

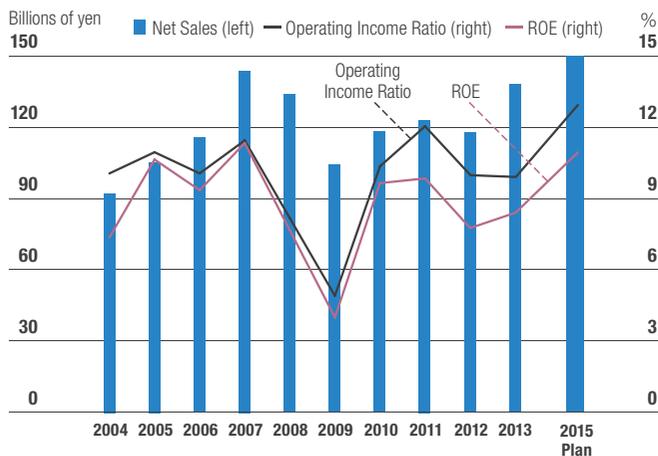


# We are committed to raising corporate value over a long-term

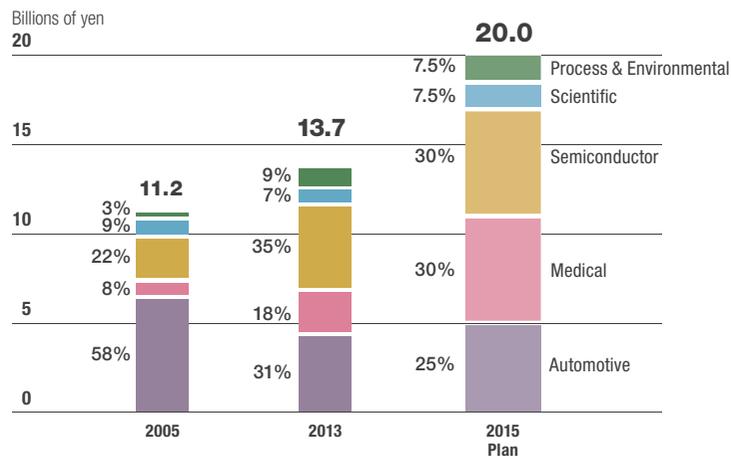
As a CEO, one of my important roles is to continually enhance HORIBA's corporate value. In Kyoto, where our head office is located, there are many long-standing companies with a history of 100 years or more. From these pioneers, I am learning day by day that it is important to disseminate management philosophy, invest in human resources and technologies to be invulnerable to economic downturns, continuously create innovation inspired by "venture spirit," have a spirit of challenge without being satisfied with the status quo, win the trust of customers and enhance long-term value to run the business in harmony with society. In 2013, we celebrated the 60th anniversary of our foundation. I see this as one way point, and we will strive to further enhance our corporate value.

Chairman, President & CEO

## Aiming to achieve sustainable growth and high profitability



## Planning to realize well-balanced growth in operating income



### Mid-Long Term Management Plan [2011-2015]

#### Numerical targets

Net sales	Operating Income Ratio	ROE*
<b>¥150 billion</b>	<b>13% or more</b>	<b>11% or more</b>
Fiscal 2013 - ¥138.1 billion	Fiscal 2013 - 9.9%	Fiscal 2013 - 8.4%

#### Concentrated investment in highly profitable business

Continued investment and steady growth in the Medical-Diagnostic Instruments & Systems segment

#### Change from strategy led by "technology development" to one led by "customer viewpoint and business models"

Business expansion and profitability improvement through restructuring of MCT business  
Market share expansion based on proposing solutions from the customer viewpoint  
→ Application deployment by using HORIBA's Total Solution(Automotive Test Systems segment)  
→ Expand services through acquisition of the process analytical equipment business in North America (Process & Environmental Instruments & Systems segment)

#### Complete "One Company Matrix Management"

Completion of One Company in the Americas through reorganization; implementation in Europe and Asia

#### Accelerate global product development and production

Accelerate opening of reagent plants in the Medical- Diagnostic Instruments & Systems segment  
→ Establish stable global supply system  
Develop a sales support organization in Southeast Asia  
Accelerate global implementation of ERP (Enterprise Resource Planning) systems

\*Return on equity

## Both sales and profits increased in fiscal 2013

In fiscal 2013, ended December 31, 2013, HORIBA posted consolidated net sales of ¥138.1 billion (up 17.5% year-on-year), operating income of ¥13.7 billion (up 16.9%) and net income of ¥8.9 billion (up 21.7%). Both revenue and profit increased in response to the depreciation of the Japanese yen and a recovery in semiconductor market conditions, with net profit reached an all-time high. All business segments reported increased revenue, but profit declined, except in the Semiconductor Instruments & Systems segment, where market conditions recovered. This means to me that we are facing many challenges.

The Semiconductor Instruments & Systems segment recorded a large increase in revenue and profit. This is partly attributable to the upturn in investment in the semiconductor industry from spring 2013 but also to the fact that HORIBA's global market share for its mainstay mass flow controllers increased to 48%\* from 43% of fiscal 2012. This was achieved because HORIBA maintained proactive investment while competitors reduced their investment due to the economic downturn.

Although the Automotive Test Systems segment posted an increase in sales, profit declined albeit slightly. The recovery of R&D investment at automakers around the world helped drive the sales increase in the EMS (Emission Measurement Systems) business and the MCT (Mechatronics) business. We introduced new products in EMS, where we have an 80%\* global market share, and improved profitability in the MCT business. However, owing to increased product development investment in the ITS (Intelligent Transport Systems) business, the profitability of the overall Automotive Test Systems segment declined.

In the Medical-Diagnostic, Process & Environmental and Scientific Instruments & Systems segments, sales increased with the depreciation of the Japanese yen but demand was stagnant and profit decreased mainly because of the uncertain political situation and economic downturn in Europe as well as a reduction in government budgets in various countries.

(\* HORIBA's estimates)

## We expect to achieve the sales target of the Mid-Long Term Management Plan [2011-2015] a year ahead of plan, but improving profitability is an issue

In regard to the Mid-Long Term Management Plan [2011-2015], we expect to achieve the sales target of ¥150 billion in fiscal 2014, one year ahead of plan. Operating income has also approached a record-high level, but the hurdle to achieving the target of ¥20 billion in fiscal 2015 is still somewhat high. HORIBA's overall operating income ratio in fiscal 2013 was 9.9%, almost the same level as in the previous year, but as it fell short of the Mid-Long Term Management Plan [2011-2015] target of 13%, I believe that improving profitability is a challenge we must tackle. Holding back investment and diverting it to profit to achieve quantitative targets is an option but we intend to maintain investment in order to continuously enhance our growth potential.

In the Medical-Diagnostic Instruments & Systems segment, where high growth and high earnings are expected, we have

been promoting a strategy of "concentrated investment" with which we increased investment in reagent manufacturing bases in the so-called BRICs (Brazil, Russia, India, and China) region where demand is expanding. We strengthened the management structure of Medical-Diagnostic Instruments & Systems segment in France, which is an important core base for HORIBA's product development, and North America, which has high growth potential, to rapidly bring products to the market and speed up decision-making processes. We are also enhancing cooperation between Japan and France in product development, and planning to launch new products that combine the strength of France's fundamental technologies and Japan's production technologies. However, it will take some time for these initiatives to bear fruit.

In the Automotive Test Systems segment, we broadened the line-up of MEXA-ONE, HORIBA's first new motor exhaust gas analyzer in 17 years, that was announced in 2012, and accelerated sales activities to capture demand in the automobile industry, which is in a recovery phase. The segment achieved its sales target of the Mid-Long Term Management Plan [2011-2015] in fiscal 2013, two years in advance, and we also expect operating income to attain its target in fiscal 2014, one year ahead of the plan.

In the Semiconductor Instruments & Systems segment, new products that we launched from 2012 to 2013 won high acclaim, which led to higher sales in Asia, where demand is growing, and the expansion of global market share. We aim to boost earnings by maintaining new product development even during downturns in demand and establishing and running an organization that can adequately meet customers' requirements for analytical precision and delivery.

In the Process & Environmental Instruments & Systems segment, sales in the oil refining process measurement equipment business that HORIBA acquired in March 2013 were robust. We expanded the business targeting the petroleum and chemicals industries in the U.S. state of Texas, where demand for shale gas and oil is growing significantly. In the Scientific Instruments & Systems segment, HORIBA acquired a fluorescence spectroscopy business from Photon Technology International, Inc., based in the U.S., and its global affiliates in February 2014. By generating synergies with HORIBA's technologies, we aim to increase sales in the field of regenerative medicine, where iPS cell research is a representative example, and the field of drug discovery.

In addition to such initiatives to improve earnings within the Mid-Long Term Management Plan [2011-2015], we commenced construction of "HORIBA BIWAKO E-HARBOR" to further strengthen our earnings structure for the next Mid-Long Term Management Plan. We will speed up new product launches and enhance production efficiency by transferring the gas measurement businesses of the Automotive Test Systems and Process & Environmental Instruments & Systems segments there in order to organically combine development, design and production. At the same time, we aim to make HORIBA BIWAKO E-HARBOR to be a new base of "craftsmanship" unique to Japan that utilizes our expertise and accumulated know-hows, where further innovation of core technologies is promoted while handing down technologies to the next generation (see page 32 for more details).

# Continuing to invest in human resources and technologies

HORIBA is promoting management that clarifies “what we will change” and “what we will never change” practices we learned by overcoming several economic crises in the past. A major target of “what we will change” that we are currently tackling is management balance. By diversifying businesses, regions and transaction currencies, we are becoming an organization that can maintain the level of investment for the future even if one or two of our businesses or regions enter a downturn. The recent increase in the global market share of the Semiconductor Instruments & Systems segment, where market conditions fluctuate dramatically, is a good example of this.

On the other hand, an example of “what we will never change” is our continued investment in “Invisible Values” (assets not visible in the financial statements) such as human resources and technologies. Such continued investment will become the driving force in expanding global market share when demand recovers, and this has been proven by results many times in our history. We have adopted various creative measures to enable us to secure human resources with abundant diversity, such as the introduction of recruitment of new graduates in autumn and the continual recruitment of students from overseas, as well as building up the number of available courses at the HORIBA COLLEGE, which provides educational opportunities to our employees. Moreover, in 2014, we initiated a corporate project aimed at further enhancing diversity. It is called the “HORIBA Stained Glass Project” and it develops a working environment where everyone in diverse human resources can shine at their best.

## Aiming to be a truly global company with a unique corporate culture

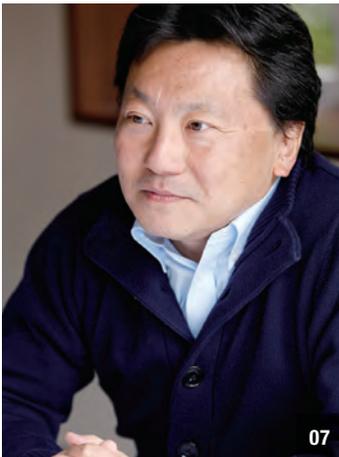
The companies that HORIBA has acquired are all globally respected companies that boast excellent technologies, human resources and histories. I am convinced that these companies have grown together with HORIBA firstly because the people that have become our new associates deeply understand our unique corporate culture symbolized by the company motto “Joy and Fun,” which enables us to share Omoi (meaning an emotional feeling, passion, commitment, mission and objective) and secondary because HORIBA has consistently practiced management that values this principle. In 2004, we announced the concept of “HORIBA Group is One Company.” and promoted changes in policies and systems such as the unification of the company name and brand, the invigoration of personnel exchanges among group companies, and the introduction of “Segment and Matrix Management.” At the same time, to enhance communication between executive and employees, we hold and host birthday parties every month in various places in Japan. Furthermore, we actively create opportunities for face to face communication on a global basis. This corporate culture fosters the “Invisible Values” of human resources and



### Changes in the management structure

#### Measures taken so far

- Changed the corporate name and unified our corporate brand
- Introduced “Matrix Management”
- Restructured group companies in the Americas and Europe, and organized development bases
- Introduced “Shared services\*” in the U.S., Japan and the U.K.
- Enhanced head office function
- Expanded the Blackjack Project\*\* globally
- Initiated the HORIBA COLLEGE



- 01 **Dr. Koza Ishida**  
Executive Vice Chairman
- 02 **Atsushi Horiba**  
Chairman, President & CEO
- 03 **Juichi Saito**  
Executive Vice President and General  
Manager of Corporate & Segment  
Strategy Division
- 04 **Sunao Kikkawa**  
Senior Corporate Officer, General  
Manager of Finance & Control Division
- 05 **Dr. Masayuki Adachi**  
Director and General Manager of  
Research & Development Division  
President of HORIBA Jobin Yvon S.A.S.
- 06 **Dr. Jai Hakhu**  
Executive Corporate Officer,  
Chairman, President & CEO of  
HORIBA International Corporation
- 07 **Takashi Nagano**  
Senior Corporate Officer,  
General Manager of Sales Division  
President of HORIBA KOREA LTD.

### Measures to take from now on

- Expand “Shared services” in Europe and Asia
- Implement ERP (Enterprise Resource Planning) systems in all group companies, making it complete (Implemented in Europe in 2014)

\* “Shared services” refer to the consolidation of certain common services in several divisions and organizations in order to enhance the productivity of the entire company or group companies and achieve cost reductions.

\*\* See the activities in detail on page 30.

technologies, and we ultimately provide these “Invisible Values” to customers in the form of real “products and services” that have enabled the creation of our current corporate value. We are indeed proud that all the business activities we conduct are contributing to the realization of a comfortable and sustainable society, and this is also the basic concept of our Corporate Social Responsibility. HORIBA is not just another Japanese company that conducts business around the world. Rather, our objective is to be a truly global company with an understanding of the diverse culture, customs, and values of the countries and regions where we conduct business in harmony with the local community and employees. We have also signed the United Nations Global Compact, a set of universally accepted principles in the areas of human rights, labor, environment and anti-corruption that the United Nations advocates, and we are monitoring our activities from the perspective of global standards.

Based on these initiatives and sustainable profit growth, I firmly believe we will consequently receive a fair market valuation from investors around the world as a true global company.

### We forecast a dividend increase in fiscal 2014

In fiscal 2013, we achieved record-high consolidated net income of ¥8.9 billion. To reward our owners (shareholders)\*, we paid a record-high annual dividend per share of ¥60 in fiscal 2013, as we revised our dividend policy that had been based on non-consolidated net income since HORIBA’s public listing to the one based on consolidated net income. (In fiscal 2012, we paid an annual dividend of ¥50, including a commemorative dividend of ¥10.) For fiscal 2014, we are currently forecasting an annual dividend per share of ¥64, based on forecast consolidated net income of ¥9 billion. HORIBA will continue to contribute to society by pursuing analytical and measurement technologies and helping to overcome various issues associated with energy and the environment. We will also continue to supply a wide variety of products in order to provide a healthy life and “assurance” to all people. Furthermore, when our operating environment is favorable, we will not be complacent, and when it is uncertain, we will pursue management strategies which turn risk into opportunity by correctly ascertaining the situation and acting boldly. I sincerely hope that all our stakeholders understand and agree with our management policy and will continue to support us for many years to come.

(\* HORIBA fully recognizes the importance of its shareholders and frequently calls them owners.)

April 2014  
Chairman, President & CEO **Atsushi Horiba**