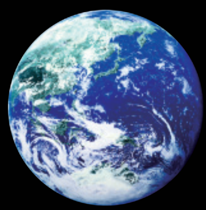


ANNUAL REPORT 2015

January 1 to December 31, 2015

oyo corporation

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

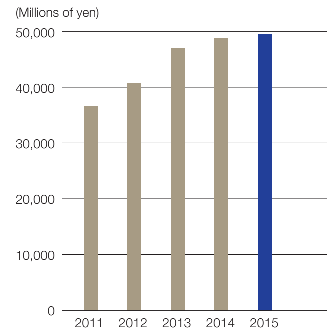
Contribute to Local Communities as a Comprehensive Geoscience Consultant
Create New Markets with Innovative Technologies

Contents

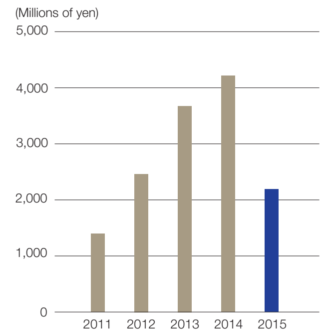
OYO Corporation Years ended December 31, 2011, 2012, 2013, 2014 and 2015

			Millions of yen		
	2011	2012	2013	2014	**2015**
For the Year:					
Net sales	36,718	40,704	47,033	48,634	**49,230**
Operating income (loss)	1,396	2,465	3,679	4,211	**2,188**
Income before income taxes (loss)	1,755	9,154	4,075	4,796	**2,677**
Net income (loss)	1,076	5,756	2,595	3,550	**2,361**
At Year-End:					
Total assets	59,060	65,485	75,003	80,367	**83,617**
Net assets	48,874	54,620	60,523	65,740	**68,910**
			Yen		
Per Share Data:					
Net income (loss)	39.76	212.55	95.85	131.12	**87.20**
Net assets	1,796.47	2,008.03	2,219.12	2,410.80	**2,529.27**
Cash dividends	12.50	15.00	21.0	26.0	**28.00**

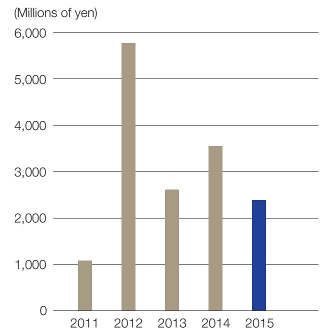
Net Sales



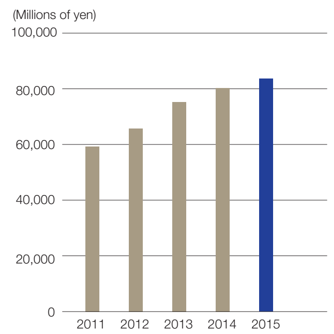
Operating Income (loss)



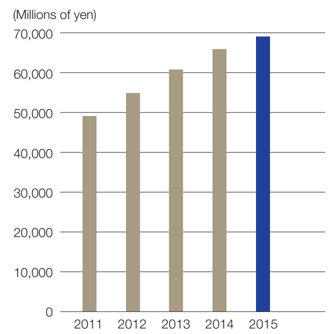
Net Income (loss)



Total Assets



Net Assets



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.

OYO Group Vision | To be a Global Corporate Group of Specialized Companies Covering all Geoscientific Fields

Achieving a year-on-year increase in dividends for four consecutive fiscal years, we steadily implement measures under OYO Step 14, our medium-term business plan.

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 59th fiscal year (January 1, 2015 to December 31, 2015), the business environment surrounding the OYO Group remained severe both in Japan and abroad. Domestically, the special procurement demand related to the earthquake disasters headed for an end and an increase in public investments tended to be suppressed. Overseas, demand for resources and energy decreased while appreciation of the U.S. dollar and depreciation of the euro proceeded.

Under such circumstances, the OYO Group focused on the areas related to disaster prevention and mitigation, energy and maintenance and management, and proactively worked on expanding information services, in the Japanese market. Outside Japan, the OYO Group was engaged in research and development for next-generation products and products aimed at expanding the business domains in the measuring instruments business.

These activities led to an increase in revenue but a decrease in profits, both on a year-on-year basis, in our consolidated performance for the fiscal year under review. However, dividend per share for the entire fiscal year came to 28 yen, achieving a year-on-year increase for four consecutive fiscal years.

Initiatives and Evaluation in the Fiscal Year under Review

As we conducted our domestic businesses, we proactively implemented operations of high value-added services including three-dimensional ground information services and geo-consultation services utilizing high-level, high-quality technologies. In particular, a high evaluation was given to our one-stop service, which offers equipment development, geological investigations and maintenance services, allowing us to receive an order from the Japan Meteorological Agency for a large project related to volcano monitoring systems.

Moreover, with regard to the ground information services, we initiated a three-dimensional ground information display service for the construction business, in addition to the housing and real estate markets we have served for. We also established a consortium for subsurface cavity exploration services. As such, OYO promoted expansion of its stock-based businesses.

Other than these, the Company started provision of waste disposal operation systems and vehicle operation management systems utilizing smart phones. OYO also reinforced its endeavors on IoT (Internet of Things) as it began to sell successor models of the monitoring instruments equipped with online transmission functions.

In our overseas operations, Geophysical Survey Systems, Inc., a U.S. subsidiary in charge of radar systems, contributed to performance by proactively launching new products to the market. Geometrics, Inc., also a U.S. subsidiary, took a step forward to expansion of its business domains by developing an ultraminiature magnetic sensor. Furthermore, in the measuring instruments business (overseas), we plan to provide new products in sequence, starting in 2016, as the outcome of the research and development activities we have conducted since 2013.

Moreover, in addition to the business expansion progressing in Central and Western Asia, we are making efforts to find partners for further expand the market.

Future Policy for Initiatives

The OYO Group is implementing ‘OYO Step 14,’ the ongoing medium-term business plan, to realize ‘OYO2020,’ its long-term management vision, with an aim to achieve net sales of 58.5 billion yen in the final fiscal year (fiscal 2017) of the plan. To attain this goal, we will work to shift our businesses from the conventional and regular operations to those that should play strategic roles, and focus on providing high value-added services to help enhance the corporate value of our customers, including cost reductions through the entire operations and support for conducting environmentally conscious management, all the way from their business planning to start of the systems and afterward.

June 2016

Masaru Narita
President
成田賢

Under OYO Step 14 we will promote business expansion to realize 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 OYO2020. The 59th fiscal year belongs to the third phase of Act: Step. Built on the achievements of the Trial: Hop phase, we will work to further expand businesses and strengthen the management base, taking a step forward to the next phase of Advance: Jump.

Roadmap for Achieving OYO 2020

Phase 1 — Plan: Approach
Planning and preparations

Phase 2 — Trial: Hop
Establishment of foundations

Phase 3 — Act: Step
Construction of foundations for growth

Business Creation

Phase 4 — Advance: Jump
Realization of new growth

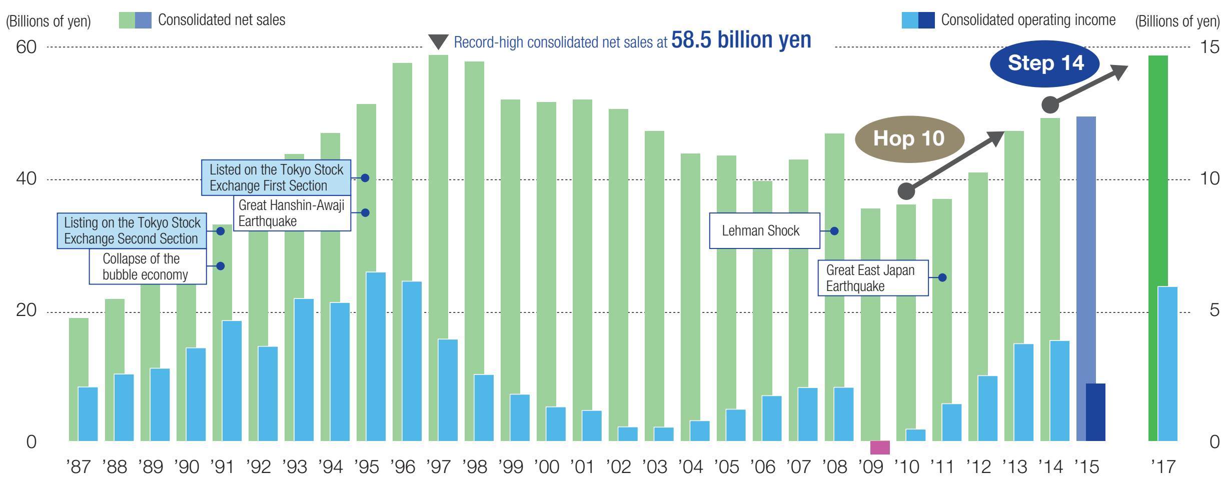
Long-Term Management Vision

OYO 2020

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

Aim 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.

Aiming to achieve all-time performance high



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

Actual results for fiscal 2015

Consolidated net sales: **49.23** billion yen
Operating margin: **4.4**% (2.18 billion yen)
Ratio of ordinary income to total assets: **3.1**%
Overseas sales ratio: **19**%

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

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

- A company that can create new businesses based on solid technologies in specialized areas (business expansion)
- A company with an earnings structure that securely accumulates profits (business foundation)
- A company that is reliable and sustainable with a group of human resources featuring diversity (business foundation)

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

Disaster prevention/ mitigation	Environment	Energy and resources	Public infrastructure that supports comfortable living
			

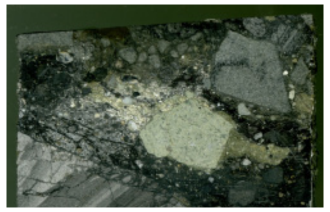
Business Expansion

1 Business expansion for high value-added services

< Major endeavors in the 59th fiscal year >

◆ Expanded efforts on three-dimensional ground information services

Reinforced development of information processing technologies related to three-dimensional ground information, to be compatible with BIM (Building Information Modeling) and CIM (Construction Information Modeling) which will be increasingly utilized in the construction industry in the future.



◆ High value-added services through high-level, high-quality surveys

Utilized detailed and high value-added ground information to expand geological consultation services for construction projects of important structures including dams.

◆ Order for volcano monitoring-related operations received from the Japan Meteorological Agency

Received an order from the Japan Meteorological Agency for installation of large devices to monitor volcanic activities at the 47 volcanoes, designated by the Coordinating Committee for Prediction of Volcanic Eruptions, in Japan as OYO's one-stop services ranging from development of devices to geological investigations and maintenance differentiated it from competitors.

2 Expansion of stock-based businesses

< Major endeavors in the 59th fiscal year >

◆ Expansion of information services

Initiated a three-dimensional ground information display service for the construction business, in addition to the housing and real estate markets we have served for.

◆ Expansion of IoT services

Started provision of services for the "removed soil transportation management system" associated with decontamination and the bus operation management system utilizing smart phones, and started selling the successor models of the monitoring instruments equipped with online transmission functions.

◆ Market expansion in the maintenance and management sectors

Established a consortium for subsurface cavity exploration services that OYO has developed, with an aim to expand the market for central government agencies and municipalities.

3 Expansion of overseas markets

< Major endeavors in the 59th fiscal year >

◆ Development of new products

The measuring instruments business (overseas), which is primarily conducted by the U.S. subsidiaries, saw its price competitiveness decrease due to the stronger dollar. However, business performance was secured as Geophysical Survey Systems, Inc., a U.S. subsidiary, launched the successor models of the structures maintenance devices, etc. for the maintenance and management sectors to the market.

◆ Promotion of research and development for expanding the business domains

Research and development is being made continuously in the measuring instruments business (overseas) for expanding the business domains other than resources surveying.

◆ Market cultivation in Central and Western Asia

In the geo-engineering survey and consultation services business, efforts are under way to find partners in Central and Western Asia such as Turkey and the Republic of Azerbaijan with the aim to expand the market.

Strengthening of Management Base

1 Preparation and reinforcement of strategic organizations

< Major endeavors in the 59th fiscal year >

◆ Plan for a new laboratory

Established a technological research and development center, which should play a central role in developing the OYO Group's products and services, to start operations in 2016 with an aim to achieve the world-class standards.

2 Utilization of management resources and improvement of efficiency

< Major endeavors in the 59th fiscal year >

◆ Replacement of testing equipment and facilities and continuous investment in R&D

Reinforced OYO's airborne probing facilities for geothermal surveys, volcano surveys and other surveys. Also continued investment in product development for producing next-generation devices.

◆ Renewal of overall information systems

Plans to introduce the new systems in 2017.

3 Securing and fostering human resources

< Major endeavors in the 59th fiscal year >

◆ Employment of core workers: Employed 40 for 2016, following 44 for 2015, in order to bolster stable growth going forward. Plans to continue employment in a stable manner.

4 Promotion of initiatives for CSR

< Major endeavors in the 59th fiscal year >

◆ Enhanced the whistle-blowing system

◆ Obtained the Kurumin mark.

◆ Reinforced initiatives for improving the work-life balance.

*The Kurumin mark is a certificate by the Minister of Health, Labour and Welfare for companies that have prepared general business entity action plans pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children and have achieved the targets established in the plans and satisfied certain standards.

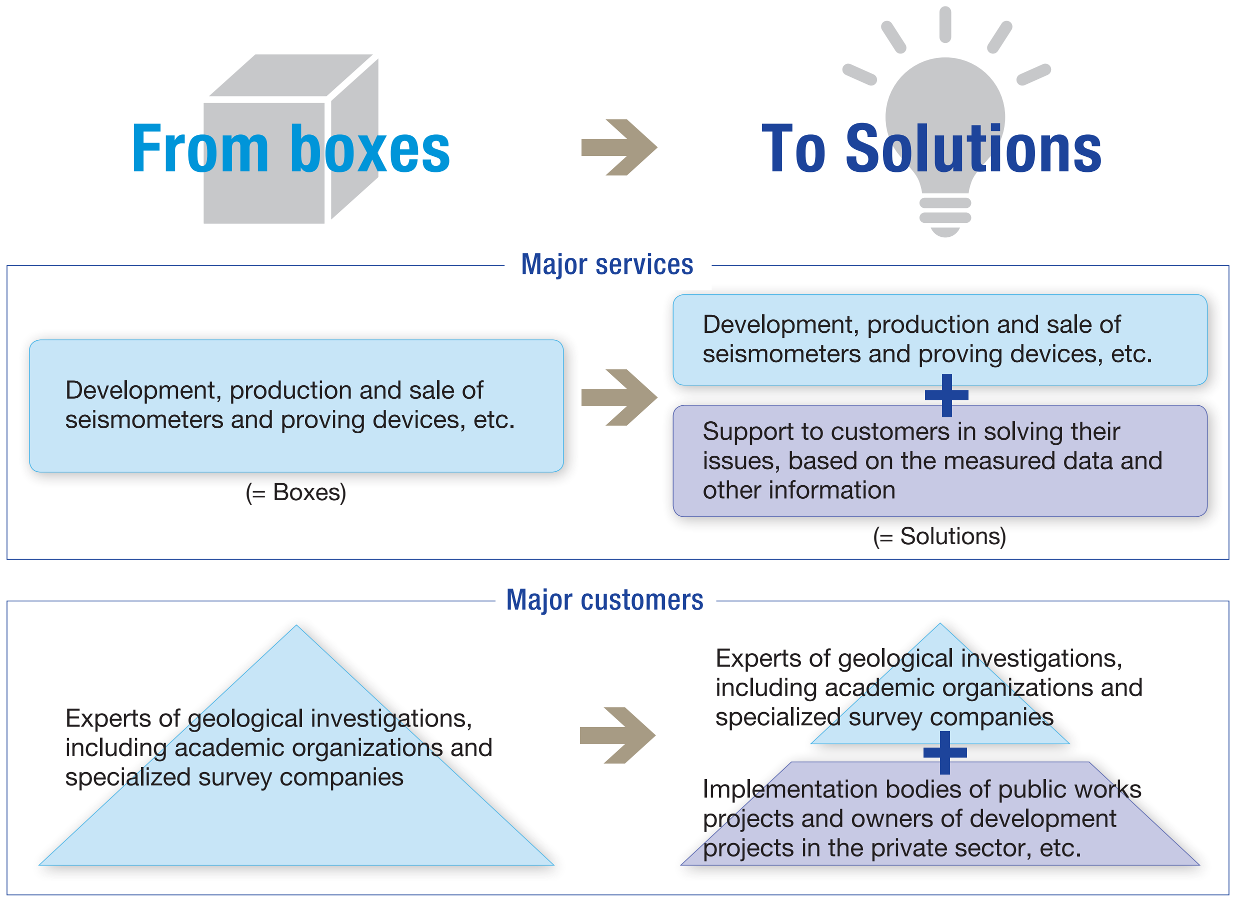
Oyo's Overseas Operations: From Boxes to Solutions

Below is an introduction, featured with specific cases, to the OYO Group's overseas operations, which are expanding the business fields under the slogan of "from boxes to solutions" in the face of the world's economic trends that have become difficult due to such factors as a drop in oil prices and financial turmoil.

What does "from boxes to solutions" mean?

"Boxes" represents development and sales of equipment, while "solutions" represent supporting customers in solving their issues by utilizing the data measured by the equipment. Our business with academic organizations and survey companies, which are customers the OYO Group has long served, is centered on selling equipment as they have proprietary know-how of using equipment. However, in the face of the difficult economic environment, budgets of such academic organizations, etc. are currently on a decreasing trend.

Given such a situation, the OYO Group has taken initiatives to deepen and expand the base of customers who use our highly specialized products. As we do so, we provide solutions that can appropriately meet a variety of customer needs. For example, we have delivered our products to the implementation bodies of public works projects and owners of private sector development projects with follow-up services in a package, including provision of ground risk information derived from the data obtained by the provided equipment.



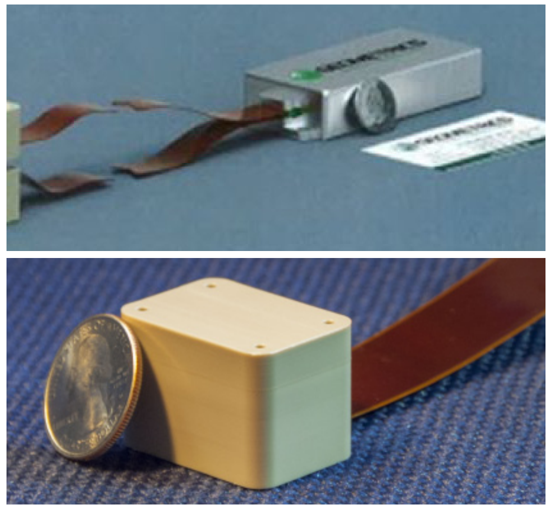
TOPICS | Business Examples

Installation of an earthquake disaster prevention system to Abu Dhabi City

Kinemetrics, Inc., a 100%-owned subsidiary of OYO in the U.S., received an order for the large-scale earthquake disaster project covering the entire areas of the Emirate of Abu Dhabi, and completed the installation in 2012. The subsidiary conducted not only the delivery and installation of seismometers but also a series of tasks from assessment of earthquake risks to operations and maintenance of the observation networks for earthquake monitoring. The system will contribute to grasping the disaster status and preparing appropriate evacuation plans, etc. when earthquake disasters occur in the country, where there is a shortage of experts for geology and earthquake disaster prevention.

Test shipping of ultraminiature magnetic sensors

In 2016, Geometrics, Inc., a 100%-owned subsidiary of OYO in the U.S., test shipped a ultraminiature magnetic sensor. The miniaturization has further facilitated geological investigations with magnetometers, as it has become possible to conduct investigations at places where manned surveys are difficult to perform, by attaching the new sensor to a radio-controlled helicopter, for example. Going forward, efforts will be made to cultivate new sales channels by proposing solutions, including analysis of the measurement results, along with the sale of the new sensor.



The sensor section is 2 cubic centimeters in volume, with the electronic circuit section designed in a compact size as small as a business card.

CSR Action Plan

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.

CSR Achievements

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 OYO Group established the CSR management policies in 2014 in reference with the ISO26000. Pursuant to the CSR Action Plan under the CSR management policies, we will 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 by stakeholders. Moreover, the 7 core subjects of ISO26000, by which the cases are categorized, are indicated.

For Customers

1 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 (Climate change mitigation and adaptation)

2 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 (Sustainable resource use)

3 Risk assessment and countermeasures of naturally-occurring heavy metals contained in strata

OYO provides solutions to address the environmental issues of the customers. 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.

[7 core subjects for ISO26000] The environment (Prevention of pollution)

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

With the obtainment of the ISO9001 quality management system certification in 1998, OYO has endeavored to maintain the quality of its products and enhance its services. The Company also obtained the ISO14001 environmental management system certification in 2012, and has worked to reduce environmental burdens by implementing its environmental policies in accordance with the ISO14001 standards.

On top of these, OYO has officially introduced an information security management system based on the ISO27001. With the certification, the Company encourages its officers and employees to recognize the importance of information security even more so than before, and can implement the PDCA (plan-do-check-act) cycle in a more systematic way with regard to the information security management system. (March 14, 2014)

[7 core subjects for ISO26000] Consumer issues (Consumer data protection and privacy)

For Employees

1 Obtainment of the Kurumin mark, a certification mark for a company supporting raising of next-generation children

As a company proactively working to support raising next-generation children, OYO Corporation was certified as a “general business entity compliant with standards” by the Tokyo Labor Bureau on September 24, 2015 pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children, and obtained the certification mark for a company supporting raising of next-generation children (nicknamed “Kurumin”). For the period from April 1, 2013 to March 31, 2015, OYO formulated the third “general employer action plan” and implemented it, with an aim to establish an employment environment in which employees can fully exert their capabilities while keeping a good balance of work and parenting. Such an effort has been recognized, leading to the obtainment of the certification. (October 27, 2015)

[7 core subjects for ISO26000] Labor practices (Conditions of work and social protection)

2 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 (Social dialogue)

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


M.M.Minderhoud, Wikipedia/Michiel1972

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 (Human development and training in the workplace)

4 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

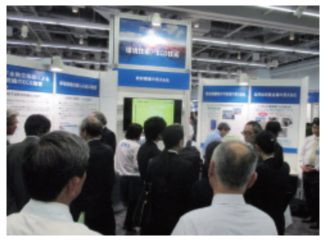
For Partner Companies

1 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 (Economic, social and cultural rights)

2 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 (Access to essential services)

For Shareholders

1 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

2 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

1 Cooperation to the Laboratory of Material Cycle and Energy Systems, an endowed research division of Hokkaido University

OYO is cooperating to an endowed research division established at Hokkaido University for the period from October 1, 2015 to September 30, 2018. The division aims to study and develop the technical systems to promote popularization of safe and secure renewable energy, centering on “biomass” (waste, virgin and energy crops), and the technical systems pursuing higher efficiency and profitability in waste recycling and processing technologies. These subjects respond to the areas related to waste disposal by recycling, which the Company planned to tackle in OYO Step 14, its current medium-term business plan. OYO expects that the research results in these subjects will contribute to enhancing the Company’s issue-solving capabilities as well as to supporting its continuous growth, which should then enable OYO to provide services that are more useful to society.

[7 core subjects for ISO26000] The environment (Sustainable resource use)

2 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)

On August 29-30, 2015, the eighth “Fabulous Rivers: Making Nice Rivers Workshop” was held in Sendai. With 41 groups applying for the event nationwide, the joint presentation by the Miharu Dam management office and OYO, titled “Prevention and Extermination of Bass Species by Utilizing Water Level Control at Miharu Dam (Lake Sakura),” won three awards (“Award for Non-Native Species Disappearing from Dams in Japan due to Amazing Miharu Effects” “Fabulous Rivers Technical Award” and the “Tohoku Waterside Award”). The “Fabulous Rivers: Making Nice Rivers Workshop in Sendai” is subsidized by the River Environment Fund of the River Foundation. (August 2015)

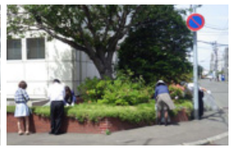
[7 core subjects for ISO26000] The environment (Protection of the environment, biodiversity and restoration of natural habitats)

3 Participation in community cleaning activities

Since July 2014, the Company's Hokkaido Branch has been conducting cleaning activities each month for the purpose of contributing to the local communities, one of OYO's CSR action policies. As part of it, the staff picked up trash and pulled up weeds in roads surrounding the branch, and they were eventually thanked by the residents in the neighborhood. (July 2014).

The cleaning activities were suspended during winter because of accumulated snow, but were resumed in April when the snow was gone. Although there were many pieces of trash buried in snow immediately after resumption, the volume of trash decreased through continuous cleaning activities. (July 2015)


Conducted on July 6, 2015


Conducted on June 1, 2015


Conducted on May 1, 2015


Conducted on April 1, 2015

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

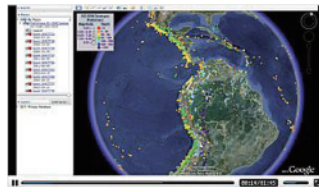
4 Support of GeoHazards International

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. Mr. Brian Tucker, the founder of GHI, was featured in the New York Times on its May 4, 2015 issue.

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 (Education and culture)

5 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 (Technology development and access)

6 Participation in disaster prevention training of local communities

The Company's Kansai Branch cooperates to the prevention training and related events in Yodogawa Ward, Osaka City, by offering demonstrations centering on experiments of liquefaction and making presentations on the grounds. When people directly see the "moment" when the liquefaction occurs, there almost certainly arises a stir among them. The photo shows our staff with model houses that have different oscillation periods, explaining that different buildings are more prone to shake in accordance with different oscillation periods of earthquakes. (February 2015)

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

7 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 (Education and culture)

8 Accepting visits by junior high school students to the Company

In May 2015, the Company accepted visits of 8 students from the Affiliate Junior High School, Faculty of Education, Gifu University. Visits by junior high school students to companies are one of the school excursion programs; students visit a variety of companies and organizations to learn their business activities and daily operations, with an aim to understand the role of working and joy and satisfaction of working. To date, OYO has accepted visits from a school (in Fukushima Prefecture) in 2013, two schools (in Gifu and Mie Prefectures) in 2014 and 2 schools (in Gifu and Aomori Prefectures) in 2015. (May 2015)

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

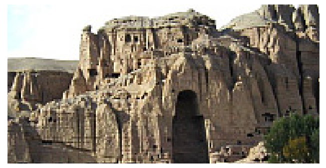
9 Joint research on sediment disasters at volcano foothill

The Company has been working on the research of preventing sediment disasters, focusing on the disasters of Izu Oshima Island where Typhoon Wipha caused sediment disasters in 2013, jointly with the Disaster Mitigation Planning for Regional Communities Endowed Research Division, Disaster Mitigation Research Center, Nagoya University. Through the joint research, we will clarify the relevance of geographical features, geological features and vegetation, applying the results to the disaster prevention measures in the future. (Since December 2013)

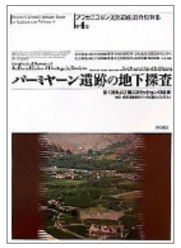
[7 core subjects for ISO26000] The environment (Climate change mitigation and adaptation)

10 Preservation of the Cultural Landscape and Archaeological Remains of the Bamiyan Valley

In May 2007, OYO started a joint research with the Independent Administrative Institution National Research Institute for Cultural Properties, Tokyo, for preserving the Cultural Landscape and Archaeological Remains of the Bamiyan Valley (in Afghanistan). The project for preservation of Bamiyan Remains was initiated by UNESCO's Japanese Funds-in-Trust for the Preservation of the World Cultural Heritage, which the Japanese government contributed to UNESCO. With the cooperation by the Ministry of Information and Culture of Afghanistan and UNESCO, experts from Japan, Italy Germany and France are implanting the project in coordination with the International Council on Monuments and Sites (ICOMOS)



To prepare the preservation plan, it is necessary to predict which places are in danger of collapse and, after identifying the places where urgent countermeasures are needed, take appropriate treatment. To do so, it is essential to understand the geographical and geological features of the cliffs and, by utilizing rock engineering methods, predict the current mechanical strength of the cliffs and future changes in the strength. Accordingly, our staff participated as members of the investigation team to conduct field surveys. Consequently, the team learned the geologic distribution of the entire cliffs in the distance of 2 kilometers from east to west, and conducted assessment throughout the cliffs of stability of the slopes that may eventually collapse.



As part of the results of the joint research, a book was published jointly in March 2010.

- ◆ Series title: Afghan Cultural Heritage Survey Materials Volume 4
- ◆ Title: Underground Exploration of the Bamiyan Remains
- ◆ Subtitle: Achievements of the First and Second Missions
- ◆ Edited by: Japan Center for International Cooperation in Conservation of the Independent Administrative Institution National Research Institute for Cultural Properties, Tokyo, Nara National Research Institute for Cultural Properties of the National Institute for Cultural Heritage, and OYO Corporation
- ◆ Publisher: Akashi Shoten, Ltd.
- ◆ Date of publication: March 20, 2010 (first edition, first printing)(March 2010)

11 Enlightenment activities for earthquake disaster prevention

Aside from conducting earthquake measurement, OYO contributes to enhancing the awareness of the general public on disaster prevention by holding seminars and exhibitions utilizing our "BURURU" series for enhanced earthquake resistance of houses, fixation of furniture and other measures for mitigating disasters, in order to reduce earthquake damages as much as possible. The "BURURU" series comprise a variety of teaching materials, including "Pinocchio BURURU," which easily visualizes and explain how to make buildings more earthquake resistant efficiently, and "Tsunami Hakase" (Dr. Tsunami) that explains the mechanism of the tsunami phenomenon.

The "BURURU" series is presented in detail on the website (in Japanese) of OYO Seismic Instrumentation Corporation, an OYO Group company.

Basic Idea

OYO shall endeavor to enhance its corporate governance, positioning it an important theme of management to achieve continuous growth and enhance corporate value over the medium to long term as it aims to become a “company that is trusted by society and contributes to constructing a sustainable society with safety and security” while keeping an appropriate relationship with the stakeholders including shareholders, investors, customers, employees, business partners and local communities.

Moreover, OYO shall establish management organizations, appoint supervisors and secure supervisory functions in order to achieve these goals. Pursuing implementation of sound management operations based on strong self-discipline, OYO shall assess its actual conditions and securely take highly effective measures by setting up appropriate objectives.

Outline of Structure of Corporate Governance

In order to maintain and enhance management efficiency, OYO has established a board of directors comprised of seven directors who are well-versed in OYO’s businesses, two outside directors who are independent and pose no danger of generating conflicts of interest with general shareholders, two full-time corporate auditors and two outside corporate auditors who are independent officers. 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 directors and two outside corporate auditors, all of whom are independent officers, leverage their broad insight and wealth of experience to offer opinions/advice concerning important management matters from independent and neutral perspectives. Furthermore, respective corporate auditors work closely with the accounting auditor and internal audit department to implement their 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.

*The criteria for confirming the independence of OYO’s outside offers are described on page 17.

Board of Directors

The board of directors is comprised of nine directors including two outside directors who are independent officers (as of March 25, 2016). 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 seven directors (of which, seven serve concurrently as executive officers) and fifteen executive officers (as of March 25, 2016). 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 March 25, 2016). 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, divisions and regional offices 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 May 8, 2015 meeting of the board of directors, OYO passed a resolution for revision of the basic policy on internal control regarding reinforcement of auditing by corporate auditors and operation of the internal control system of the entire corporate group.

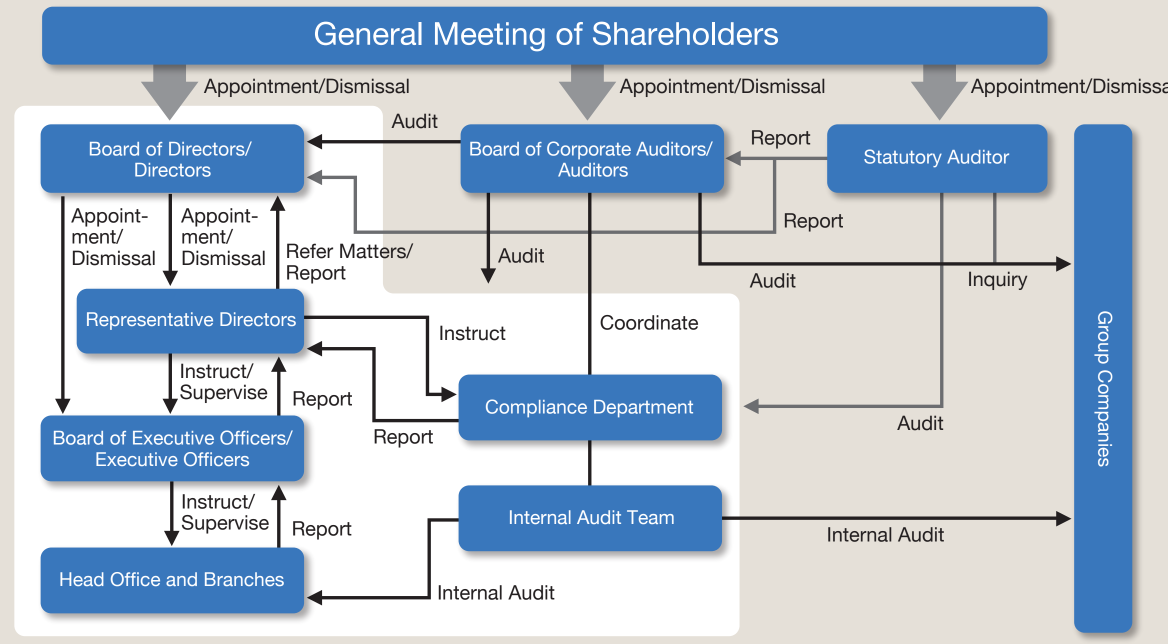
Status of Preparation of Risk Management Structure

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 conduct. 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 led by the Compliance Department conducts audits in accordance with an internal audit program to verify/assess that activities related to business operations and accounting operations 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 and corporate auditors regularly exchange information and opinions on audit plans and audit results, and mutually coordinate as the internal audit team witnesses some of the audit reports to the corporate auditors undertaken by accountants. Full-time corporate auditors also conduct the necessary audits of operations of each department of the head office, divisions and regional offices as needed. The structure of OYO’s execution of operations, management oversight and internal control system is as follows.

OYO Structure for Implementing Strategies, Monitoring Operations and Internal Control



Independence Standards of Independent Outside Officers

If an outside officer satisfies the following requirements, OYO determines that the said outside officer has sufficient independence against OYO.

1.The person does not belong to, or is not a party executing business operations (Note 1) for OYO, its consolidated subsidiaries or affiliates accounted for under the equity method (hereafter, the “OYO Group”). Likewise, none of the person’s close relatives, etc. (Note 2) has been a party executing business operations of the OYO Group in the past five years.

2.The person has not fallen under the following categories in the past ten years.
(1) A major shareholder, or its close relatives, etc., of OYO. If the major shareholder is a corporation, a party executing business operations of the said corporation.
(2) A party executing business operations for a major business counterparty (Note 4) of OYO, or a party executing business operations for a company for which OYO is a major business counterparty.
(3) A party executing business operations for a major lender (Note 5) of OYO.
(4) A party executing business operations for a securities company serving as lead manager for OYO
(5) A party who belongs to an auditing firm that conducts statutory audits of OYO
(6) A party who belongs to a lawyer’s office or a consulting company that has concluded an advisory agreement with OYO
(7) A party who receives a large amount (Note 6) of money other than officer’s compensation from OYO.
(8) A party executing business operations for an entity which dispatches an officer to OYO and to which OYO also dispatches an officer.
(9) A party executing business operations for a group that receives a large amount of donation money (Note 7) from OYO.

3.None of the person’s close relatives, etc. currently falls under the categories of (1) through (9) above.

4.As of the appointment as officer, the person has not been in office as OYO’s outside officer for ten years or more in total.

Note 1: A party executing business operations refers to an executive director, a managing director, an executive officer, or an employee such as a manager.

Note 2: Close relatives, etc. refer to a spouse and relatives within the second degree of kinship.

Note 3: A major shareholder refers to a shareholder holding 10% or more of the voting rights as of the end of the fiscal year.

Note 4: A major business counterparty refers to a business counterparty of OYO, with which the annual transaction value surpasses 2% of Oyo’s or the counterparty’s average consolidated net sales in the past three fiscal years.

Note 5: A major lender refers to a financial institution from which the OYO Group borrows funds, with the balance of the borrowings surpassing 2% of OYO’s or the said financial institution’s consolidated total assets as of the end of the fiscal year.

Note 6: A large amount refers to an amount surpassing 10 million yen per year on average of the past three years.

Note 7: A group that receives a large amount of donation money refers to a group that receives a donations or a grant from OYO at over 10 million yen per year on average of the past three years.

Net Sales

While domestic public investments remained at a level comparable to the previous year, the end of the special procurement demand related to the earthquake disasters caused sales of conventional construction and development businesses to decrease. However, with expansions achieved in the disaster prevention and mitigation areas and energy areas in Japan, net sales increased 596 million yen, or up 1.2%, from the previous consolidated fiscal period to 49,230 million yen.

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 18 million yen in net sales to 37,106 million yen (an increase of 0.1% year-on-year), and the measuring instruments business (Japan) recorded an increase of 610 million yen to 4,217 million yen (an increase of 16.9% year-on-year).

Meanwhile, the measuring instruments business (overseas), which is conducted under the initiatives of subsidiaries in North America, posted sales of 7,905 million yen (a decrease of 0.4% year-on-year). Despite a severe external environment, the weaker yen helped keep the decrease in sales at only 33 million yen.

Gross Profit on Sales

Gross profit on sales decreased 577 million yen from the previous consolidated fiscal year to 14,888 million yen (a decrease of 3.7% year-on-year). Despite an increase in net sales, the figure decreased due to an increase in personnel expenses as well as the ratio of cost of sales rising in accordance with the price competitiveness of the U.S. subsidiaries lowered by the stronger dollar and weaker euro, among other factors.

Selling, General and Administrative Expenses and Operating Income

Selling, general and administrative expenses increased 1,445 million yen from the previous consolidated fiscal year to 12,700 million yen (an increase of 12.8% year-on-year) due to higher personnel and R&D expenses. Partly due to an increase in cost of sales, operating income decreased 2,022 million yen from the previous consolidated fiscal year to 2,188 million yen (a decrease of 48.0%), and operating margin was 4.4%, down 4.3 points year-on-year.

Non-Operating Income (Loss) and Ordinary Income

Non-operating income (loss) decreased 92 million yen from the previous consolidated fiscal year, resulting in non-operating income of 346 million yen. As a result, ordinary income totaled 2,534 million yen, a year-on-year decrease of 2,115 million yen.

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

In terms of extraordinary income (loss), extraordinary income was 143million yen, a decrease of 44 million yen from the previous consolidated fiscal year. There was no accrual of extraordinary loss, meaning a year-on-year decrease of 40 million. As a result, income before income taxes and minority interests decreased 2,119 million yen year-on-year to 2,677 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 878 million yen from the previous consolidated fiscal year to 348 million yen. The decrease was mainly due to the taxes refund of 941 million yen in the overseas businesses. Meanwhile, minority interests in loss came to 31 million yen for the consolidated fiscal year under review (in contrast to minority interests in income of 19 million yen a year earlier). As a result, net income totaled 2,361 million yen, decreasing 1,189 million yen 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 5,488 million yen from the end of the previous consolidate fiscal year (up 242.2% from the increase achieved a year earlier), to net cash of 25,124 million yen (up 28.0% 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 2,047 million yen, a year-on-year decrease of 50.9%. This was mainly attributable to factors increasing net cash such as income before income taxes and minority interests amounting to 2,677 million yen (down 44.2% year-on-year) and depreciation amounting to 1,322 million yen (up 29.8% year-on-year), which offset factors decreasing net cash such as an increase of 1,219 million yen in notes and accounts receivable-trade (in contrast to an increase of 400 million in net cash in the previous consolidated fiscal year).

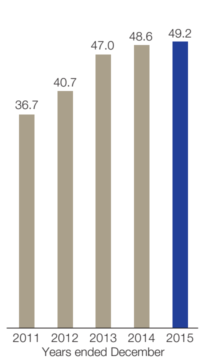
Cash Flows from Investing Activities

Net cash gained from investing activities amounted to 4,046 million yen (in contrast to net cash used of 1,756 million yen in the previous fiscal year). This was mainly attributable to factors increasing net cash such as proceeds from withdrawal of time deposits amounting to 5,989 million yen (in contrast to no accrual in the previous consolidated fiscal year) and proceeds from sales of investment securities amounting to 1,606 million yen (up 44.2% year-on-year), which offset factors decreasing net cash such as purchase of investment securities amounting to 1,418 million yen (up 176.8% year-on-year) and purchase of property, plant and equipment and intangible assets amounting to 1,724 million yen (up 1.8% year-on-year).

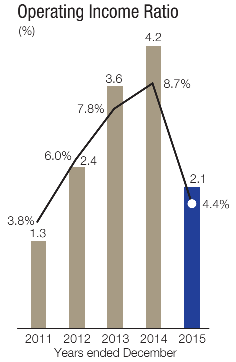
Cash Flows from Financing Activities

Net cash used in financing activities amounted to 902 million yen (down 20.6% year-on-year). This was mainly attributable to factors decreasing net cash such as cash dividends paid by the parent company amounting to 763 million yen (up 17.1% year-on-year).

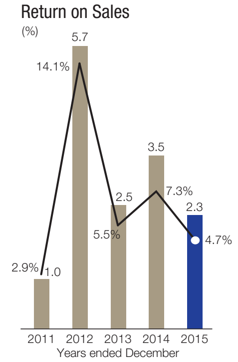
Net Sales
(Billions of yen)



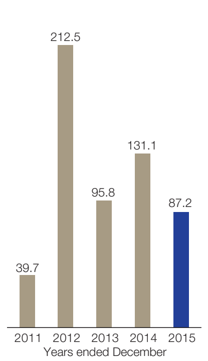
Operating Income (loss)
(Billions of yen)
Operating Income Ratio
(%)



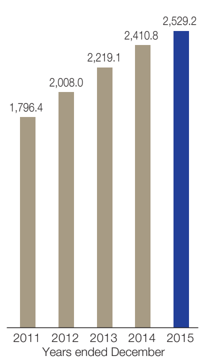
Net Income (loss)
(Billions of yen)
Return on Sales
(%)



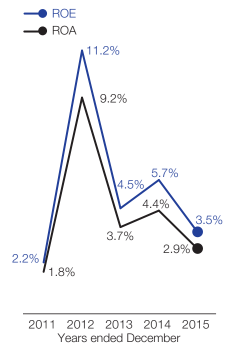
Net Income (loss) per Share
(Yen)



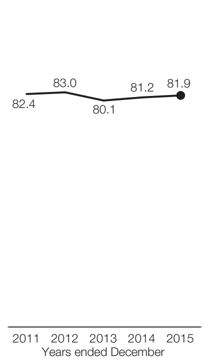
Book Value per Share
(Yen)



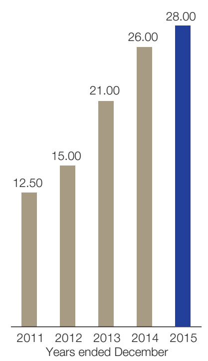
ROE and ROA
(%)



Shareholders' Equity Ratio
(%)



Cash Dividends per Share
(Yen)



R&D Expenditure
(Billions of yen)