debts, the Company and its domestic consolidated subsidiaries estimate uncollectible amounts for normal receivables based on the historical experience and for certain specific receivables such as doubtful accounts receivables, based on the individual probability of recovery. Overseas consolidated subsidiaries estimate uncollectible amounts for certain receivables, such as doubtful accounts receivables, based on the individual probability of recovery.
- (b) Provision for bonuses  
At the Company and its consolidated subsidiaries, to prepare for payment of bonuses to employees, a provision for bonuses is provided based on the expected amount of payment.
- (c) Provision for losses on orders received  
At the Company and its domestic consolidated subsidiaries, to prepare for future losses on contracts for orders received, a provision for losses on orders received is provided based on the future losses anticipated at the end of the current fiscal year and the amount of foreseeable losses that can reasonably be estimated.
- (d) Provision for product warranties  
At certain consolidated overseas subsidiaries, to prepare for estimated warranty costs, a provision for product warranties is provided based on historical experience of free-of-charge repairs of products.
- (e) Provision for stock benefits  
In order to provide for grants of shares of the Company to employees of the Group in accordance with the stock benefit regulations, a provision for stock benefits is provided based on the estimated stock benefit obligations as of the end of the current fiscal year.
- (4) Accounting method for retirement benefits
- (a) Method of attributing the estimated retirement benefits to periods  
In calculating retirement benefit obligations, the straight-line method of attributing estimated retirement benefits to periods has been applied until the end of the current fiscal year.
- (b) Amortization method of actuarial gain or loss and past service cost  
Actuarial gain or loss is amortized in the fiscal year following the year in which the gain or loss is incurred by the straight-line method over periods (5 years) which are shorter than the average remaining service periods of the employees. Past service cost is amortized by the straight-line method over periods (5 years) which are shorter than the average remaining service periods of the employees.
- (5) Accounting for significant revenues and expenses
- (a) Individual contracts from which the outcome can be estimated reliably through the end of the current fiscal year.  
The percentage-of-completion method is adopted. (The percentage of completion is measured by the proportion of the cost incurred relative to the estimated total cost).
- (b) Other contracts  
The completed-contract method is adopted.
- (6) Significant hedge accounting method
- (a) Hedge accounting method  
Deferral hedge accounting is adopted.
- (b) Hedging instrument and hedged items  
Hedging instruments: forward-exchange contracts.  
Hedged items: accounts payable-trade
- (c) Hedging policy  
In order to reduce risks of exchange rate fluctuations, hedge is used to cover liabilities.
- (d) Method of assessing hedge effectiveness  
An assessment of hedge effectiveness is omitted because the relationship between the hedging instruments and hedged items is direct.
- (7) Amortization of goodwill  
Goodwill is amortized by straight-line method over 5 years.
- (8) Cash and cash equivalents in the consolidated statements of cash flows  
Cash and cash equivalents on the consolidated statement of cash flows included cash on hand, bank deposits that could be withdrawn at any time, and low-risk short-term investments easily convertible to cash maturing within three months from the date of acquisition.
- (9) Other significant items regarding preparation of the consolidated financial statements  
Accounting for consumption tax  
All amounts exclude consumption tax.

## Change in accounting policies

### Adoption of accounting standards for retirement benefits

Effective from the end of the current fiscal year, the Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No.26 issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012) (except for provisions stipulated in Section 35 of the Accounting Standard for Retirement Benefits and Section 67 of the Guidance on Accounting Standard for Retirement Benefits). Consequently, the retirement benefit obligation after deducting plan assets is recorded as net defined benefit asset or net defined benefit liability, and unrecognized actuarial gain or loss is recorded as net defined benefit asset or net defined benefit liability.

The adoption of the Accounting Standards for Retirement Benefits follows the transitional treatment stipulated in Section 37 of the Accounting Standard for Retirement Benefits, and the impact of the change has been added to or subtracted from the remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, a net defined benefit asset of 1,016 million yen and a net defined benefit liability of 2,295 million yen have been recognized as of December 31, 2014. In addition, accumulated other comprehensive income increased 188 million yen.

Also, the impact on per share information is disclosed in the relevant section of these notes to the consolidated financial statements.

## Accounting standards issued but not yet adopted

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 issued on May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012)

### (1) Outline

The ASBJ revised the accounting standard for retirement benefits from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) how actuarial gains and losses and past service cost should be accounted for, (b) how retirement benefit obligations and current service costs should be determined and (c) enhancement of disclosures.

### (2) Planned date of application

The Company will apply the revised accounting method for determining retirement benefit obligations and current service costs on January 1, 2015.

### (3) Impact of application of the accounting standards

The Company is evaluating the potential impact of adopting the changes included in the standard to the consolidated financial statements.

## Change in presentation

"Provision for product warranties" which were previously included in "Other" under "Current liabilities" in the prior fiscal year, has been separately from the current fiscal year. In order to reflect this change in presentation, the Company reclassified the consolidated balance sheets of the prior fiscal year.

As a result, 3,171 million yen of "Other" under "Current liabilities" in the consolidated balance sheets of the prior fiscal year has been reclassified as "Provision for product warranties" amounted to 62 million yen and "Other" amounted to 3,108 million yen.

## Additional information

The Company has introduced the "Board Benefit Trust (BBT)" as directors' remuneration from June 26, 2014 based on a resolution at the General Meeting of Shareholders held on March 26, 2014. Also, the Company introduced the Stock Granting Trust (J-ESOP) on the same day to enhance the initiative and morale of employees towards improved stock price and business performance, by elevating linkages between the stock price and business performance of the Company and treatment of the employees, and also to promote achievement of the target in the mid-term business plan and further increase the corporate value of the Company (hereafter, "the system").

### (1) Outline of transaction

In introducing the system, the Company newly established the "Director stock benefit regulations" (hereafter, "the Director benefit regulations") and the "Stock benefit regulations" (hereafter, "the Benefit regulations").

The Company has entrusted money to a trust bank to enable the advance purchase of Company stock that would be granted in the future based on the established director stock benefit regulations and benefit regulations (hereafter, "the Trust").

The Board Benefit Trust (BBT) is a program in which directors accumulate points based on the director benefit regulations, and a grant stocks is provided to directors based on the number of points. Also, the Stock Granting Trust (J-ESOP) is a program in which employees accumulate points in March of each following year based on the salary regulations and the business performance of the Company or each subsidiary for each fiscal year of the STEP 14 (2014-2017), and a grant stock is provided to the employees based on the total number of points as of March 2018.

### (2) Accounting method

By early adoption of the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force No.30 issued on December 25, 2013), the Company adopts the total sum method to appropriate assets and liabilities of the trust on the balance sheet as assets and liabilities of the Company. As of the end of the current fiscal year, the treasury stock held by the trust recognized as treasury stock in net assets amounted to 282 million yen and the corresponding number of shares was 200,000 shares.

## Consolidated balance sheets

### \*1. Treatment of trade notes maturing at the end of the fiscal year

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

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Notes receivable-trade:	32 million yen	2 million yen

\*2. Pledged assets and secured liabilities

(Prior fiscal year)

Within the limit of the letter of credit (879 million yen), the Company provides the accounts receivable-trade and inventories of its US consolidated subsidiaries as securities under the asset-based loan system of the United States of America.

(Current fiscal year)

Within the limit of the letter of credit (985 million yen), the Company provides the accounts receivable-trade and inventories of its US consolidated subsidiaries as securities under the asset-based loan system of the United States of America.

\*3. Revaluation of land

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

Revaluation method

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

Revaluation date: December 31, 2001

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
The difference between the fair value of the land at the end of the period of the revaluation and the book value after the revaluation:	(1,021) million yen	(1,042) million yen
The difference related to real estate for rent out of this:	(46) million yen	(53) million yen

\*4. Non-consolidated subsidiaries and affiliates

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Investment securities (stock)	754 million yen	796 million yen

The amounts of investment in joint ventures included above were 739 million yen in the prior fiscal year and 781 million yen in the current fiscal year.

## Consolidated statements of income

\*1. Loss on valuation of inventories

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

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Cost of sales	46 million yen	31 million yen

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

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
	14 million yen	8 million yen

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

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
General and administrative expenses	1,295 million yen	1,498 million yen

## \*4. Components of gain on sales of noncurrent assets

The components of gain on sales of noncurrent assets are as follows:

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Buildings and structures	– million yen	2 million yen
Machinery, equipment and vehicles	4 million yen	18 million yen
Tools, furniture and fixtures	2 million yen	– million yen
Land	113 million yen	6 million yen
Total	120 million yen	26 million yen

## \*5. Components of loss on sales of noncurrent assets

The components of loss on sales of noncurrent assets are as follows:

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Buildings and structures	– million yen	1 million yen
Machinery, equipment and vehicles	0 million yen	0 million yen
Land	0 million yen	2 million yen
Total	0 million yen	5 million yen

## \*6. Components of loss on retirement of noncurrent assets

The components of loss on retirement of noncurrent assets are as follows:

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Buildings and structures	8 million yen	7 million yen
Machinery, equipment and vehicles	0 million yen	27 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Other	0 million yen	0 million yen
Total	11 million yen	35 million yen

## \*7. Impairment loss

Prior fiscal year (From January 1, 2013 to December 31, 2013)

The impairment loss is not material, and the note was omitted based on the Article 63, Paragraph 2 of the Regulations for Consolidated Financial Statements.

Current fiscal year (From January 1, 2014 to December 31, 2014)

Not applicable.

## Consolidated statements of comprehensive income

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

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Valuation difference on available-for-sale securities:		
Amount arising during the current fiscal year	880 million yen	498 million yen
Reclassification adjustment	(3) million yen	(1) million yen
Amount before tax effect	876 million yen	497 million yen
Tax effect	(301) million yen	(138) million yen
Valuation difference on available-for-sale securities	574 million yen	359 million yen
Foreign currency transaction adjustment:		
Amount arising during the current fiscal year	3,024 million yen	1,744 million yen
Total other comprehensive income	3,599 million yen	2,103 million yen

## Consolidated statements of changes in net assets

Prior fiscal year (From January 1, 2013 to December 31, 2013)

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

	Number of shares at January 1, 2013	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at December 31, 2013
Issued shares				
Common stock	32,082,573	—	—	32,082,573
Total	32,082,573	—	—	32,082,573
Treasury stock				
Common stock (See Note)	4,999,429	4,484	85	5,003,828
Total	4,999,429	4,484	85	5,003,828

(Note) Outline of reasons for the change

The breakdown of the increases is as follows:

Increase due to purchase of less than standard unit: 4,484

The breakdown of the decreases is as follows:

Decrease due to request of shareholders for sale of less than standard unit: 85

### 2. Subscription rights to shares and treasury stock subscription shares

Not applicable.

### 3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 26, 2013 General meeting of shareholders	Common stock	236	8.75	December 31, 2012	March 27, 2013
August 8, 2013 Board meeting	Common stock	243	9.00	June 30, 2013	September 27, 2013

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

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 26, 2014 General meeting of shareholders	Common stock	324	Retained earnings	12.00	December 31, 2013	March 27, 2014

Current fiscal year (From January 1, 2014 to December 31, 2014)

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

	Number of shares at January 1, 2014	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at December 31, 2014
Issued shares				
Common stock	32,082,573	—	—	32,082,573
Total	32,082,573	—	—	32,082,573
Treasury stock				
Common stock (See Note)	5,003,828	200,551	200,159	5,004,220
Total	5,003,828	200,551	200,159	5,004,220

(Notes) 1. The number of common stock of treasury stock at the end of the current fiscal year includes 200,000 shares of stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

2. Outline of reasons for the change

Breakdown of increase in the number is as follows:

Increase due to purchase by Trust & Custody Services Bank, Ltd. (Trust Account): 200,000 shares

Increase due to purchase of less than standard unit: 551 shares

Breakdown of decrease in the number is as follows.

Decrease due to contribution to Trust & Custody Services Bank, Ltd. (Trust Account): 200,000 shares

Decrease due to request of shareholders for sale of less than standard unit: 159 shares

2. Subscription rights to shares and treasury stock subscription shares  
Not applicable.

3. Dividends  
(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 26, 2014 General meeting of shareholders	Common stock	324	12.00	December 31, 2013	March 27, 2014
August 8, 2014 Board meeting	Common stock	327	12.00	June 30, 2014	September 29, 2014

(Note) The total amount of dividends resolved by the Board of Directors of August 8, 2014 includes 2 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

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

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 25, 2015 General meeting of shareholders	Common stock	381	Retained earnings	14.00	December 31, 2014	March 26, 2015

(Note) The total amount of dividends resolved by the Ordinary General Meeting of Shareholders of March 25, 2015 includes 2 million yen of dividends distributed to treasury stock held by the Trust & Custody Services Bank, Ltd. (Trust Account).

## Consolidated statements of cash flows

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

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Cash and deposits	21,563 million yen	24,270 million yen
Short-term investment securities	2,339 million yen	2,429 million yen
Total	23,902 million yen	26,699 million yen
Term deposits with maturities of more than 3 months	(5,260) million yen	(5,863) million yen
Stock and debt securities with redemption period exceeding 3 months	(610) million yen	(1,200) million yen
Cash and cash equivalents	18,031 million yen	19,635 million yen

\*2. Principal assets and liabilities of the newly consolidated subsidiary in stock acquisition

In the prior fiscal year, assets and liabilities of NCS SUBSEA, INC. on the date of acquisition as well as the relationship between the acquisition cost and net disbursement for the acquisition were presented below:

Current assets	USD 2,591 thousand
Noncurrent assets	USD 3,046 thousand
Goodwill	USD 9,642 thousand
Current liabilities	USD (206) thousand
Noncurrent liabilities	USD (1,010) thousand
Minority interests	USD (1,826) thousand
Acquisition cost	USD 12,236 thousand
Cash and cash equivalents	USD (1,714) thousand
Difference: disbursement of the acquisition	USD 10,521 thousand

\*3. Significant noncash transactions

(Prior fiscal year)

The amounts of assets and liabilities related to finance lease transactions, newly recorded in the current fiscal year are 102 million yen.

(Current fiscal year)

The amounts of assets and liabilities related to finance lease transactions, newly recorded in the current fiscal year are 172 million yen.

## Lease transactions

### 1. Finance lease transactions (lessee)

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

#### (a) Lease assets

Property, plant and equipment

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

#### (b) Depreciation method for lease assets

Significant accounting policy for preparation of the consolidated financial statements:

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

Among finance lease transactions that stipulate the transfer of ownership of lease assets to the lessee, lease transactions entered into on or before December 31, 2008 are accounted for as operating leases; and the details are as follows:

#### (1) Acquisition cost of lease assets, accumulated depreciation and balance at the end of fiscal year

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)		
	Acquisition cost	Accumulated depreciation	Balance at the end of fiscal year
Machinery, equipment and vehicles	55	44	10
Tools, furniture and fixtures	24	22	2
Total	79	66	12

(Millions of yen)

	Current fiscal year (As of December 31, 2014)		
	Acquisition cost	Accumulated depreciation	Balance at the end of fiscal year
Machinery, equipment and vehicles	55	52	2
Tools, furniture and fixtures	—	—	—
Total	55	52	2

(Note) Acquisition cost is calculated inclusive of interest because the balance of future minimum lease payments at the end of the year represent only a small proportion of the balance of property, plant and equipment at the end of the year.

#### (2) Future minimum lease payments at the end of year

(Millions of yen)

	Prior fiscal year	Current fiscal year
	(As of December 31, 2013)	(As of December 31, 2014)
Due in 1 year or less	10	2
Due after 1 year	2	—
Total	12	2

(Note) Future minimum lease payments are calculated inclusive of interest because the balance of future minimum lease payments at the end of the year represent a small proportion of the balance of property, plant and equipment at the end of the year.

#### (3) Lease payments and depreciation

(Millions of yen)

	Prior fiscal year	Current fiscal year
	(As of December 31, 2013)	(As of December 31, 2014)
Lease payments	24	10
Depreciation	24	10

#### (4) Depreciation method

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

2. Operating lease transactions  
Unearned lease payments for noncancellable operating lease transactions

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Due in 1 year or less	94	110
Due after 1 year	262	240
Total	357	351

3. Sublease transactions in the consolidated balance sheets are recorded inclusive of tax on interest  
(1) Lease receivables and investment assets

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Current assets	1,238	2,080

(2) Lease obligations

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Current liabilities	303	564
Noncurrent liabilities	919	1,547

Impairment loss

There was no impairment loss allocated to lease assets.

Financial instruments

1. Conditions of financial instruments

(1) Policy for financial instruments

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

(2) Type of financial instruments and related risks

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

Short-term investment securities and investment securities are mainly highly-rated bonds, investment trusts and stock of the companies with which the group has business relationships; and these are exposed to market-price fluctuation risks.

Operating payables, such as notes and accounts payable-trade and accounts payable-operating, are mostly payable within one year or less. Trade payables denominated in foreign currencies are exposed to exchange fluctuation risks. The Company uses derivative transactions (currency swaps and forward-exchange contracts) to hedge part of its operating payables.

Derivative transactions are currency swaps and forward-exchange contracts for foreign currency in order to avoid exchange rate fluctuations. Regarding the hedging instruments, hedged items and hedging policy and method of measuring hedge effectiveness, refer to the information described in "4. Accounting policy, (5) Significant hedge accounting method".

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

(4) Supplementary explanation on fair values of financial instruments

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

2. Fair value of financial instruments

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

Prior fiscal year (As of December 31, 2013)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	21,563	21,563	—
(2) Notes and accounts receivable-trade	2,312	2,312	—
(3) Accounts receivable-completed operations	14,920	14,920	—
(4) Short-term investment securities and investment securities			
Available-for-sale securities	8,352	8,352	—
Total assets	47,149	47,149	—
(1) Notes and accounts payable-trade	784	784	—
(2) Accounts payable-operating	2,616	2,616	—
(3) Income taxes payable	1,485	1,485	—
Total liabilities	4,886	4,886	—

Current fiscal year (As of December 31, 2014)

	Book value on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	24,270	24,270	—
(2) Notes and accounts receivable-trade	2,558	2,558	—
(3) Accounts receivable-completed operations	14,478	14,478	—
(4) Short-term investment securities and investment securities			
Available-for-sale securities	8,533	8,533	—
Total assets	49,839	49,839	—
(1) Notes and accounts payable-trade	527	527	—
(2) Accounts payable-operating	1,521	1,521	—
(3) Income taxes payable	1,066	1,066	—
Total liabilities	3,116	3,116	—

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

Assets

(1) Cash and deposits, (2) Notes and accounts receivable-trade, (3) Accounts receivable-completed operations

As these instruments are settled within a short term and their fair values and book values are nearly equal, their book values are assumed as their fair values.

(4) Short-term investment securities and investment securities

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

Liabilities

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

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

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

(Millions of yen)

Classifications	December 31, 2013	December 31, 2014
Investments in a limited partnership	11	15
Unlisted stocks	176	176
Stocks of subsidiaries and affiliates	754	796

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

3. Redemption schedule of receivables and securities with maturities

Prior fiscal year (As of December 31, 2013)

	Due within 1 year or less (Millions of yen)	Due after 1 year through 5 years (Millions of yen)	Due after 5 years through 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	21,545	—	—	—
Notes and accounts receivable-trade	2,312	—	—	—
Accounts receivable-completed operation	14,920	—	—	—
Short-term investment securities and investment securities				
Available-for-sale securities with maturities				
1. Bonds				
(1) Government bonds/local authority bonds, etc.	—	—	—	—
(2) Corporate bonds	200	200	350	—
(3) Others	411	2,200	100	—
2. Others	500	106	—	—
Total	39,890	2,506	450	—

Current fiscal year (As of December 31, 2014)

	Due within 1 year or less (Millions of yen)	Due after 1 year through 5 years (Millions of yen)	Due after 5 years through 10 years (Millions of yen)	Due after 10 years (Millions of yen)
Cash and deposits	24,250	—	—	—
Notes and accounts receivable-trade	2,558	—	—	—
Accounts receivable-completed operation	14,478	—	—	—
Short-term investment securities and investment securities				
Available-for-sale securities with maturities				
1. Bonds				
(1) Government bonds/local authority bonds, etc.	—	—	—	—
(2) Corporate bonds	200	—	350	—
(3) Others	1,000	2,100	—	—
2. Others	—	109	—	—
Total	42,486	2,209	350	—

4. Repayment schedule of long-term loans due after December 31, 2014.  
Please refer to "Borrowings list" of the consolidated supplementary list.

## Securities

### 1. Available-for-sale securities

Prior fiscal year (As of December 31, 2013)

	Type	Book value on the consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Investments with book values on the consolidated balance sheets exceeding acquisition cost	(1) Stocks	2,894	1,606	1,287
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	—	—	—
	(b) Corporate bonds	455	451	4
	(c) Others	601	600	1
	(3) Others	51	51	0
	Sub total	4,003	2,709	1,293
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	109	138	(29)
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	—	—	—
	(b) Corporate bonds	300	301	(0)
	(c) Others	2,091	2,113	(22)
	(3) Others	1,848	1,861	(13)
	Sub total	4,348	4,414	(65)
	Total	8,352	7,123	1,228

(Note) Investment in a limited partnership (book value on the consolidated balance sheet: 11 million yen) and unlisted stocks (book value on the consolidated balance sheet: 176 million yen) do not have market prices, and it is extremely difficult to determine the fair values. Accordingly, these securities are not included in the above table, "Available-for-sale securities".

Current fiscal year (December 31, 2014)

	Type	Book value on the consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Investments with book values on the consolidated balance sheets exceeding acquisition cost	(1) Stocks	3,481	1,756	1,725
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	—	—	—
	(b) Corporate bonds	353	350	2
	(c) Others	1,001	1,000	1
	(3) Others	83	81	2
	Sub total	4,919	3,188	1,731
Investments with book values on the consolidated balance sheets not exceeding acquisition cost	(1) Stocks	—	—	—
	(2) Bonds			
	(a) Government bonds/local authority bonds, etc.	—	—	—
	(b) Corporate bonds	200	201	(0)
	(c) Others	2,089	2,100	(10)
	(3) Others	1,323	1,330	(7)
	Sub total	3,613	3,632	(18)
	Total	8,533	6,820	1,712

(Note) Investment in a limited partnership (book value on the consolidated balance sheet: 15million yen) and unlisted stocks (book value on the consolidated balance sheet: 176 million yen) do not have market prices, and it is extremely difficult to determine the fair values. Accordingly, these securities are not included in the above table, "Available-for-sale securities".

## 2. Available-for-sale securities sold

Prior fiscal year (From January 1, 2013 to December 31, 2013)

Type	Sales price (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
(1) Stocks	2	0	—
(2) Bonds			
(a) Government bonds/local authority bonds, etc.	—	—	—
(b) Corporate bonds	—	—	—
(c) Others	—	—	—
(3) Others	100	3	—
Total	102	3	—

Current fiscal year (From January 1, 2014 to December 31, 2014)

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

## 3. Securities for which an impairment loss was recognized

In the prior fiscal year, an impairment loss of 18 million yen was recognized on available-for-sale securities.

Impairment losses are applied to all securities for which fair values at the end of the year decreased by 50% or more from their acquisition costs. When fair value decreased between 30-50%, an impairment loss is applied to the necessary amount after considering the possibility of recovery in value.

## Derivative transactions

Not applicable.

## Retirement benefits

Prior fiscal year (From January 1, 2013 to December 31, 2013)

### 1. Description of retirement benefit plans provided by the Company

The Company and its domestic consolidated subsidiaries provide a contract-type defined benefit corporate pension plan (Cash-balance plan) and a lump-sum retirement allowance plan as defined benefit plans, as well as a pre-paid retirement allowance plan and a defined contribution pension plan.

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

### 2. Components of projected benefit obligations

(1) Projected benefit obligations (Millions of yen)	(6,363)
(2) Fair value of plan assets (Millions of yen)	5,443
(3) Unfunded retirement benefit obligations (Millions of yen)	(920)
(1) + (2)	
(4) Unrecognized actuarial gain or loss (Millions of yen)	(853)
(5) Net book value on the consolidated balance sheet (Millions of yen)	
(3) + (4)	(1,773)
(6) Prepaid pension cost (Millions of yen)	345
(7) Provision for retirement benefits (Millions of yen)	
(5) - (6)	(2,119)

(Note) Certain domestic consolidated subsidiaries adopted a compendium method to calculate their retirement benefit obligations.

### 3. Components of retirement benefit expenses

Retirement benefit expenses	
(1) Service cost (Millions of yen)	300
(2) Interest cost (Millions of yen)	125
(3) Expected return on plan assets (subtraction) (Millions of yen)	(95)
(4) Recognized actuarial gain or loss (Millions of yen)	(0)
(5) Prepaid retirement allowance (Millions of yen)	18
(6) Benefits paid for defined contribution pension plan (Millions of yen)	48
(7) Retirement benefit expenses (Millions of yen)	
(1)+(2)+(3)+(4)+(5)+(6)	397

(Note) Retirement benefit expenses of the consolidated subsidiaries, which use a compendium method, are included in the item "(1) Service cost".

### 4. Assumptions used in accounting for projected benefit obligations

(1) Allocation method for projected benefits obligation	Straight-line method	
(2) Discount rates (%)	The Company:	2.0
	Consolidated subsidiaries:	1.0
(3) Expected rate of return on plan assets (%)		2.0
(4) Amortization period of unrecognized actuarial gain or loss	5 years from the following fiscal year	

Current fiscal year (From January 1, 2014 to December 31, 2014)

#### 1. Description of retirement benefit plans provided by the Company

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

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

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

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

#### 2. Defined benefit plan

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

Retirement benefit obligations at beginning of the year	6,324 million yen
Service cost	254 million yen
Interest cost	124 million yen
Actuarial gain or loss	716 million yen
Retirement benefits paid	(383) million yen
Retirement benefit obligations at end of the year	7,037 million yen

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

Plan assets at beginning of the year	5,443 million yen
Expected return on plan assets	108 million yen
Actuarial gain or loss	328 million yen
Contribution by the Company	153 million yen
Retirement benefits paid	(239) million yen
Plan assets at end of the year	5,794 million yen

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

Net defined benefit liability at beginning of the year	38 million yen
Retirement benefit expenses	0 million yen
Retirement benefits paid	(2) million yen
Contribution to the system	- million yen
Net defined benefit liability at end of the year	36 million yen

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

Funded projected benefit obligations	4,778 million yen
Plan assets	(5,794) million yen
	(1,016) million yen
Unfunded projected benefit obligations	2,295 million yen
Net liability for projected benefit obligations in the consolidated balance sheets	1,279 million yen
Net defined benefit liability	2,295 million yen
Net defined benefit asset	(1,016) million yen
Net liability for projected benefit obligations in the consolidated balance sheets	1,279 million yen

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

(5) Retirement benefit expenses

Service cost	254 million yen
Interest cost	124 million yen
Expected return on plan assets	(108) million yen
Amortization of actuarial gain or loss	(173) million yen
Other	0 million yen
Retirement benefit expenses calculated by compendium method	0 million yen
Retirement benefit expenses related to defined benefit plans	98 million yen

(6) Remeasurements of defined benefit plans

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

Unrecognized actuarial gain or loss	(293) million yen
Total	(293) million yen

(7) Matters related to plan assets

(a) Major breakdown of plan assets

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

Bonds	65 %
Stocks	27 %
General accounts	3 %
Others	5 %
Total	100 %

(b) Method of determining long-term expected rates of return on plan assets

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

(8) Actuarial assumptions

Major actuarial assumptions as of the end of current fiscal year

Discount rates	0.8 % - 1.0%
Long-term expected rates of return on plan assets	2.0%

3. Defined contribution pension plans

Required contribution of consolidated subsidiaries to the defined contribution pension plans is 159 million yen.

Employee stock options

Not applicable.

## Tax effect accounting

### 1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Deferred tax assets		
Net operating loss carry forward	241	267
Provision for retirement benefits	637	—
Net defined benefit liability	—	561
Allowance for doubtful accounts	229	217
Provision for bonuses	189	172
Enterprise tax payable	115	85
Loss on valuation of securities	31	25
Loss on valuation of inventories	142	124
Revaluation reserve for land	1,259	1,259
Others	303	459
Deferred tax assets: Sub total	3,150	3,172
Valuation allowance	(2,549)	(1,869)
Deferred tax assets: Total	600	1,302
Deferred tax liabilities		
Balance of investments (valuation difference of noncurrent assets)	(635)	(406)
Revaluation reserve for land	(585)	(585)
Valuation differences on assets received by merger	—	(154)
Others	(452)	(895)
Deferred tax liabilities: Total	(1,673)	(2,042)
Net deferred tax liabilities	(1,072)	(739)

Net deferred tax liability of the prior fiscal year and the current fiscal year are reflected in the following accounts in the consolidated balance sheets.

(Millions of yen)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Current assets – Deferred tax assets	440	602
Noncurrent assets – Deferred tax assets	—	0
Noncurrent liabilities – Deferred tax liabilities	(926)	(755)
Noncurrent liabilities – Deferred tax liabilities for land revaluation	(585)	(585)

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

(Unit: %)

	Prior fiscal year (As of December 31, 2013)	Current fiscal year (As of December 31, 2014)
Statutory effective tax rate in Japan	38.0	38.0
(Reconciliation)		
Permanently non-deductible entertainment and other expenses	0.3	0.5
Dividends and other incomes permanently included in gross profit	(0.2)	(0.2)
Per-capita inhabitant tax	2.3	2.0
Equity in earnings of affiliates	(0.1)	(0.3)
Valuation allowance	(4.1)	(14.4)
Amount affected by tax deduction	(2.9)	(2.2)
Amortization of goodwill	1.3	1.8
Effect of enacted changes in tax laws and rate	—	0.4
Others	1.2	(0.0)
Effective tax rates	35.8	25.6

### 3. Modification of the amount of deferred tax assets and liabilities due to the change in corporation tax rate.

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.10, 2014) on March 31, 2014, the special reconstruction corporate tax is not imposed from fiscal years starting on or after April 1, 2014. As a result, the effective statutory tax rate used for the calculation of deferred tax assets and liabilities was changed to 35.6% from the previous 38.0% for the temporary differences which are expected to be realized or settled during the fiscal year starting on January 1, 2015.

Due to this change in the tax rate, the amount of deferred tax assets (net of deferred tax liabilities) decreased by 20 million yen, and income taxes-deferred increased by 20 million yen as of and for the current fiscal year ended December 31, 2014.

## Business combinations

Description is omitted due to its insignificance.

## Asset retirement obligations

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

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

## Rental real estate

The Company and certain of its consolidated subsidiaries own apartment buildings (including land) in Ibaraki Prefecture and other regions. Income or loss from rental of these properties during the prior fiscal year totaled 31 million yen (Rental income has principally been included in non-operating income and rental expenses in non-operating expenses). The amount of impairment losses was 11 million yen (reported as extraordinary losses).

Income or loss from rental of these properties during the current fiscal year totaled 32 million yen (Rental income has principally been included in non-operating income and rental expenses in non-operating expenses).

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

		(Millions of yen)	
		Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Book value in the consolidated balance sheets	Balance at the beginning of the fiscal year	696	648
	Increase/decrease during the fiscal year	(47)	(12)
	Balance at the end of the fiscal year	648	636
	Fair value at the end of the year	596	567

(Notes) 1. The book value in the consolidated balance sheets represented acquisition cost less accumulated depreciation and accumulated impairment loss.

2. The amount of increase/decrease during the prior fiscal year was mainly due to sales (23 million yen), impairment losses (11 million yen) and depreciation (13 million yen).

The amount of increase/decrease during the current fiscal year was mainly due to depreciation (12 million yen).

3. Each fair value at the end of the current fiscal year was calculated by the Company on the basis of the real estate appraisal standards by outside estate surveyors for main properties and on the indexes that were considered to be reflecting the market price such as land assessments for other properties.

## Segment information

### 1. Outline of reportable segments

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

The Company is divided into business structures based on the characteristics of the service and products, as well as by market trends. Under the comprehensive strategy established for each business operation, the Company established divisions in order to control its total business performance and to develop its business activities.

The Group consists of different segments differentiated by business structures composed of the business divisions. The Group has three reportable segments: "Geo-engineering and consultation services", "Measuring instruments (Japan)" and "Measuring instruments (Overseas)".

In the "Geo-engineering and consultation services" segment, the Group provides survey and analysis services mainly for ground and groundwater and ocean water, as well as advisory and consulting services based on the results of these surveys and analysis in such areas as "Disaster Management", "Construction", and "Environmental Investigation".

In the "Measuring instruments (Japan)" segment, the Group develops, manufactures and sells measuring instruments for geotechnical and seismic surveys and geo-physical exploration, and the Group develops and sells monitoring systems using these instruments from business locations in Japan.

In the "Measuring instruments (Overseas)" segment, the Group develops, manufactures and sells measuring instruments for seismic surveys, geo-physical exploration instruments for exploring the Earth's resources and exploration instruments for structural inspections. The Group also develops and sells monitoring systems using these instruments from overseas business locations.

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

The accounting method for reportable business segments is the same as is described in "Significant accounting policies".

Income for reportable segments is based on operating income.

Inter-segment sales or transfers are based on actual market prices.

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

Prior fiscal year (From January 1, 2013 to December 31, 2013)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Geo- engineering and consultation services	Measuring instruments (Japan)	Measuring instruments (Overseas)	Total		
Net sales						
Sales to third parties	35,501	4,057	7,474	47,033	—	47,033
Inter-segment sales or transfer	—	1,393	352	1,745	(1,745)	—
Total	35,501	5,451	7,827	48,779	(1,745)	47,033
Segment income	2,589	836	234	3,659	19	3,679
Segment assets	34,777	5,762	15,263	55,803	19,200	75,003
Other items						
Depreciation and amortization	705	45	175	926	4	931
Amortization of goodwill	96	1	43	141	—	141
Equity in earnings of affiliates	(4)	—	12	8	—	8
Investments in affiliates accounted for under the equity method	63	—	676	739	—	739
Increase in property, plant and equipment and intangible assets	1,814	108	87	2,009	(12)	1,997

(Notes) 1. Adjustments are as follows:

- (1) An adjustment of 19 million yen in the segment income was due to the elimination of inter-segment revenues.
  - (2) An adjustment of 19,200 million yen in the segment assets included (339) million yen due to the elimination of inter-segment revenues and 19,539 million yen of corporate assets yet to be allocated to each reportable segment. Corporate assets consisted mainly of the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities).
  - (3) An adjustment of 4 million yen in the depreciation and amortization was due to corporate depreciation and amortization yet to be allocated to each reportable segment and the elimination of inter-segment revenues.
  - (4) An adjustment of (12) million yen in the increase in property, plant and equipment and intangible assets was due to the elimination of inter-segment revenues.
2. Segment income was adjusted by the amount of operating income as stated on the consolidated statements of income.

Current fiscal year (From January 1, 2014 to December 31, 2014)

(Millions of yen)

	Reportable segments				Adjustment (Note 1)	Book value on consolidated financial statements (Note 2)
	Geo- engineering and consultation services	Measuring instruments (Japan)	Measuring instruments (Overseas)	Total		
Net sales						
Sales to third parties	37,088	3,606	7,939	48,634	—	48,634
Inter-segment sales or transfer	—	838	465	1,303	(1,303)	—
Total	37,088	4,444	8,405	49,937	(1,303)	48,634
Segment income	3,570	477	131	4,179	31	4,211
Segment assets	36,695	5,442	16,430	58,568	21,798	80,367
Other items						
Depreciation and amortization	786	52	175	1,014	4	1,018
Amortization of goodwill	194	1	31	227	—	227
Equity in earnings of affiliates	(4)	—	40	35	—	35
Investments in affiliates accounted for under the equity method	58	—	723	781	—	781
Increase in property, plant and equipment and intangible assets	1,451	316	321	2,090	(12)	2,078

(Notes) 1. Adjustments are as follows:

- (1) An adjustment of 31 million yen in the segment income was due to the elimination of inter-segment revenues.
  - (2) An adjustment of 21,798 million yen in the segment assets included (201) million yen due to the elimination of inter-segment revenues and 21,999 million yen of corporate assets yet to be allocated to each reportable segment. Corporate assets consisted mainly of the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities).
  - (3) An adjustment of 4 million yen in the depreciation and amortization was due to corporate depreciation and amortization yet to be allocated to each reportable segment and the elimination of inter-segment revenues.
  - (4) An adjustment of (12) million yen in the increase in property, plant and equipment and intangible assets was due to the elimination of inter-segment revenues.
2. Segment income was adjusted by the amount of operating income as stated on the consolidated statements of income.

## Related information

Prior fiscal year (From January 1, 2013 to December 31, 2013)

### 1. Breakdown by product and service

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

### 2. Breakdown by area

#### (1) Net sales

				(Millions of yen)
Japan	North America	Others	Total	
39,054	1,983	5,995	47,033	

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

#### (2) Property, plant and equipment

Details are omitted because the amount of property, plant and equipment in Japan accounts for more than 90% of the total property, plant and equipment on the consolidated balance sheets.

### 3. Breakdown by customer

			(Millions of yen)
Name of customer	Net sales	Relevant segment	
Ministry of Land, Infrastructure, Transport and Tourism	7,545	Geo-engineering and consultation services and Measuring instruments (Japan)	

Current fiscal year (From January 1, 2014 to December 31, 2014)

### 1. Breakdown by product and service

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

### 2. Breakdown by area

#### (1) Net sales

				(Millions of yen)
Japan	North America	Others	Total	
39,586	2,983	6,063	48,634	

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

#### (2) Property, plant and equipment

Details are omitted because the amount of property, plant and equipment in Japan accounts for more than 90% of the total property, plant and equipment on the consolidated balance sheets.

### 3. Breakdown by customer

			(Millions of yen)
Name of customer	Net sales	Relevant segment	
Ministry of Land, Infrastructure, Transport and Tourism	7,252	Geo-engineering and consultation services and Measuring instruments (Japan)	

## Information about impairment loss of noncurrent assets per reportable segment

Prior fiscal year (From January 1, 2013 to December 31, 2013)

					(Millions of yen)
	Geo-engineering and consultation services	Measuring instruments (Japan)	Measuring instruments (Overseas)	Eliminations or corporate	Total
Impairment loss	91	—	—	—	91

Current fiscal year (From January 1, 2014 to December 31, 2014)

Not applicable.

## Information about amortization of goodwill and unamortized balance per reportable segment

Prior fiscal year (From January 1, 2013 to December 31, 2013)

	(Millions of yen)				
	Geo-engineering and consultation services	Measuring instruments (Japan)	Measuring instrument (Overseas)	Eliminations or corporate	Total
Amortization during the year	96	1	43	—	141
Balance at the end of the year	848	2	44	—	895

Current fiscal year (From January 1, 2014 to December 31, 2014)

	(Millions of yen)				
	Geo-engineering and consultation services	Measuring instruments (Japan)	Measuring instrument (Overseas)	Eliminations or corporate	Total
Amortization during the year	194	1	31	—	227
Balance at the end of the year	729	1	18	—	748

## Information about gain on negative goodwill per reportable segment

Not applicable.

## Related-party information

Related-party transactions

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

Not applicable.

## Per share information

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Net assets per share	2,219.12 yen	2,410.80 yen
Net income per share	95.85 yen	131.12 yen

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

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

The number of outstanding shares of treasury stock at the end of the fiscal year that were deducted in the calculation of net assets per share was 200,000 shares in the current fiscal year. The average number of shares of the treasury stock during the period that were deducted in the calculation of net income per share was 116,667 shares in the current fiscal year.

3. As described in "Change in accounting policies", the Company has applied the Accounting Standard for Retirement Benefits and follows the transitional treatment as stipulated in Section 37 of the Accounting Standard of Retirement Benefits.

As a result, net assets per share as of the end of the current fiscal year increased 6.97 yen.

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

	Prior fiscal year (From January 1, 2013 to December 31, 2013)	Current fiscal year (From January 1, 2014 to December 31, 2014)
Net income per share		
Net income (Millions of yen)	2,595	3,550
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to common stock (Millions of yen)	2,595	3,550
Average number of shares outstanding (Share)	27,080,233	27,078,507

## Significant subsequent events

Not applicable.

## Independent Auditor's Report

The Board of Directors  
OYO Corporation

We have audited the accompanying consolidated financial statements of OYO Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OYO Corporation and its consolidated subsidiaries as at December 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young Shin Nihon LLC*

March 24, 2015  
Tokyo, Japan

## Share Overview

(As of December 31, 2014)

### Number of Authorized Shares

120,000,000 shares

### Number of Shares Issued

32,082,573 shares

(of which, Treasury Stock: 4,804,220 shares)

### Shares per Trading Unit

100 shares

### Number of Shareholders

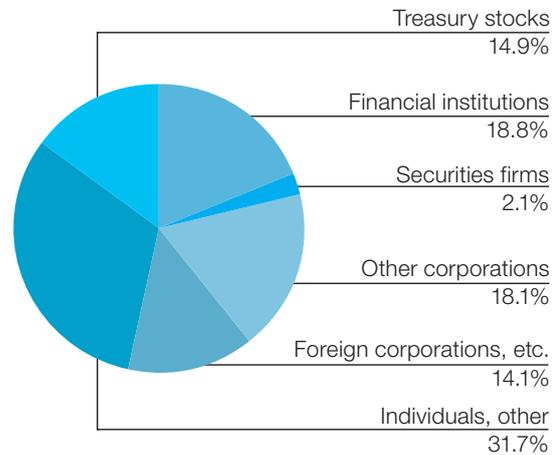
7,108

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

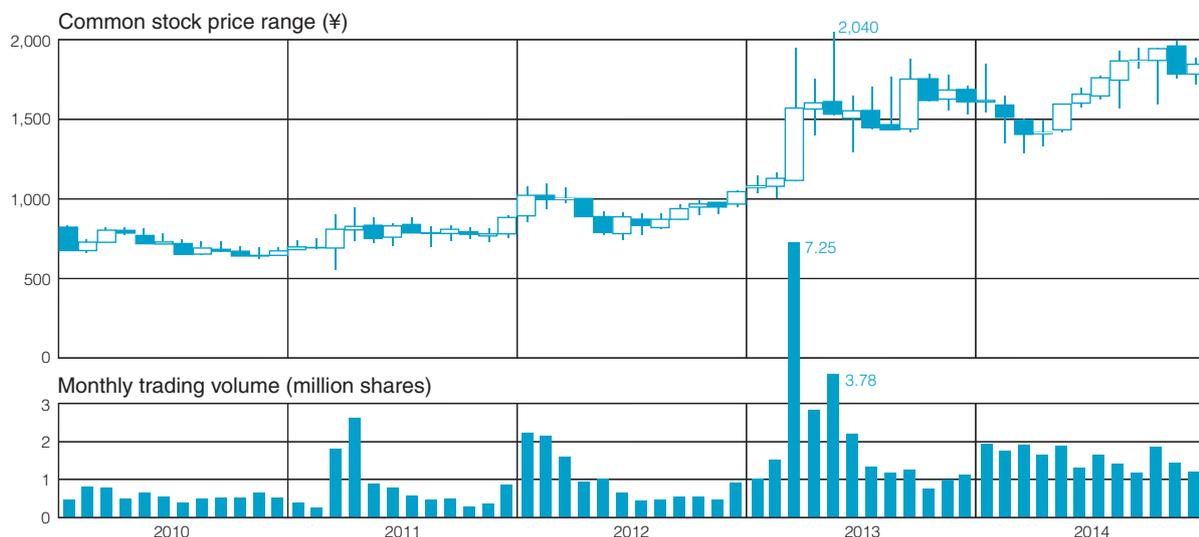
### Principal Shareholders

Trade name	Number of shares	Shareholding ratio (%)
FUKADA GEOLOGICAL INSTITUTE	3,448,500	12.6
Kyoko Fukada	1,765,788	6.5
The Master Trust Bank of Japan, Ltd.	1,312,700	4.8
OYO Corporation Employee Shareholders Association	1,025,513	3.8
Ruriko Suga	936,782	3.4
Japan Trustee Services Bank, Ltd.	904,400	3.3
Mizuho Bank, Ltd.	860,000	3.2
RBC ISB A/C DUB NON RESIDENT - TREATY RATE	714,100	2.6
Pershing Division of Donaldson, Lufkin & Jenrette SEC. Corporation	500,700	1.8
Tama Suyama	476,967	1.7

### Breakdown of Shareholders



### Common Stock Price Trends



## Corporate Data

(As of December 31, 2014)

### Name

OYO CORPORATION

### Incorporated

May 2, 1957

### Paid-in Capital

¥16,174,600 thousand (U.S.\$153,459 thousand)

### Number of Employees

2,012 (consolidated)

1,023 (non-consolidated)

### Number of Sales Offices

50 (as of April 1, 2015)

### 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.

2-6-2, Ote-machi,

Chiyoda-ku, Tokyo, Japan 100-0004

Tel: +81-3-5355-7621

### Auditor

Ernst & Young ShinNihon LLC

Hibiya Kokusai Bldg.

2-2-3 Uchisaiwai-cho,

Chiyoda-ku, Tokyo, Japan 100-0011

C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel: +81-3-3503-1100

## Board of Directors, Officers and Corporate Auditors

(As of April 1, 2015)

### President

Masaru Narita\*

### Deputy President

Tsuneaki Iwasaki\*

### Director and Senior Executive Officers

Fumihiko Domoto

Takashi Kanemori

Kenji Yoshinaga

Masami Nagase

### Outside Director

Kazunori Yagi

Kaoru Nakamura

### Statutory Corporate Auditors

Kazunori Nishida

Noboru Nagao

### Corporate Auditors

Shunji Saito

Jun Naito

### Senior Executive Officers

Kazuhiko Sasaki

Koji Kawamoto

Jun Shigenobu

Kenji Sato

Wataru Nakagawa

Yuichi Hirashima

### Executive Officers

Shinichi Hiramatsu

Toshihiko Tanaka

Masato Kawachi

Osamu Ide

Yasunori Shoji

Masahiro Oshima

Masuo Harada

Shinichi Iwashita

Kenji Tobita

Hiromasa Shima

Hiroo Ouchi

Nobutaka Ogi

\*Representative Director

## OYO's Subsidiaries and Affiliates

(As of April 1, 2015)

### Head Office

7 Kanda-Mitoshiro-cho,  
Chiyoda-Ku, Tokyo 101-8486, Japan  
Tel: +81-3-5577-4501  
Fax: +81-3-5577-4567  
www.oyo.co.jp  
E-mail: prosight@oyonet.oyo.co.jp

[Subsidiaries]

### NS Environmental Science Consultant Corporation

Minato-ku, Tokyo, Japan  
(Environmental surveys and environmental assessment)  
\* www.ns-kankyo.co.jp

### KCS Co. Ltd

Bunkyo-ku, Tokyo, Japan  
(Road planning, transportation analysis, regional planning,  
environmental evaluation, and ecosystem survey)  
\* www.kcsweb.co.jp

### Tohoku Boring Co., Ltd

Sendai, Miyagi, Japan  
(Geological investigation, landslip prevention and well drilling)  
\* www.tbtor.co.jp

### Ocean Engineering Corporation

Saitama, Saitama, Japan  
(Marine surveying and investigation)  
www.ocean-eng.com  
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 International Corporation

Bunkyo-ku, Tokyo, Japan  
(Geotechnical, environmental and disaster prevention  
engineering services)  
www.oyointer.com  
E-mail: oic@oyointer.com

### 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

### Nankyu Geo Technics Corporation

Kagoshima, Kagoshima, Japan  
(Geological investigation and geophysical services)  
\* www.nan9.co.jp

### OYO Geo Technical Service Corporation

Toshima-ku, Tokyo, Japan  
(Soil investigation and seismic evaluation)  
\* www.oyogts.co.jp

### OYO Seismic Instrumentation Corporation

Saitama, Saitama, Japan  
(Sale of seismometers and  
seismological instrumentation services)  
\* www.oyosi.co.jp

### OYO Resources Management Corporation

Bunkyo-ku, Tokyo, Japan  
(Sale of software & hardware products for geological &  
environmental investigation, temporary personnel agency,  
nonlife insurance agency)  
\* www.oyorm.co.jp

\* Japanese only

### OYO Geo-monitoring Service Corporation

Kawaguchi, Saitama, Japan  
(Geo-monitoring service and instruments rental)  
\* www.oyoks.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 Ltd

Deganwy, Conwy, U.K.  
(Manufacturing and sale of slimhole logging systems)  
www.geologging.com  
E-mail: sales@geologging.com

### NCS SubSea, Inc.

Stafford, Texas, U.S.A.  
(Marine survey and geophysical services)  
www.ncs-subsea.com  
E-mail: info@ncs-subsea.com

### OYO Corporation, Pacific

Tumon, Guam, U.S.A.  
(Geotechnical Investigation/Reporting/Consulting Services)  
www.oyopacific.com  
E-mail: info@oyopacific.com

[Affiliates]

### 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

### Tianjin Smart Sensor Technology Co., Ltd

Tianjin, P.R. China  
(Manufacturing and sale of geological hazard monitoring  
instruments)  
www.tssiot.com

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